



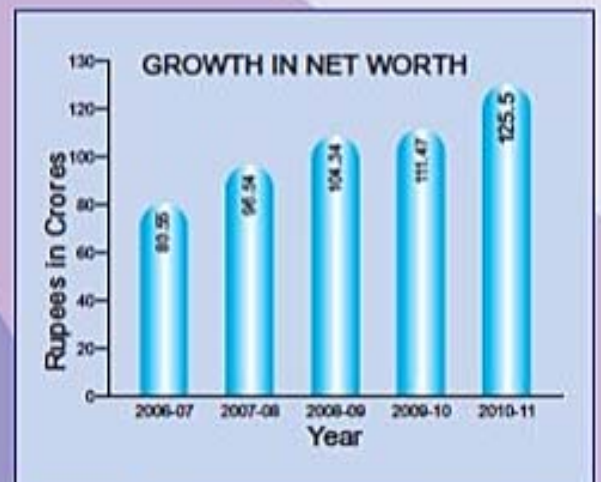
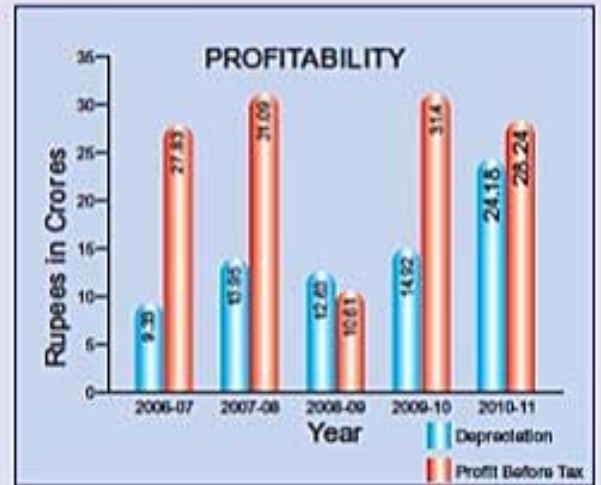
**annual report**

**2011**



**Sharda Motor Industries Limited**

# PERFORMANCE HIGHLIGHTS



**BOARD OF DIRECTORS**

N. D. RELAN	<i>CHAIRMAN</i>
AJAY RELAN	<i>Managing Director</i>
SHARDA RELAN	<i>Director</i>
ROHIT RELAN	<i>Director</i>
R. P. CHOWDHRY	<i>Director</i>
G. L. TANDON	<i>Director</i>
O. P. KHAITAN	<i>Director</i>
KISHAN N. PARIKH	<i>Director</i>
UDAYAN BANERJEE	<i>Executive Director</i>
PROF. ASHOK KUMAR BHATTACHARYA	<i>Director</i>

**PRESIDENT (LEGAL) & CFO**

PRADEEP RASTOGI

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

D. A. AGGARWAL

**COMPANY SECRETARY**

NITIN VISHNOI

**AUDITORS**

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

**BANKERS**

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

**REGISTERED OFFICE**

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

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## Chairman's Message

Dear Shareholders

Warm Greeting to all of you

The fiscal year 2011 was one in which both the world as well as the Indian economy showed resilience. While the global economy rebounded amidst fears of a double-dip recession, the Indian economy surged ahead on the back of its strong fundamentals. However high inflation and shortage of liquidity mainly on account of slowdown of inflow of foreign funds still remain as concern. Though these are expected to be short-lived.

Due to ever increasing demand of auto vehicles the auto industry is doing fairly well and so the auto component industry. The Automobile industry has become very competitive and the Companies are frequently launching their new products and upgrading technologies in order to increase or maintain their market share.

I am extremely happy to present before you a snap-shot of the achievements made by the Company during last fiscal. The total income of the Company for the financial year rose to Rs.705.43 Crores from Rs. 470.44 Crores during the corresponding previous financial year, registering an impressive growth of 49.95%, though it include the effect of By Back of SIPCOT unit This performance has enabled the Board of Directors to recommend a dividend of Rs.10/- per



N. D. Relan

share of Rs. 10/- each subject to the Shareholder's approval in the ensuing Annual General Meeting.

Your Company has always followed the highest standards of best management practices to ensure Corporate Governance and considers it as more of an ethical requisite than a regulatory necessity. It's a matter of great pride that our success over the years, has come without ever compromising on integrity, environmental and social obligations or regulatory compliance.

I would like to reiterate that your Company's employees are its greatest asset and it is entirely due to their hard work, perseverance, commitment and dedication that your Company has been able to deliver superior growth and value creation with every passing year.

I along with Board of Director sincerely thank all our shareholders, customers, bankers and stakeholders for their continued support and faith reposed in your Company and look forward to a bright year ahead.

## Message From MD



Ajay Relan

Dear Shareholders,

The global economy, mirroring its trend from the previous year, continued to witness sluggish growth and also the Oil prices hit an all time high but the Indian economy due to right and timely measures taken by the Indian regulators, could largely bear the impact of the global slowdown. Despite domestic inflation, natural calamities and unpredictable monsoons hitting the economy hard, the Indian economy exhibited great resilience in bouncing back to be buoyant as ever. Though the country's target was a double digit growth in GDP, it, however, had to settle for a slightly damper achievement

Today the biggest challenge is to find the appropriate balance between our values, competencies and resources on the one hand and the emerging opportunities on the other. I would like to assure you that we have the foresight and capability to make your company a high performance organization fully geared to reap these opportunities.

The responsibility of the company is to make the positive impact on the Community in which the company does business through its support of select programs, outreach efforts and initiative that improves and enhances the quality of life. Our goal is to make things better for the planet, better for the people and better for the business.

At the end, I would like to thank all our customers, suppliers, business partners, bankers and our shareholders for their unwavering support and confidence in our company and look forward to a bright year ahead. I assure each and every member of the Company that the Board of Directors and the Management will make their best endeavour to take your Company to a greater level of achievement and success in the year ahead.

I look forward to your continued support and encouragement.



## NOTICE

NOTICE is hereby given that the Twenty-sixth Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat world at Indian Habitat Center Lodhi Road, New Delhi, on **Monday the 8th day August, 2011 at 12.30 P.M.** to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date and Report of the Directors and Auditors thereon.
2. To declare a dividend for the financial year 2010-11
3. To appoint a Director in place of Shri R. P. Chowdhry who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri O. P. Khaitan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Shri Kishan N Parikh who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, the retiring auditors of the Company, as Auditors of the Company, to hold office commencing from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Director, to fix their remuneration for the period.

### SPECIAL BUSINESS

7. **To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any statutory amendment or re-enactment thereof and subject to such consent, approvals and permissions as may be needed in this regard, approval of the shareholders do hereby accorded for the appointment of Shri Ajay Relan as Managing Director of the company for a period of Five years with effect from 1st September’ 2011 on payment of such remuneration and other benefits subject to tax deduction as per the Income Tax Act, as set out hereunder:

**Salary :** Rs 1,200,000/- per month in the range of Rs. 1,000,000 to Rs. 2,000,000 per month as may be agreed between the Board of Directors/ Remuneration Committee and Shri Ajay Relan.

**Commission:** Such amount or percentage of the net profit as may be decided by the Board of Directors / the Remuneration Committee from year to year provided that the overall managerial remuneration shall not exceed the limit laid down in the Companies Act, 1956 and Schedules / Rules made thereunder.

#### Other Entitlements

- a) Expenditure of Housekeeping including maintenance and insurance premium thereof.
- b) Children Education Expenditure.
- c) Medical Expenses for self & family including Premium of Medi-Claim Policy (ies).
- d) Leave Travel Concession for self & family as per the Company Rules.
- e) Clubs Membership Fees / expenses
- f) Personal Accident Insurance for self & family.
- g) Leave Encashment as per the Company Rules.
- h) Provision for Company Maintained Chauffeur Driven Car.
- i) Free Telephone, Fax and other communication facility at Residence.
- j) Company's Contribution towards Provident Fund, Pension Fund, and Superannuation Fund as per the Company Rules.
- k) Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.
- l) Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Ajay Relan.

“Family means the Spouse, Dependant Children and Parents of the appointee.”

**“FURTHER RESOLVED THAT** where in any financial year during the currency of tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and other entitlements as specified above, subject to limits laid down in the Companies Act, 1956 and Schedules / Rules made there under.”

**“FURTHER RESOLVED THAT** the appointment may be terminated by either party by giving, in writing, to other party, three calendar months notice or lesser notice as may be agreed mutually.”

“**FURTHER RESOLVED THAT** no further permission or consent of / reference to the Members shall be required for altering, varying and / or increasing the remuneration of Shri Ajay Relan, Managing Director of the Company, by the Board of Directors / the Remuneration Committee of the Company, provided that such alteration, variation and / or increase shall be within the permissible ceiling limits as specified in the Companies Act, 1956 and Schedules and Rules made thereunder.”

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

Place : New Delhi  
Dated : 6th May' 2011

**NITIN VISHNOI**  
Company Secretary

**NOTES:**

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
- Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
- The Register of the Members and Share Transfer Books of the Company will remain closed from **2nd Day of August, 2011 to 8th Day of August, 2011 (both days inclusive)**.
- Shareholders desirous of obtaining any information/clarification concerning the accounts or intending to raise any query are required to forward the same to the company so as to enable the Management to keep the information ready.
- Dividend if approved by members at Annual General Meeting will be paid to those members, whose names appear on the Register of Members on **8th Day of August, 2011**.
- Pursuant to Section 205A (5) read with Section 205C of the Companies Act, 1956 (as amended) any money transferred to the unpaid dividend account of a Company remaining unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the fund or the Company. So, you are advised to claim the same from the Company immediately. The due dates of transfer of the following dividends to the Fund are as under:

Financial Year Ended	Date of Declaration of Dividend	Proposed Due date for transfer to IEP Fund
31.03.2004	22.07.2004	20.08.2011
31.03.2005	27.01.2005*	25.02.2012
31.03.2005	01.08.2005	30.08.2012
31.03.2006	25.10.2005*	23.11.2012
31.03.2006	25.08.2006	23.09.2013
31.03.2007	27.01.2007*	25.02.2014
31.03.2007	25.07.2007	23.08.2014
31.03.2008	28.01.2008*	26.02.2015
31.03.2008	04.08.2008	02.09.2015
31.03.2009	28.01.2009*	26.02.2016
31.03.2009	27.06.2009*	26.07.2016
31.03.2009	24.08.2009	22.09.2016
31.03.2010	28.01.2010*	26.02.2017
31.03.2010	18.08.2010	16.07.2017
31.03.2011	22.01.2011*	20.02.2018

\* Interim Dividend

- Members are requested to intimate change, if any, in their postal addresses immediately to:

Alankit Assignments Ltd.  
(Registrar & Transfer Agent)  
Alankit House, 2E/21,  
Jhandewalan Extension,  
New Delhi 110055.

- Annual Listing fee for the year 2011-12 has been paid to Delhi Stock Exchange wherein shares are listed.

9. Members/proxies should bring the attendance slips duly filled in and signed for attending the meeting.
10. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT.

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

Name of Director	Shri Ajay Relan	Shri R. P. Chowdhry	Shri O. P. Khaitan	Shri Kishan N Parikh
Date of Birth	3.12.1961	16.05.1925	21.11.1943	15.04.1967
& Age	49 Years	86 Years	67 Years	44 Years
Nationality	Indian	Indian	Indian	Indian
Appointed on	29.01.1986	29.08.1986	16.12.2005	16.12.2005
Qualifications	B.Com (Hons), Owner President Management Programme (Harward Business School, USA)	B. Tech.	B. Com., LLB	B. Com
Expertise in specific functional areas	Business Management	Business Management	Law Practice	Business Management
List of Directorships held in other Companies	1. Bharat Sheets Ltd. 2. Relan Industrial Finance Ltd. 3. Sharda Sejong Auto Components (I) Ltd. 4. Progressive Engineering & Automation Pvt. Ltd.	1. Sharda Sejong Auto Components (I) Ltd.	1. ECE Industries Ltd. 2. J. K. Tyre & Industries Ltd. 3. Honda Siel Power Products Ltd. 4. Bengal & Assam Co. Ltd. 5. VLCC Health Care Ltd. 6. Shriram Pistons & Rings Ltd. 7. Ilpea Paramount Ltd. 8. Howden Insurance Brokers India Pvt. Ltd. 9. Nipshell Builders Pvt. Ltd.	1. Sharda Sejong Auto Components (I) Ltd. 2. Pebco industries Ltd. 3. Calcutta Commodities (1956) Pvt. Ltd. 4. Aersoft Trading & Marketing Pvt. Ltd. 5. Brisco Pvt. Ltd. 6. Jameshedpur Air connect Pvt. Ltd. 7. Bharat Seats Limited
Membership / Chairmanship of Committees across other Companies	<b>Audit Committee</b> - Member (1)	<b>Audit Committee</b> - Chairman (1)	<b>Audit Committee</b> - Chairman (2) - Member (4) <b>Remuneration Committee</b> - Chairman (1) - Member (2) <b>Shareholders Grievance Committee</b> - Chairman (1) - Member (1).	<b>Audit Committee</b> - Member (1) <b>Shareholders Grievance Committee</b> Member (1)
Shareholding	829,578	600	Nil	Nil

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

Place : New Delhi  
Dated : 6th May' 2011

**NITIN VISHNOI**  
Company Secretary



## ANNEXURE TO NOTICE

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

### ITEM NO. 7

The Members of the Company at their 21st Annual General Meeting held on 25th Day of August, 2006 approved the appointment of Shri Ajay Relan as Managing Director of the Company for a period of five years with effect from 1st Day of September, 2006 to 31st Day of August, 2011 on the terms of remuneration as detailed in the resolution under Item No. 11 of the Notice of the said meeting. The present tenure of Shri Ajay Relan as a Managing Director shall be expiring on 31st Day of August, 2011 and during his tenure the Company has registered all round progress. In view of the continued growth of the Company's business activities, it is felt desirable to re-appoint Shri Ajay Relan as Managing Director of the Company for a further period of five years.

The Remuneration Committee and the Board of Directors in their meetings held on 6th Day of May' 2011, had approved the re-appointment of Shri Ajay Relan as Managing Director of the Company, subject to the approval of the members in the general meeting, for a further period of five years with effect from 1st Day of September' 2011. It was also approved in the above said meetings that his remuneration package should be revised in the light of present conditions with effect from 1st Day of April, 2011 on the terms and conditions as mentioned in the proposed resolution herein above at Item No.7.

The Board of Directors of your Company, therefore, recommends the passing of Special Resolution as set out at Item No.7 of Notice convening the meeting.

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

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

Place : New Delhi  
Dated : 6th May' 2011

**NITIN VISHNOI**  
Company Secretary

## DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Twenty-Sixth Annual Report together with the Audited Accounts for the year ended 31st March' 2011.

### 1. FINANCIAL RESULTS:

	Year Ended 31.03.2011	Year Ended 31.03.2010
Turnover and Inter-unit Transfers	98,280.29	54,811.49
Less: Inter-unit Transfer	17,033.20	3,512.65
<b>Turnover</b>	<b>81,247.09</b>	<b>51,298.84</b>
Profit before Other Income, Depreciation & Financial Charges	5,527.72	5,033.90
Add: Other Income	523.45	423.17
Profit before Depreciation, Financial Charges & Taxes	6,051.17	5,457.07
Less:		
a) Depreciation	2,418.21	1,492.05
b) Financial Charges	808.18	825.17
c) Taxation		
– Current Tax	232.61	861.33
– Deferred Tax	495.42	165.95
– Adjustments for earlier years	-	(3.05)
<b>Net Profit after Tax</b>	<b>2,096.75</b>	<b>2,115.62</b>
Add: Profit brought forward from Previous year	1,575.50	2,155.58
<b>Profit available for appropriation</b>	<b>3,672.25</b>	<b>4,271.20</b>
<b>APPROPRIATIONS</b>		
Proposed Dividend	297.32	297.32
Tax on Proposed Dividend	49.38	50.53
Interim Dividend	297.32	297.32
Tax on Interim Dividend	49.38	50.53
Transferred to General Reserves	1,500.00	2,000.00
Balance carried forward to Balance Sheet	1,478.85	1,575.50

### 2. OPERATIONS

During the year under review your Company achieved yet another milestone as "Turnover and Inter-Unit Transfers" touched an all time high of Rs.982.80 Crores as against Rs. 548.11 Crores for the previous Financial Year registering an increase of 79.31% over the previous year's turnover.

Since, the current year results include the figure pertaining to Sipcot Unit situated at G-20, Sipcot Industrial Park, Kancheepuram, Chennai due to cancellation of transfer of business vide cancellation deed dated November 20, 2009. All assets and liabilities pertaining to Sipcot Unit hitherto hived off to wholly owned subsidiary M/s Sharda Sejong Auto Components India Ltd. have returned back to the company at their respective book values as on commencement of business on 1st April, 2010. Hence current year's figures are not comparable with previous year's figures

### 3. DIVIDEND

In January, 2011, your Company had paid an interim dividend of Rs.5.00 per share. Your Directors has further recommended a final Dividend of Rs.5.00 per Equity Share @ 50% on the paid-up Equity Share Capital of the Company for the year ended 31st March' 2011.

The Final Dividend, if approved at the forthcoming Annual General Meeting, shall be paid out of the profits of the Company to those shareholders whose names appear on 8th August, 2011. Thus, the total dividend for the year 2010-11 would be Rs.10.00 per equity share.

The Cash outflow on account of dividend including interim dividends on equity share capital will be Rs.693.39 Lakhs including dividend tax of Rs.98.76 Lakhs.

#### 4. SUBSIDIARY

Your Company has one wholly owned subsidiary viz M/s Sharda Sejong Auto Components (India) Ltd. The Audited Accounts of the subsidiary for the year ended 31 March' 2011 are attached in accordance with Section 212 of the Companies Act, 1956.

Consolidated accounts of its subsidiary and associate for the year under review have also been drawn in accordance with the requirement of Accounting Standard 21 and 23 of ICAI annexed herewith for your review.

#### 5. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri O. P. Khaitan, Shri Kishan N Parikh and Shri R. P. Chowdhry (determined by lot), Directors of the Company retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting. In terms of clause 49 of the Listing Agreement with the Stock Exchange, the details of the Directors to be re-appointed are being provided in the Notice of the Annual General Meeting.

Shri Ajay Relan, was reappointed as the Managing Director of the Company for a period of five years with effect from 1st September, 2006 to 31st August, 2011 by the Shareholders. The Board of Directors recommends his reappointment as Managing Director of the Company for a further period of five years with effect from 01st September, 2011

#### 6. PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 regarding employees is given in **Annexure-A** forming part of the Directors' Report.

#### 7. CONSERVATION OF ENERGY

Your Company is not covered by the Schedule of Industries which are required to furnish information in Form 'A' under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

#### 8. TECHNOLOGY ABSORPTION

The detailed information in this regard is mentioned in Form-'B' of The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 annexed hereto (**Annexure-B**).

#### 9. CORPORATE GOVERNANCE

We strive to attain high standards of corporate governance while interacting with all our stakeholders. The Company has complied with the corporate governance code as stipulated under the Listing Agreement with Stock Exchange.

A separate report of the Directors on Corporate Governance is enclosed (**Annexure-C**) which forms part of this Annual Report.

A certificate from CEO and CFO of the Company has been received by the Board certifying the compliances as stipulated in Clause 49 (V) of the Listing Agreement and is annexed as a part of this Annual Report.

The requisite certificate from Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

#### 10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and analysis report as required under the Listing Agreement with the Stock Exchange as a part of Directors' Report is annexed as **Annexure – 'D'**.

#### 11. FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement containing necessary information in respect of foreign exchange earnings and outgo is annexed hereto as Annexure-B and forms an integral part of this Report.

#### 12. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (I) In the preparation of the annual accounts for the under report, the applicable accounting standards have been followed;
- (II) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;
- (III) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(IV) The annual accounts have been prepared on a "going concern" basis.

### 13. FIXED DEPOSITS

The Company has not accepted any fixed deposits from the Public during the year under review and has nil fixed deposits outstanding.

### 14. STOCK EXCHANGE INFORMATION

The Equity Shares of the Company continue to remain listed on the Delhi Stock Exchange Limited and the annual listing fees for the financial year 2011-12, has been paid.

### 15. INDUSTRIAL RELATIONS

During the period under review, the Company maintained healthy, cordial and harmonious industrial relations at all levels.

Your Directors wish to place on record their appreciation of the co-operation, valuable contributions, enthusiasm and unstinting efforts made by the employees of the Company at all levels in the organization and they have ensured the accomplishment of excellent results and achievement by the Company.

### 16. AUDITORS

M/s S. R. Dinodia & Co. Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received letter from them to the effect that their re-appointment if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors have recommended the re-appointment of M/s. S. R. Dinodia & Co. Chartered Accountants as the Statutory Auditors of the Company.

### 17. AUDITORS' REPORT

The observations of Auditors in their report read with the relevant notes to accounts are self-explanatory and therefore do not require further explanation.

### 18. STATUTORY DISCLOSURES

None of the Directors of your Company is disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

### 19. ACKNOWLEDGEMENTS

Your Company has been able to operate efficiently because of the professionalism, creativity, integrity and continuous improvement in all functional areas to ensure efficient utilization of the Company's resources for sustainable and profitable growth. The Directors acknowledge their deep appreciation to employees at all levels for their total dedication, hard work, commitment and collective team work, which has enabled the Company to remain at the forefront of the industry despite increased competition and challenges.

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from its customers i.e. Hyundai Motor India Ltd., Mahinda & Mahindra Ltd., M/s. Samsung Electronics India Ltd., M/ s. Tata Motors Ltd. and M/s. Bharat Seats Ltd.

Your Directors also extend their appreciation to Yes Bank Limited, ICICI Bank Limited, State Bank of India, Citi Bank, HDFC Bank, ABN Amro Bank and various Departments of Central and State Governments.

Your Directors also would like to thank all the shareholders for their continued support & Co-operation.

By Order of the Board  
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi  
Dated : 6th May' 2011

**N. D. Relan**  
Chairman

**ANNEXURES TO DIRECTORS' REPORT**
**ANNEXURE-A**

Statement of particulars under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the Year Ended 31st March' 2011.

A. Employed throughout the year ended 31st March' 2011 in receipt of Remuneration not less than Rs.60, 00,000/-

Name	Designation & Nature of Duties	Remuneration Received (Rs. In Lacs)	Qualification & Experience (in No. of Years)	Date of Commencement of Employment	Age	Particulars of last Employment
Shri N. D. Relan	Chairman / Overall Supervision	126.90	B.Com, 58 Yrs	01.07.2003	82 Yrs	Chairman Bharat Seats Ltd.
Shri Ajay Relan	Managing Director / Supervision of business affairs of the Company	124.79	B.Com (Hons), OPM Program, From Harvard Business School, USA 27 Yrs	01.09.1986	49 Yrs	First Employment
Dr. Sivanandi Rajadurai	Head R&D Centre / Overall Supervision of Research, Design and Development activities	117.30	Ph.D (1979) in Physical Chemistry, 32 Yrs	01.12.09	60 Yrs	Vice President, ACS Industries

B. Employed for part of the year ended 31st March' 2011 in receipt of Remuneration not less than Rs.5,00,000/- per month

-----NONE-----

**Notes:-**

- Remuneration includes Basic Salary, Allowances, Commission, Company's contribution to provident fund and monetary value of perquisites and excludes earned leave and gratuity unless paid/payable.
- The nature of employment in all cases is contractual.
- Shri N. D. Relan and Shri Ajay Relan are relative of Smt. Sharda Relan and Shri Rohit Relan, the Non-Executive Directors of the Company.
- Shri N. D. Relan, Chairman, is holding 21.20 % Equity Shares of the Company in pursuance of Section 217(2A) of the Companies Act, 1956 and Rules made thereunder.
- Shri Ajay Relan, Managing Director, is holding 28.50 % Equity Shares of the Company in pursuance of Section 217(2A) of the Companies Act, 1956 and Rules made thereunder.
- Dr. Sivanandi Rajadurai is holding NIL Equity Shares in the Company as on 31.03.2011.

## ANNEXURE-B

Disclosure of the Particulars with respect to Technology Absorption as required under Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31st of March, 2011.

### PART – I : DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

#### FORM - B

##### A) RESEARCH & DEVELOPMENT (R&D)

###### 1. Specific areas in which R&D carried out by the Company:

The Company's Research & Development Centre at Chennai, which has been recognized by the Department of Scientific and Industrial Research (DSIR), Government of India and enjoy the approval u/s 35(2AB) of Income Tax, Act, is well equipped with the latest testing equipments. A team of highly qualified automobile engineers are fully committed towards attaining targets set by the Management.

The Company's Research & Development Centre continued and expanded its research work in improving the design, process and methods for manufacturing the automotive components and developing new improved method.

###### 2. Benefits derived as a result of the above R&D:

- Overall cost reduction, efficiency, improved utilization / productivity of existing manufacturing facilities.
- Compliance of regulatory norms / requirements.
- Enhancement in quality and services to the customers.
- Development of new product design / process.
- Reduction in manufacturing & delivery time. Reduction in rejection / waste.

###### 3. Future plan of action:

Steps are continuously being initiated to strengthen the existing research projects in hands and to undertake new research & development assignments with an objective of efficient utilization of raw material, cost optimization of existing products and production of better quality products including new product development.

###### 4 Expenditure on R&D:

	(Rs. in Lacs)
	2010-11
a) Capital	802.57
b) Recurring	210.90
Total	1,013.47
c) Total R&D expenditure as a percentage of total sales, net of Excise Duty.	1.45%

##### B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

###### Efforts made in brief:

- All efforts are being made to implement the in-house developed innovations and improvements for products / processes.
- Laying great emphasis on the absorption of the design and manufacturing technology of automotive components.
- The Company has a team of highly qualified and experienced automobile engineers who are fully committed towards achieving the corporate objective of growth and excellence.
- Continuous efforts are being made in the areas of Quality improvement, waste reduction, process capability in major equipment and cost optimization to specially improve the Market acceptance of Company's products.



- Imparting training programs by foreign technicians in various manufacturing techniques.
- Participating in conferences, seminars and exhibitions.
- Learning technology by working with international technology partners for expansion and modernization programs.
- Analyzing feedback from users to improve products and services.

**Benefit derived as a result of the above efforts:**

- Adoption of most modern technology supplied by the technical collaborators.
- Improvement in existing products' quality and performance, and adoption of several innovations in product design as well as process enabling the Company to maintain its leadership in a highly competitive market.
- Reduction in maintenance & operating cost to end user.
- Up-gradation of process technology in many areas.
- Import substitution.
- Reduced dependence on technical collaborators.

**Particulars of Technology Imported during the last five years:**

Innovation/ Technology	Year of Import	Status
Exhaust System	Recurring since 1998-99	Commissioned

**PART - II : DISCLOSURE OF PARTICULARS WITH RESPECT TO FOREIGN EXCHANGE EARNING AND OUTGO**
**FORM-C**
**(i) Activities relating to exports, initiatives taken to increase exports, development of new export markets for production and services.**

The Company during the year under review has made exports of exhaust muffler, silencer, exhaust pipe and parts of motor vehicle for Rs. 261.43 lacs.

The Company is also taking initiatives to explore export market for other products being manufactured by the Company.

**(ii) Total Foreign Exchange used and earned**

The information is reported under suitable heading in the 'Notes to Accounts' forming part of the Annual Report of the Company for the year 2010-11.

**ANNEXURE-C****REPORT ON CORPORATE GOVERNANCE**

Sharda Motor Industries Limited (SMIL) is committed to do business in an efficient, responsible, honest and ethical manner. This commitment starts with the Board of Directors, which executes its corporate governance responsibilities by focusing on the Company's strategic and operational excellence in the best interests of all our stakeholders, in particular shareholders, employees and our customers in a balanced fashion with long term benefits to all.

Your Directors present the Company's annual report on Corporate Governance for the year ended 31st March, 2011 as per the format prescribed by the SEBI and revised clause 49 of the Listing Agreement, as under:

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The basic philosophy and the core values of the Company are commitment to business excellence and customer satisfaction, maximizing long terms shareholders' value and compliance with all the applicable laws of the land.

SMIL is respected for its professional management and good business practices in the Indian Corporate World. Integrity, emphasis on product quality and transparency in its dealings with all stakeholders are its core values.

**2. BOARD OF DIRECTORS****Composition of the Board**

The Board of Directors consists of professionals drawn from diverse fields. As on 31st March 2011 the Board of Directors of the Company consists of ten Members headed by its Executive Chairman Shri N. D. Relan, and have nine other Directors, out of which two Directors are Whole-time Director i.e. Managing Director and Executive Director and seven are Non-Executive Directors out of which five are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement, which stipulates that at least half of the Board should comprise of Independent Directors if the Chairman is an Executive Director. All Non-Executive Independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board.

The Independent Directors do not have any material pecuniary relationship or transactions with the Company, its promoters or its management.

The Board met four times during the financial year 2010-11, on 22nd May' 2010, 12th August' 2010, 27th October' 2010 and 22nd January' 2011. The maximum gap between any two meetings was less than four months.

The composition of the Board of Directors and their attendance at the Board meetings held during the year ended 31st March, 2011 and at the last Annual General Meeting also the number of other directorships and membership/chairmanships of committees are tabulated hereunder:

S. No	Name of the Director & Designation	Category of Directorship	No of Board Meetings attended during 2010-11	Attendance at Last AGM held on 18th August, 2010	Directorship of other Companies#	Membership / Chairmanship in Board Committees of other Companies##
1.	Shri N. D. Relan (Chairman)	Promoter / Executive	4	YES	4	3
2.	Shri Ajay Relan (Managing Director)	Promoter / Executive	4	YES	3	1
3.	Smt. Sharda Relan (Director)	Promoter / Non-Executive	4	YES	1	–
4.	Shri Rohit Relan (Director)	Promoter / Non-executive	3	No	3	–
5.	Shri R. P. Chowdhry (Director)	Independent/ Non-Executive	4	YES	1	1(1)*
6.	Shri G. L. Tandon (Director)	Independent/ Non- Executive	4	YES	4	2(1)*
7.	Shri O. P. Khaitan (Director)	Independent/ Non- Executive	4	YES	9	9(4)*
8.	Shri Kishan N Parikh (Director)	Independent/ Non- Executive	NONE	YES	3	2
9.	Shri Udayan Banerjee (Executive Director)	Non-Independent / Executive	4	YES	1	–
10.	Prof. Ashok Kumar Bhattacharya	Independent/ Non- Executive	2	NO	–	–

# Includes Directorships of other Public Limited Companies only.

## Only covers Membership / Chairmanship of Audit Committee and Shareholder / Investor Grievance Committee.

\* The figures in parenthesis denote the number of Chairmanship(s) of Board Committee in other Companies.

## COMMITTEE OF THE BOARD

### (i) Audit Committee

The Audit Committee of the Company constituted as per the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, is operative as per following terms and conditions:

- Review Management Discussion and Analysis report;
- Review the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment, reappointment and removal of the Statutory Auditors, fixing of audit fees and approval for payment of fees for any other services rendered by the Auditors;
- Reviewing with the management, the quarterly/annual financial statements before submission to the Board for approval, with particular reference to:-
  - a) matters required to be included in the Director's Responsibility Statement which forms part of the Director's Report pursuant to Clause (2AA) of Section 217 of the Companies Act, 1956;
  - b) changes, if any, in accounting policies and practices and reasons for the same;
  - c) significant adjustment made in the Financial Statements arising out of audit findings;
  - d) compliance with listing and other legal requirements relating to financial statements;
  - e) disclosure of any related party transactions;
  - f) qualification in the draft audit report;

- Statement of significant related party transactions;
- Reviewing adequacy of internal control system with the management;
- Review the Company's financial risk and management policies.
- Review any other area which may be specified under the Listing Agreement, Companies Act, 1956, other Statutes, Rules and Regulations as amended from time to time.

In fulfilling the above role, the Audit Committee has powers to investigate any activity within its terms of reference, to seek information from employees and to obtain outside legal and professional advice.

During the year 2010-11 four Audit Committee meetings were held on 22nd May, 2010, 12th August 2010, 27th October 2010 and 22nd January, 2011.

The composition of the Audit Committee and their attendance at the Committee meetings held during the year ended 31st March, 2011 is as under:

S. No	Member Director & Designation	Category	No. of Meetings attended during 2009-10
1.	Shri G L Tandon (Chairman)	Independent Non-Executive	4
2.	Shri N. D. Relan (Member)	Executive Director	4
3.	Shri R. P. Chowdhry (Member)	Independent Non-Executive	4

The Audit Committee at present comprises one Executive Director and two Independent Non-Executive Directors of the Company. All the three members of Committee have adequate financial & accounting knowledge and background.

The Minutes of the Committee meetings were regularly placed before the Board. Chairman of the Committee was present at the last Annual General Meeting held on 18th August, 2010.

The Chairman of the Company, Managing Director, CFO and Representative of Statutory Auditors are the permanent invitees to the Audit Committee meetings.

Shri Nitin Vishnoi, Company Secretary, is the Secretary to the Committee and attended all its meeting held during the year under review.

**(ii) REMUNERATION COMMITTEE:-**

The terms of reference of the Remuneration Committee, inter-alia consists of reviewing the overall remuneration policy, service agreement and other employment conditions of the Managing Director and Executive Directors of the Company with a view to retaining and motivating the best managerial talents. In determining the remuneration package of Managing and/or Executive Director(s), it evaluates the performance of the Managing and/or Executive Director(s) and also the financial position of the Company and its profits or loss during the year.

During the financial year 2010-11 one Remuneration Committee Meeting was held on 22nd May' 2010.

The composition of the Committee and their attendance at the Committee meeting held during the year ended 31st March, 2011, are as under:

S. No	Member Director & Designation	Category	No. of Meetings attended during 2009-10
1.	Shri O. P. Khaitan (Chairman)	Independent Non-Executive	1
2.	Shri R. P. Chowdhry (Member)	Independent Non-Executive	1
3.	Shri Kishan N Parikh (Member)	Independent Non-Executive	None

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange and under the Companies Act, 1956.

**REMUNERATION POLICY**

The Company while deciding the remuneration package of the Managing Director/Whole Time Director(s) takes into consideration the following items:

- Employment scenario;
- Remuneration package of the industry;
- Remuneration package of the managerial talent of other industries;
- The remuneration, tenure of appointment/re-appointment of the Executive Directors including their salary, commission and perquisites are paid in accordance with the terms and conditions approved by the Board of Directors (on the basis of recommendations of the Remuneration Committee) and the Shareholders of the Company in General Meeting and such other approvals as may be necessary under the Companies Act, 1956.
- The Non-Executive Directors are paid sitting fees and commission in certain cases in accordance with the provisions of Section 198 and 309 of the Companies Act, 1956.

#### REMUNERATION OF DIRECTORS

Remuneration of Executive Directors largely consists of fixed component like Salary, allowances, perquisites and commission being the variable component. The details of remuneration paid to Directors of the Company during 2010-11 are tabulated hereunder:

##### Executive Directors

(Rs. In Lacs)

Name of Director	Salary	Commission	Perks	Total
Shri N. D. Relan	93.00	–	36.94	<b>129.94</b>
Shri Ajay Relan	98.00	–	29.57	<b>127.57</b>
Shri Udayan Banerjee	19.20	–	5.61	<b>24.81</b>
<b>Total</b>	<b>210.20</b>	–	<b>72.12</b>	<b>282.32</b>

##### Non-Executive Directors

(Rs. In Lacs)

Name of Director	Sitting fee	Commission	Total
Smt. Sharda Relan	0.80	13.00	<b>13.80</b>
Shri Rohit Relan	0.60	13.00	<b>13.60</b>
Shri R. P. Chowdhry	1.70	–	<b>1.70</b>
Shri G. L. Tandon	1.20	–	<b>1.20</b>
Shri O. P. Khaitan	1.30	–	<b>1.30</b>
Shri Kishan N Parikh	0.00	–	<b>0.00</b>
Prof. Ashok Kumar Bhattacharya	0.40	–	<b>0.40</b>
<b>TOTAL</b>	<b>6.00</b>	<b>26.00</b>	<b>32.00</b>

#### Notes:

1. The service contract for Executive Directors of the Company is 5 years from the date of their appointment;
2. At present the Company does not have any Employee Stock Option Scheme;
3. Notice period is three calendar months or lesser notice in writing as may be agreed mutually.
4. There is no separate provision for payment of severance fee under the resolutions governing the appointment of Executive Directors;
5. The Commission paid to non-executive directors is approved by the Board of Directors and Shareholders of the Company within the limits stipulated under the Companies Act, 1956;
6. Non-Executive Directors did not have any pecuniary relationship or transactions vis-à-vis the Company except the payment of dividend on the Equity Shares held by them in the Company and the details as reported under Clause no. 11 of Schedule 12 B of Notes to Accounts in the Annual Report of the Company.

7) Details of the shares held by Non-Executive Directors as on 31.03.2011 are tabulated hereunder:

S. No.	Name of Non-Executive Director	No. of Shares held
01	Smt. Sharda Relan	742520
02	Shri Rohit Relan	523218
03	Shri R. P. Chowdhry	600
04	Shri G. L. Tandon	Nil
05	Shri O. P. Khaitan	Nil
06	Shri Kishan N Parikh	Nil
07	Prof. Ashok Kumar Bhattacharya	Nil

**(iii) SHAREHOLDERS GRIEVANCE COMMITTEE:-**

During the year 2010-11 four Shareholders' Grievance Committee meetings were held on 22nd May, 2010, 12th August, 2010, 27th October 2010 and 22nd January, 2011.

The Shareholders' Grievance Committee comprises of the following persons:

S. No	Member Director & Designation	Category	No. of Meeting attended during the year
1	Shri R. P. Chowdhry (Chairman)	Independent Non-Executive	4
2	Shri N. D. Relan (Member)	Executive Director	4
3	Shri O. P. Khaitan (Member)	Independent Non-Executive	4

The terms of reference of Shareholders Grievance Committee inter-alia deals with various matters relating to:-

- Issue of Duplicate Share Certificates;
- Non-receipt of Annual Report, declared dividend, Share Certificates and pertaining to transfer / transmission of Shares etc.;
- Monitors expeditious redressal of investors grievances;
- The Committee also considers the request of the Shareholders for splitting/ consolidation/ renewal of certificate as may be referred by the Share Transfer Committee.

Shri Nitin Vishnoi, Company Secretary, acts as Secretary to the Committee and is the Compliance officer, and attended its meeting held during the year under review.

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues resolved usually within 15 days except in case of dispute over facts or other legal constraints.

During the financial year 2010-11, no complaint has been received from the shareholders by the Company nor there any complaint pending at the end of the year.

The Company has acted upon all valid requests for issue of duplicate Share Certificates, share transfer / transmission received during the year under report and no such issue of duplicate Share Certificates, transfer / transmission is pending as on 31st March, 2011.

**4. GENERAL BODY MEETINGS:-**

Particulars of Annual General Meetings held during the last three years:

AGM No.	Year	Venue	Date	Time	No. of Special Resolutions
25th	2009-10	India Habitat Centre, New Delhi	18.08.2010	12:30 pm	None
24th	2008-2009	India Habitat Centre, New Delhi	24.08.2009	12:30 PM	None
23rd	2007-2008	India Habitat Centre, New Delhi	04.08.2008	12:30 PM	Two



All special resolutions moved at last three Annual General Meetings were passed by show of hands by requisite majority of Members attending the meeting and none of these resolutions were required to be passed by postal ballot.

#### 5. DISCLOSURES:-

I. The Board has received disclosures from Key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. The particulars of transactions between the Company and its related parties as per the Accounting Standards 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India (ICAI) are set out in relevant Notes to Accounts in the Annual Report. However, these transactions are not likely to have any conflict with the Company.

II. As per the Articles of Association of the Company and relevant provisions of the Companies Act, 1956, Shri O. P. Khaitan, Shri Kishan N Parikh and Shri R. P. Chowdhry would retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

All the above re-appointments are subject to the approval of members of the Company in the ensuing Annual General Meeting. A brief resume of the above Directors recommended for re-appointments at the AGM are furnished in the Notice of the Annual General Meeting of the Company.

The information relating to the Directors being re-appointed at the ensuing Annual General Meeting, are furnished in the Notice of the Annual General Meeting of the Company.

III. During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on matters related to capital markets.

IV. In the preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in Schedule 12 i.e Significant Accounting Policies and Notes to Account.

V. The Board of Directors has adopted the Code of Conduct for Board Members and Senior Management Personnel of the Company. The said Code has been communicated to Director and the Members of the Senior Management.

They have affirmed their compliance with the code of conduct for the year ended 31st March, 2011. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

#### 6. MEANS OF COMMUNICATION

- The un-audited quarterly / half yearly financial results are announced within 45 days of the end of the quarter as stipulated under Clause 41 of the Listing Agreement. The aforesaid financial results are reviewed by the Audit Committee and taken on record by the Board of Directors and are communicated to the concerned Stock Exchange by way of hard copy, soft copy and also newspaper cutting of the published results;
- The audited annual results are announced within Sixty Days from the end of the last quarter as stipulated under Clause 41 of the Listing Agreement. The said audited annual results are also reviewed by the Audit Committee and taken on record by the Board of Directors, are communicated to the concerned Stock Exchange by way of hard copy, soft copy and also newspaper cutting of the published results.
- Such Results are normally published within 48 hours in two Newspapers, one in English newspaper and the other is in Hindi newspaper.
- The Company also informs by way of intimation to the Stock Exchange all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.
- The Company has not made any presentation to Institutional investors/Analysts during the year under review.
- Detailed section on Management Discussion and analysis is given by means of separate annexure and is attached to the Directors' Report.

**7. GENERAL SHAREHOLDERS' INFORMATIONS**
**A. Annual General Meeting to be held:**

Day	:	Monday
Date	:	8th August, 2011
Time	:	12.30 PM
Venue	:	Indian Habitat Center, Lodi road, New Delhi

**B. Financial Calendar April, 1st to March, 31st**

First Quarterly Results	:	On or before 14th day of August, 2011
Second Quarterly Results	:	On or before 14th day of November, 2011
Third Quarterly Results	:	On or before 14th day of February, 2012
Audited yearly Results for the Year ended 31st March, 2011	:	On or before 30th day of May, 2012

**C. Date of Book Closure :** 2nd August, 2011 to 8th August, 2011 (Both days inclusive)

**D. Dividend Payment:**

An interim dividend of Rs. 5.00 per Equity Share i.e. 50% on the paid up equity capital of the Company for the financial year 2010-11, was paid on 25th January, 2011. The Board has also recommended the final dividend @ Rs. 5 per Equity Share which will be paid within the prescribed statutory period, subject to declaration by the shareholders at the ensuing Annual General Meeting.

**E. Listing on Stock Exchanges:**

The Equity Shares of the Company are listed in the Delhi Stock Exchange Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi-110002. Annual Listing fee for the year 2011-12 has been paid to the Stock Exchange.

The Company has a tripartite agreement with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL). The Company has also paid the annual custodial fee for the year 2011-12 to both the depositories.

**F. Stock Code:**

The Delhi Stock Exchange Association Limited	:	19102
ISIN No.	:	INE597101010

**G. High/Low in each month of last Financial Year:**

There were no transactions in the company's share during the last financial year. The shares of the Company were last traded on 22nd January, 1998 at the price of Rs.13/- per share.

**H. Performance in comparison to broad based indices such as DSE/BSE**

Shares are listed on DSE only and no transaction took place during the year through DSE.

**I. Registrar & Transfer Agent:**

The work related to Share Transfer Registry in terms of both physical and electronic mode is being dealt with by M/s. Alankit Assignments Ltd. at the address given below:-

M/s. Alankit Assignments Ltd, Alankit House, 2E/21, Jhandewalan Extension, New Delhi-110055. Phone: 011-42541234, 23541234, Fax: (011) 42541967,

**J. Share Transfer System and other related matters:**

The shares which are received in physical form for transfer / transmission / splitting etc. are immediately processed and dispatched within the stipulated time period. The Share Transfer Committee of the Company generally meets fortnightly or when required for approving the share transfers and for other related activities.

As in the past, the Company has send intimation to the shareholders whose dividend warrants have not been encashed. Shareholders are requested to revert to the Company if they have not received/encashed their dividend warrants. The details of dividends which are proposed to transfer to the Investor Education and Protection Fund in respect of unclaimed / unpaid dividend for the earlier years are provided in the Notes to the Notice calling the Annual General Meeting.

The shareholders are requested to ensure that any correspondence for change of address should be signed by the first named shareholder. The Company is now also requesting for supporting documents such as proof of residence, proof of identification whenever a letter requesting for change of address is received. This is being done in the interest of the shareholders. Shareholders are requested to kindly co-operate and submit the necessary documents/evidence while sending the letters for change of address.

**K. Shareholding**

## I) Distribution of Shareholding as on 31st March, 2011

S.NO	No. of Equity Shares held	Shareholders Nos.	% of Shareholders	No. of Shares held	% of Shareholding
1	Upto – 500	294	58.22	50270	0.85
2	501 – 1000	58	11.49	45491	0.77
3	1001 – 2000	43	8.51	66980	1.13
4	2001 – 3000	23	4.55	65365	1.10
5	3001 – 4000	7	1.39	25750	0.43
6	4001 – 5000	8	1.58	36600	0.62
7	5001 – 10000	15	2.97	111600	1.88
8	10001 & Above	58	11.29	5544270	93.24
	<b>Total</b>	<b>506</b>	<b>100.00</b>	<b>5946326</b>	<b>100.00</b>

## II) Shareholding Pattern as on 31st March, 2011

CATEGORY	NO.OF SHARES HELD	% OF TOTAL
<b>A. PROMOTERS HOLDING</b>		
1. Promoters		
– Indian Promoters	4811476	80.91511
– Foreign Promoters	—	—
2. Persons acting in concert	—	—
<b>Sub-Total</b>	<b>4811476</b>	<b>80.91511</b>
<b>B. NON-PROMOTERS HOLDING</b>		
1. Institutional Investors		
a) Mutual Funds and UTI		
b) Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions, Non Govt. Institutions)		
c) Foreign Financial Investors	—	—
<b>Sub-Total</b>	<b>—</b>	<b>—</b>
<b>II. Others</b>		
a) Private Corporate Bodies	107785	1.81263
b) Indian Public	1027065	17.27226
c) NRI/ OCBs	—	—
d) Any Other	—	—
<b>Sub-Total</b>	<b>1134850</b>	<b>19.08489</b>
<b>Grand Total</b>	<b>5946326</b>	<b>100.000</b>

**L. Dematerialization of Shares**

As on 31st March, 2011, 10.35% of the Company's total paid-up capital representing 615372 Equity Shares were held in dematerialized form and balance 89.65% representing 5330954 Equity Shares were held in physical form.

**M. Reconciliation of Share Capital**

As stipulated by the Securities and Exchange Board of India (SEBI), a qualified practicing Company Secretary carries out the secretarial audit and provides a report to reconcile the total admitted capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital.

This audit is carried out every quarter and report thereon is submitted to the Stock Exchange. The audit, inter-alia, confirms that the total issued capital and paid-up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized or (held with NSDL and CDSL) and total number of shares in physical form.

**N. Outstanding GDRs / ADRs / Warrants :** Not Issued.**O. Plant Locations:**

1. Mahindra World City, Changalpattu Taluk, Kancheepuram Dist. Industrial Park, Tamilnadu-603002
2. Plot No. 52/1, 52/2, 53/2A, 54A, 54B, 54C & 54D, Behind Ceat Company, Satpur, Nashik – 422007
3. Plot No.112, M.I.D.C., Satpur, Nasik-7, Maharashtra
4. Plot No.4, Sector-31, Greater Noida, Distt. Gautam Budh Nagar, (U.P.)
5. Plot No. 4, Sector-2, I.I.E. Ranipur, Haridwar (Uttanchal)
6. 58 KM, Delhi Jaipur Highway, Behind Terry Soft,Village & P. O. Binola-122413
7. Plot No.276,Udyog Vihar, Phase-VI, Gurgaon (Haryana)
8. G-20, Sipcot Industrial Park, Irungattu Kottai, Sriperumbudur Taluka, Kancheepuram Dist. Tamilnadu-602 105
9. Plot No. A-1/8, MVML Vendor Park MIDC, Phase IV, Nigo JE Chakan, Pune - 411013
10. Plot No. 558, 559, Surajpur Bypass Industrial Area, Greater Noida, (U.P.)
11. Plot No. C-8 Tata Motor, Vendor Park, North Kotpura, Sanand, Ahmedabad, Gujrat.

**P. Address for Investors Correspondence: For Shares held in Physical Form**

Shri Jagdeep Kumar Singla  
M/s. Alankit Assignments Ltd.  
Registrar and Transfer agent, Alankit House,  
2E/21, Jhandewalan Extension,  
New Delhi-110055  
Tel : 011-42541234, 23541234  
Fax : 011-23552001 E-mail: info@alankit.com

**For Shares held in Demat Form**

To the investor's Depository Participant(s) and / or Alankit Assignments Ltd. Communication may also be sent by e-mail at the following address:

**smilgrd@shardamotor.com** (exclusively for the purpose of registering complaints by the investors)

## **DECLARATIONS**

**Compliance with Code of Conduct**

According to Clause 49 of the Listing Agreement, I, AJAY RELAN, Managing Director of Sharda Motor Industries Ltd, hereby declare that the Board Members and Senior Management Personnel of the Company have affirmed their compliance with the Code of Conduct of the Company during the year 2010-11.

For **Sharda Motor Industries Ltd**

**AJAY RELAN**  
Managing Director

**CEO/CFO Certification**

According to Sub-Clause V of Clause 49 of the Listing Agreement, we have certified to the Board that for the financial year ended March 31, 2011, the Company has complied with the requirements of the said sub-clause.

For **Sharda Motor Industries Ltd**

PLACE : NEW DELHI  
DATED : 6th May' 2011

**PRADEEP RASTOGI**  
Chief Financial Officer

**AJAY RELAN**  
Managing Director

## **Auditor's Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchange**

To the Members of

**M/s. SHARDA MOTOR INDUSTRIES LTD.**

We have examined the compliance of the conditions of Corporate Governance by Sharda Motor Industries Limited, for the year ended on 31st March 2011, as stipulated in clause 49 of the Listing agreement of the said Company with the stock exchange.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing agreement.

We state that no Investor grievances during the year ended on 31st March 2011 was received by Company.

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.R. DINODIA & CO.**  
Chartered Accountants

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**  
Partner  
(M. No. 083689)

**Annexure-D****MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future performance.

The Company cannot guarantee that this forward – looking statement will be realised, although we believe we have been prudent in assumptions. achievement of result is subject to business and other risk, uncertainties and inaccurate assumptions. Should known or unknown business and other risk or uncertain materialised, or should be underlying assumption prove incorrect, actual performance or achievements, result could vary materially form those anticipated, estimated or projected in any such forward looking statements.

**OBJECT**

The objective of this report is to share with you and keep you abreast with the happenings and transformations occurring within the Company, that in the industry and economy, its manufacturing processes, technology and its overall business strategies. We begin with a general review of the industry, macro economy followed by the operational and financial details of the company including details of its human resources, research and development activities.

**A. INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK**

The automobile Component industry in India is emerging as hub which is creating to requirement of all major auto industry players. It is supplying entire range of auto components which serves to the requirement of automobile industry. India is preferred destination for major auto manufacturers due to cost competitiveness and government support for the industry. Growth in the automobile industry generates more demand for the auto components. Indian auto component sector is capable of producing internationally accepted quality of auto components, which is evident from the continuous outsourcing of their products by the worldwide automobile companies.

SMIL's operations span across Eleven manufacturing units located across the Country. In order to meet the market opportunity, your Company has continuously been working with philosophy for providing the highest quality products and services to its existing as well as new customers. Your company believes that innovative new product being developed will preserve and grow its market share and this action will continue to position "SMIL's" as a market leader.

Your Company has registered strong sales growth in fiscal year 2011, continued growth excepted in fiscal year 2012

**B. OPPORTUNITIES & THREATS**

There have been remarkable changes in the world economy over the last two decades. Global practices in business have brought new ways of doing business. In fact, past two decades witnessed entire new business and economy environment. These changes need thorough planning and actions. The challenges before industry are going to increase and more focus is required on competitive environment and inculcate the practices of prompt and quality delivery.

The fortune of the Auto Component Industry is closely linked to that of the Automobile Industry. Your company has developed a comprehensive range of products for existing customers, which enable us to obtain additional business from existing clients as well as new clients, and also believe that ability to be accessible to customers, flexible approach & ability to meet the customers requirements and positive attitude in servicing customers has helped increase customer satisfaction levels and is a competitive strength.

The auto component industry has been exposed to many threat of varying intensity. The hardening of interest rate, tightening money supply, volatility in the price of raw materials and other inputs, currency fluctuations, OEM's demand for price reduction, stiff competition because of the entry of Multinationals and their home country partnership, stringent in emission norms and Just In Time supplies are the major risks and challenges faced by the Companies. It is forcing Companies to plan operations effectively and produce quality components at lower costs.

Your company through continuous monitoring, timely action and control measures works towards controlling the above threat. These measures would also enable the Company to partly neutralize the increase in cost of inputs such as steel etc.

**C. SEGMENT-WISE / PRODUCT-WISE PERFORMANCE**

Segment-wise performance has been reported under Note 14 of Schedule-12B forming part of Annual Report for the year ended 31st March' 2011.

**D. RISKS AND CONCERNS**

Your company is largely dependent upon the performance of Automobile Industry. The automobile industry itself is a highly competitive market and dependent on several factors such as economy's growth, monsoon, numberof players, govt. policies, income levels, infrastructure like roads etc. and exports market. The management of your Company is continuously analyzing



and evaluating the various risks associated with the Company's business and has adopted risk management practices to minimize the adverse impact of these risks on the business and transfers risk to opportunity.

The Company is exposed to business, Assets, Financial, Manufacturing and New Competition risk as under: -

**Business risk:** Business risks are inherent in automobile industry due to economy's growth, risks of technological obsolescence due to stricter emission/safety norms and more intense competition. Other potential risks include disruption in production due to acts of God and man-made. All these risks are continuously addressed in the business plans-both long term as well as short term; risk mitigation strategies are drawn up and acted upon. Besides, specific risk covers are taken, wherever available, based on risk perceptions, past experience, cost of cover, etc.

**Assets:** Assets risk includes threat to physical assets through accidents, natural calamities, obsolescence, etc. The Company has an internal system to assess these risks, define the limits of exposure for operation and take appropriate insurance cover.

**Financial:** The fluctuations in the domestic/international steel market and price reduction demanded by OEMs is an area of concern. The margins of the Company are subject to various market forces and performance of its customers

**Manufacturing:** The Company manufactures its products at multiple locations and its operation could be effected by disruption in its supply chain due to any natural calamities and work stoppages at its suppliers' end due to load shearing, labour problems, etc.

**New competition:** intensity of competition has increased in almost all the segments of automobile Component industries due to entry of new players and expansion plans of existing one. The company is aware of the increasing competition and taking measures to remain competitive in the market place.

#### **E. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has in place adequate internal control system and document procedures covering with all financial and operating function. These has been designated to provide reasonable assurance with maintaining proper accounting control, monitoring economy and efficiency, protecting assets from unauthorized used of losses, ensuring reliability of financial and operational information.

The internal Control designed to ensure that financial and other are reliable for preparing financial statement and collating other data and for maintaining accountability of assets. The composition and competencies of audited team and effectiveness of internal controls is continues review by the Audit committee.

#### **F. DISCUSSION ON FINANCIAL PERFORMANCE**

The financial statements have been prepared in accordance with the requirements of Companies Act, 1956 and applicable accounting standards issued by the Institute of Chartered Accountants of India. The management of SMIL accepts the integrity and objectivity of these financial statements as well as the various estimates and judgments used therein. The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Account and other financial statements forming part of this Annual Report. For financial highlights please refer heading 'FINANCIAL RESULTS' of Directors Report

#### **G. HUMAN RESOURCES AND DEVELOPMENT**

Employees are primary builders and the foundation stone of an organization. Proper management of human resource is very vital for the success of an organization. The Company focuses on recruiting the best talent in the industry as the right people steer the organization in the right direction.

Proper induction and orientation is stressed upon which provides a sense of belongingness and ownership towards the organization. Engaged employees feel a strong emotional bond to the organization that employs them. This is the key to SMIL success. Skill management is an ongoing process. Employees assess and are given the opportunity to upgrade their existing skills. Training programs are conducted for this purpose.

Your company provides an environment to its employees to take higher responsibilities and stretch assignments from very early stages of their career. In the manufacturing units, for each activity there is a person declared as the owner of that activity, who takes the onus of maintaining and improving the activity.

The Industrial relations atmosphere at all locations of the Company remained cordial throughout the year.

As at 31st March' 2011, the total number of employees on Company's roll stood at 1276.

#### **H. STATUTORY COMPLIANCE**

On obtaining confirmation from the various units of the Company of having complied with all the statutory requirements, a Statutory Compliance Certificate on quarterly basis regarding compliance with the provisions of the various statutes duly signed by respective Departmental Heads and countersigned by Managing Director of the Company is given at each Audit Committee Meeting of the Board.

Further pursuant to revised Clause 49 of the Listing Agreement, the Company has started taking a CEO declaration in respect of compliance of the Code of Conduct adopted by the Company. A certification from CEO and CFO is also adopted on yearly basis certifying the compliances as stipulated in Clause 49 (V) of the Listing Agreement.

## AUDITOR'S REPORT

To the Shareholders of

### M/s SHARDA MOTOR INDUSTRIES LIMITED

We have audited the attached Balance sheet of **M/S SHARDA MOTOR INDUSTRIES LIMITED**, as at **31st March 2011** and the Profit & Loss Account and Cash Flow Statement 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 conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (Auditor's Report) Order, 2003 {as amended by the Companies (Auditor's Report) (Amendment) Order, 2004} issued by the Central Government of India, in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the 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 purpose 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 Company's 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 and 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 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as director in term 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 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
  - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
  - iii) in the case of cash flow statement, of the cash flow for the year ended on that date.

**For S.R. DINODIA & CO.**  
Chartered Accountants

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**  
Partner  
(M. No. 083689)

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 3 of our audit report of even date)

- i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management at appropriate intervals. In our opinion, the program is reasonable having regard to the size of the Company and the nature of the fixed assets. No material discrepancies were noticed on such verification as compared to book records.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- ii) (a) On the basis of information and explanation provided by the management, Inventories have been physically verified by the management during the year except the inventories in transit and lying with the third parties. In our opinion, the frequency and the procedure of physical verification followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (b) In our opinion, frequency and the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the company is maintaining proper records of inventory. We have been explained that discrepancies noticed on physical verification as compared to book records were not material and the same have been properly dealt with in the books of account.
- iii) (a) According to information and explanation given to us, the company has not granted loan to Companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956 during the year.
- (b) According to information and explanation given to us, the Company has taken unsecured loans from four parties entered in the register maintained u/s 301 of the Companies Act, 1956 during the year. (Maximum amount due during the year is Rs. 347,700,000 and closing balance is Rs 342,200,000). The rate of interest and other terms and conditions on which such loan has been taken are not prima facie prejudicial to the interest of the Company. The company is regular in repayment of principal and interest amount as stipulated.
- (c) During the year, the company has received mobilization advance from its customer covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs.27,112,454-.and year end balance of such advances is Rs.20,000,000-.
- (d) In our opinion and according to the information and explanations given to us, rate of interest and other terms and conditions on which such mobilization advance has been received are not prima facie prejudicial to the interest of the Company.
- (e) The aforesaid mobilization advance, as also informed by the management, will be adjusted against the supplies to the said customer.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets, sales of goods and services. According to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that the particulars of contracts or arrangements that need to be entered into a register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to explanation given to us, transactions made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
- vi) The Company has not accepted any deposits during the year from the public as defined in section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) On the basis of records produced, we are of opinion that prime facie, the cost records and accounts prescribed by the Central Government under section 209 (1)(d) of the Companies Act,1956 has been maintained by the Company, but, we were not required to carry out and have not carried out any detailed examination of such records and accounts.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable to it. There was no undisputed amount outstanding at the year end for a period more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute, are as follows:

## ANNEXURE TO THE AUDITORS REPORT

S.No.	Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amt. relates	Forum where the dispute is pending
1	U. P. Entry Tax Act	Entry Tax	227,265	2001 to 2003	Appellate Authority UP Trade Tax
2	Central Excise Act	Excise Duty	97,461	2008-2009	Adjudicating Authority, Large Taxpayer Unit Delhi
3	Central Excise Act	Excise Duty	44,000,000	2008-2009	CESTAT, Custom, Central Excise & Service Tax, Appellate Tribunal, Delhi
4	Central Excise Act	Excise Duty	4,072,313	2008-2009	Commissioner, Central Excise & Service Tax, Large Taxpayer Unit Delhi
5	Service Tax under Finance Act ,1994	Service Tax	1,106,897	2008-09	Additional Commissioner of Excise and Service Tax, New Delhi

- x) The Company has no accumulated losses as at 31st March, 2011 and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) On the basis of information and explanation provided by the management, the Company has not made any default in the repayment of dues to the financial institutions and banks. During the year, the Company has not issued any debentures.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, during the year under audit.
- xiii) In our opinion considering the nature of activities carried on by the company during the year, the provision of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to it.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- xv) On the basis of information and explanation provided, the Company has not given guarantee for loans taken by other from the bank during the year
- xvi) On the basis of records available and information and explanation given to us, the terms loans have been applied for the purpose for which they were raised.
- xvii) On the basis of information and explanation given to us and an overall examination of the balance sheet, we report that no funds raised on short-term basis have been used for long-term investments by the Company.
- xviii) According to information and explanation given to us, during the year. 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.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For S.R. DINODIA & CO.**  
Chartered Accountants

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**  
Partner  
(M. No. 083689)

**BALANCE SHEET AS AT 31ST MARCH, 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	AS AT	
		31.03.2011	31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholder Funds</b>			
Share Capital	1	59,463,260	59,463,260
Reserves & Surplus	2	1,195,620,296	1,055,284,336
<b>Loan Funds</b>			
Secured Loans	3	715,186,077	703,924,118
Unsecured Loans	4	366,518,750	259,200,000
Deferred Tax Liability (Net)		115,033,959	65,491,867
(Refer Note No. 18 of Schedule 12(B))		<u>2,451,822,342</u>	<u>2,143,363,581</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	2,869,530,402	1,815,042,469
Less : Depreciation/Amortization		<u>1,055,030,874</u>	<u>711,811,564</u>
<b>Net Block</b>		<b>1,814,499,528</b>	<b>1,103,230,905</b>
Capital Work In Progress (Including Capital Advances)		337,774,710	226,323,218
<b>Investments</b>	6	<b>214,400,000</b>	214,412,665
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	656,614,312	389,829,676
Sundry Debtors		761,433,453	409,642,413
Cash & Bank Balances		23,970,145	79,871,673
Other Current Assets		21,848,666	12,364,064
Loans & Advances		142,374,595	649,386,047
		<u>1,606,241,171</u>	<u>1,541,093,873</u>
<b>Less: Current Liabilities &amp; Provisions</b>	8		
Current Liabilities		1,467,620,970	899,570,284
Provisions		53,472,097	42,126,796
		<u>1,521,093,067</u>	<u>941,697,080</u>
<b>Net Current Assets</b>		<b>85,148,104</b>	<b>599,396,793</b>
		<u>2,451,822,342</u>	<u>2,143,363,581</u>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	12		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

(**SANDEEP DINODIA**)  
PARTNER  
M.NO. 083689

(**NITIN VISHNOI**)  
Company Secretary

(**PRADEEP RASTOGI**)  
President-Legal & CFO

(**N. D. RELAN**)  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

(**D.A. AGGARWAL**)  
Sr. Vice President (F& A)

(**AJAY RELAN**)  
Managing Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Turnover and Inter -unit Transfers		9,828,029,496	5,481,148,660
Less : Inter-Unit Transfers		1,703,320,428	351,264,671
		<b>8,124,709,068</b>	<b>5,129,883,989</b>
Less : Excise duty recovered		1,122,730,882	467,917,034
		<b>7,001,978,186</b>	<b>4,661,966,955</b>
Other Income	9	52,344,773	42,316,901
		<b>7,054,322,959</b>	<b>4,704,283,856</b>
<b>EXPENDITURE</b>			
Cost of goods Traded		420,915,124	353,212,337
Manufacturing & Other Expenses	10	6,028,300,217	3,805,364,725
Financial Charges (Net)	11	80,818,506	82,517,048
		<b>6,530,033,847</b>	<b>4,241,094,110</b>
<b>Profit Before Depreciation &amp; Taxation</b>		<b>524,289,112</b>	<b>463,189,746</b>
Depreciation/Amortization	5	241,820,880	149,204,857
<b>Profit Before Taxation</b>		<b>282,468,232</b>	<b>313,984,889</b>
Less : Provision for Tax			
– Current Tax		56,000,000	86,000,000
Less: MAT Credit Entitlement		32,900,000	
– Deferred Tax Charged / (Released)		49,542,092	16,594,607
– Provision for Wealth Tax		160,785	133,018
Less: Prior Period Adjustment (Net)		(9,961)	–
<b>{Refer Note No. 9 of Schedule 12 (B)}</b>			
Less: Tax Adjustment For Earlier Years(Net)		–	(304,659)
<b>Profit after tax</b>		<b>209,675,316</b>	<b>211,561,923</b>
Surplus brought forward from last year		157,551,865	215,558,982
<b>Profit available For Appropriation</b>		<b>367,227,181</b>	<b>427,120,905</b>
<b>APPROPRIATIONS</b>			
Transferred to General Reserves		150,000,000	200,000,000
<b>Dividend</b>			
– Proposed dividend		29,731,630	29,731,630
– Interim dividend		29,731,630	29,731,630
(As per the details as set out in the Directors Report)			
Tax on Interim Dividend		4,938,048	5,052,890
Tax on Proposed Dividend		4,938,048	5,052,890
Balance Carried to Balance Sheet		147,887,825	157,551,865
		<b>367,227,181</b>	<b>427,120,905</b>
<b>Basic / Diluted Earning Per Share (Rs.)</b>		<b>35.26</b>	<b>35.58</b>
<b>{Refer Note No. 20 of Schedule 12(B)}</b>			
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	12		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Amount in Rupees)

PARTICULARS	Year Ended March, 2011	Year Ended March, 2010
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation & Extraordinary items	282,468,232	313,984,889
Adjustment for:		
Exchange Fluctuation (Profit)/Loss	-	(15,287,359)
Depreciation written off	241,820,880	149,204,857
Interest Income	(854,159)	(1,271,600)
Interest Expenses	72,774,527	75,276,089
Dividend Income	(5,402,104)	(4,500,502)
(Profit) / Loss on Sale of Fixed Assets (Net)	(26,580,506)	(16,561,800)
Amount written off (Net)	(5,842,021)	2,781,120
<b>Operating profit before working capital changes</b>	<b>558,384,849</b>	<b>503,625,694</b>
Adjustment for		
Decrease / (Increase) in Trade & Other receivables	(351,791,040)	(51,304,817)
Decrease / (Increase) in Increase in Inventories	(266,784,636)	(112,743,728)
Decrease / (Increase) in Advances and other current assets	525,917,130	71,128,393
Increase / (Decrease) in Trade Payable	568,050,686	27,771,024
Amount written off (Net)	5,842,021	(2,781,120)
Warranty Claims	11,460,143	2,923,875
<b>Cash Generated from operation</b>	<b>1,051,079,153</b>	<b>438,619,321</b>
Direct Taxes paid (Net)	(51,628,443)	(94,070,334)
<b>Net Cash flow from Operating Activities</b>	<b>999,450,710</b>	<b>344,548,987</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	62,563,532	63,100,277
Purchase of Fixed Assets/Technical know-how	(690,650,376)	(271,799,779)
Transfer of Assets from subsidiary	(409,873,642)	-
Interest Received	854,159	1,271,600
Dividend Income	5,402,104	4,500,502
<b>Net Cash used in Investing Activities</b>	<b>(1,031,704,223)</b>	<b>(202,927,400)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings (Net)	118,580,709	61,818,259
Interest Paid	(72,774,527)	(75,276,089)
Dividend paid	(69,454,198)	(69,569,040)
<b>Net Cash used in Financing Activities</b>	<b>(23,648,016)</b>	<b>(83,026,870)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(55,901,528)</b>	<b>58,594,717</b>
<b>CASH &amp; CASH EQUIVALENTS-OPENING BALANCES</b>	<b>79,871,673</b>	<b>21,276,956</b>
<b>CASH &amp; CASH EQUIVALENTS-CLOSING BALANCES</b>	<b>23,970,145</b>	<b>79,871,673</b>
<b>Cash &amp; Cash Equivalents include :</b>		
Cash in hand	62,281	8,143
<b>Balances with Scheduled Banks</b>		
- In Current Account	23,326,530	49,328,278
- In Deposit Account	61,070	30,077,214
- In Margin Money Account	520,264	458,038
	<b>23,970,145</b>	<b>79,871,673</b>

**Note :** Figures in brackets represent outflows

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 1 : SHARE CAPITAL**
**Authorised**

25,000,000 (P.Y. 25,000,000) Equity Shares of Rs. 10/- each	<b>250,000,000</b>	250,000,000
--	--------------------	-------------

**Issued, Subscribed & Paid up**

5,946,326 Equity Shares* (P.Y. 5,946,326) of Rs.10/- each fully paid up	<b>59,463,260</b>	59,463,260
	<b>59,463,260</b>	59,463,260

**\* Out of the above Shares**

- i) 4,953,163 (P. Y. 4,953,163) equity share of Rs. 10/- each are issued as fully paid up bonus shares by way of capitalisation of General Reserve.
- ii) 3,161 (P. Y. 3,161) equity shares allotted for consideration other than cash.

**SCHEDULE - 2 : RESERVES & SURPLUS**

a) Capital Reserve	<b>20,000</b>	20,000
b) General Reserve		
– As per last Balance Sheet	<b>897,712,471</b>	697,712,471
– Addition during the year	<b>150,000,000</b>	200,000,000
	<b>1,047,712,471</b>	897,712,471
c) Profit & Loss Account Balance Carried Forward	<b>147,887,825</b>	157,551,865
	<b>1,195,620,296</b>	1,055,284,336

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
-------------	---------------------	---------------------

**SCHEDULE - 3 : SECURED LOANS**
**From Banks**

– Cash Credit	258,435,111	162,813,994
– Buyers' Credit	95,095,771	–
– Bills Discounted	30,588,319	37,056,373
– <b>Term Loan :-</b>		
– External Commercial Borrowing *	225,685,626	354,053,751
– Short Term Loan *	–	150,000,000
– Rupee Term Loan	105,381,250	–
	<b>715,186,077</b>	<b>703,924,118</b>

\* Repayable within one year Rs.128,368,125/- (P.Y. Rs. 224,393,125/-)

**Note : The above Loans are secured against :**
**1) Cash Credit/ Buyers' Credit**

- (a) Secured by charge on Inventories and Book Debts at Company's Godowns, yards and Premises situated at Noida, Greater Noida, Haridwar, Gurgaon, Nasik and Chennai (Mahindra World City).
- (b) Equitable mortgage of Leasehold Land and Building and Plant & Machinery and other assets situated at Plot No.4, Sector 31, Kasna Industrial Area, Greater Noida, U.P

**2) Bill Discounted**

First hypothecation charge on pre-accepted hundies by Tata Motors Ltd. and bill discounting under the bill discounting /Express vendor discounting scheme and receivables of Tata Motors Ltd. both present and future.

**3) Term Loan (External Commercial Borrowing)**

Mortgage in favour of the Security Trustee in a form satisfactory to the Security Trustee of the Borrower's immovable properties pertaining to the Project Situated at :

- i) Mahindra World City, Changalpattu Taluk, Kanchepuram Dist. Industrial Park, Tamilnadu-603002,
- ii) An exclusive charge by way of hypothecation in favour of the Security Trustee of the Borrower's movables pertaining to the Projects Situated at:
  - a) Mahindra World City, Changalpattu Taluk, Kanchepuram Dist. Industrial Park, Tamilnadu-603002,
  - b) Plot No. 52/1,52/2,53/2A,54A,54B,54C & 54D, Behind Ceat Company, Satpur, Nashik-422007
  - c) Plot No. C-8, TML Vendor Park, Sanand Road, North Cotepura, Sanand, Ahmedabad
  - d) 58 KM, Delhi - Jaipur Highway, P.O. Binola, Haryana.

being financed out of the proceeds of the Facility (save and except book debts), including movable machinery, machinery spares, tools and accessories, both present and future.

**4) Short Term Loan**

First charge on current assets (both present and future) and first charge on all movable fixed assets (except those which are exclusively charged to existing lenders)

**5) Rupee Term Loan**

Mortgage in favor of bank in respect of Plot No. C - 8 , TML VENDER PARK, Sanand Road, Kotepura, Sanand, Ahemdabad.

**SCHEDULE - 4 : UNSECURED LOANS**

– From Directors	342,200,000	259,200,000
– From Corporate	24,318,750	–
	<b>366,518,750</b>	<b>259,200,000</b>

**SCHEDULES FORMING PART OF BALANCE SHEET  
SCHEDULE - 5 : FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK	
	AS AT 01.04.10	ASSETS TRANSFERRED FROM SUBSIDIARY	ADDITION	SALE / ADJUSTMENT	AS AT 31.03.11	ACCUMULATED DEPRECIATION ON ASSETS TRANSFERRED FROM SUBSIDIARY	ADDITION	SALE / ADJUSTMENT	AS AT 31.03.11	AS AT 31.03.10
<b>TANGIBLE ASSETS</b>										
<b>LAND</b>										
- Lease Hold	105,629,473		8,568,980	22,500	114,175,953	3,882,318	900,604	-	4,782,922	109,393,031
- Free Hold	27,361,187		-	-	27,361,187	-	-	-	-	27,361,187
Building	283,003,987	9,202,471	139,425,551	-	431,632,009	133,100,555	19,224,248	-	152,934,349	278,697,660
Plant & Machinery	1,139,733,051	211,245,497	343,482,552	54,135,838	1,640,325,262	49,771,522	137,888,190	20,546,310	602,329,630	1,037,995,632
Office Furniture & Equipment	66,810,971	10,748,586	13,705,189	1,281,772	89,982,974	42,976,105	8,971,644	1,239,208	53,945,059	36,037,915
Electric Fitting	102,306,993	36,550,970	38,057,043	8,686,844	168,228,162	47,308,143	13,280,631	6,806,790	57,411,695	110,816,467
Vehicle	64,903,047	7,769,909,00	4,634,829	1,576,780	75,731,005	44,625,668	7,477,929	1,128,403	53,695,811	22,035,194
<b>INTANGIBLE ASSETS</b>										
Software Development	13,762,929		22,886,423	-	36,649,352	2,784,234	6,905,135	-	9,689,369	26,959,983
Technical Knowhow & Guidance	11,530,831	264,825,264	9,088,403	-	285,444,498	1,918,313	47,172,499	-	120,242,039	165,202,459
<b>Total</b>	<b>1,815,042,469</b>	<b>540,342,697</b>	<b>579,848,970</b>	<b>65,703,734</b>	<b>2,869,530,402</b>	<b>711,811,564</b>	<b>241,820,880</b>	<b>29,720,711</b>	<b>1,055,030,874</b>	<b>1,814,499,528</b>
Previous Year	1,549,257,192		337,024,755	71,239,478	1,815,042,469	587,307,708	149,204,857	24,701,001	711,811,564	1,103,230,905
Capital Work In Progress	226,323,218	650,086	337,774,710	226,973,304	337,774,710	-	-	-	337,774,710	226,323,218

Notes :

- Capital Work-in Progress includes Capital Advances of Rs.129,710,105/- (P.Y. 128,904,958/-)
- Borrowing cost capitalised during the Year amounting to Rs. 138,866/- (P.Y. 11,461,677/-)
- Leasehold Land represents the cost of Land acquired at Singur (West Bengal), Lease deed in respect of which is under execution.

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 6 : INVESTMENTS**

(Valued at cost unless there is a permanent diminution in value thereof)

**LONG TERM**
**I Non-Trade Investments**
**A) Investment In Equity Shares**
**QUOTED**

Nil Equity Shares of Reliance Industries Limited (P.Y. 72)

of Rs. 10/- each, fully paid up\*

-

6,099

Nil Equity Shares of Reliance Communication Ventures Ltd.

of Rs. 10/- each, Fully paid up(P.Y.56)

-

5,899

Nil Equity Shares of Reliance Natural Resources Ltd.

of Rs. 10/- each, Fully paid up(P.Y.56)

-

667

**- IN ASSOCIATE COMPANY**
**UNQUOTED**

490,000 Equity Shares (P.Y. 490,000) of Relan Industrial Finance Ltd.

of Rs. 10/- each, fully paid up

**4,900,000**

4,900,000

**II Trade Investments**
**Investment In Equity Shares**
**QUOTED**
**- IN ASSOCIATE COMPANY**

9,000,000 Equity Shares (P.Y. 9,000,000) of Bharat Seats Ltd.

of Rs. 2/- each, fully paid up (includes 4,500,000 bonus shares)

**9,000,000**

9,000,000

**UNQUOTED**
**- IN SUBSIDIARY COMPANY**

20,050,000 Equity Shares of Sharda Sejong Auto Component. Ltd.

of Rs. 10/- each, fully paid up

**200,500,000**

200,500,000

(P.Y. 20,050,000 Equity Shares @ 10/-each ,fully paid up)

**214,400,000**

214,412,665

Aggregate book value of Quoted Investment

**9,000,000**

9,012,665

Aggregate book value of Unquoted Investment

**205,400,000**

205,400,000

Aggregate Market value of Quoted Investment

**150,750,000**

156,021,276

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
-------------	---------------------	---------------------

**SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES**
**A. CURRENT ASSETS**
**1. Inventories**

(As certified by the management )

– Raw material	444,254,628	301,382,120
– Consumables Stores	15,005,539	11,411,202
– Work-in-progress	123,052,709	54,147,699
– Finished Goods	1,222,503	1,078,301
– Finished Goods (Trading)	13,603,516	14,411,099
– Goods In Transit		
Raw Material	59,475,417	7,399,255
	<b>656,614,312</b>	<b>389,829,676</b>

**2. Sundry Debtors**
**(Unsecured Considered Good)**

{Refer Note No. 3 of Schedule 12(B)}

Outstanding for a period exceeding six months	63,488,625	22,287,808
Other Debts (Refer Note No. 6(b) of Schedule 12B)	697,944,828	387,354,605
	<b>761,433,453</b>	<b>409,642,413</b>

**3. Cash & Bank Balances**

Cash in hand	62,281	8,143
Balances with Scheduled Banks		
In Current Account	23,326,530	49,328,278
In Deposit Account (Including interest accrued)		
– Not Pledged	61,070	30,077,214
In Margin Money Account (Pledged)	520,264	458,038
	<b>23,970,145</b>	<b>79,871,673</b>

**4. Other Current Assets**

	<b>21,848,666</b>	<b>12,364,064</b>
	<b>21,848,666</b>	<b>12,364,064</b>

**B. LOANS & ADVANCES**
**Advances**

Unsecured considered good unless otherwise stated

Advances and other amounts recoverable in cash

or in kind or for value to be received

**(Refer Note No. 6(a) and 23 of Schedule 12B)**

	37,675,989	578,391,751
Security Deposit	16,087,748	6,423,264
Balances with Central Excise Authorities	30,387,285	34,737,740
MAT Credit Entitlement	32,900,000	–
Advance Tax ( Including T.D.S.)	25,323,573	29,833,292
<b>(Net off provisions Rs 224,059,171 (P.Y. Rs. 200,931,404)</b>	<b>142,374,595</b>	<b>649,386,047</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS**
**A. Current Liabilities**

Sundry Creditors {Refer Note No. 8 of Schedule 12 (B)}	1,048,243,952	763,597,964
Statutory Dues	67,212,295	35,029,297
Expenses Payable*	75,836,452	39,332,241
Other Liabilities	273,705,395	59,327,881
Unclaimed Dividend **	2,622,876	2,282,901
	<b>1,467,620,970</b>	<b>899,570,284</b>

**B. Provisions**

Warranty Claims	18,802,419	7,342,276
Proposed Dividend	29,731,630	29,731,630
Tax on Proposed Dividend	4,938,048	5,052,890
	<b>53,472,097</b>	<b>42,126,796</b>

\* It includes amount due to directors Rs.2,601,800/- (Previous Year Rs. 11,912,622/-)

\*\* The above figure does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
-------------	-----------------	------------------

**SCHEDULE - 9 : OTHER INCOME**

Dividend Received on Long Term Investments:

– Trade Investment	5,400,000	4,500,000
– Non Trade Investment	2,104	502
	<b>5,402,104</b>	<b>4,500,502</b>

Profit on sale of fixed asset	26,580,506	16,561,800
-------------------------------	------------	------------

{Net Off Loss of Rs. Nil (Previous Year : 157,657/- )}

Profit on sale of Non Trade Investments	71,674	–
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Amount Written Back (Net)	5,842,021	–
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Exchange Fluctuation Gain (Net)	–	15,287,359
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Hire Charges Received	–	1,500,000
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(Tax Deducted at Source Rs. Nil./- (P.Y. Rs.304,500/-)

Excess Provision Written Back	14,448,468	–
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Miscellaneous Income	–	4,467,240
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	<b>52,344,773</b>	<b>42,316,901</b>
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**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE - 10 : MANUFACTURING &amp; OTHER EXPENSES</b>		
1. Consumption of Raw Material	4,825,144,498	3,065,433,912
2. (Increase) / Decrease in Stock- In -Trade/Work -In- Progress		
<b>Opening stock</b>		
Finished goods	2,032,993	15,177,840
Less: Excise Duty	189,844	1,367,153
	<u>1,843,149</u>	<u>13,810,687</u>
Work-In-Progress	66,567,338	62,618,114
<b>Total</b>	<u>68,410,487</u>	<u>76,428,801</u>
<b>Closing stock</b>		
Finished goods	1,222,503	1,078,301
Less: Excise Duty	114,159	100,693
	<u>1,108,344</u>	<u>977,608</u>
Work-In-Progress	123,052,709	54,147,699
	<u>124,161,053</u>	<u>55,125,307</u>
<b>Sub Total</b>	<u>(55,750,566)</u>	<u>21,303,494</u>
3. <b>Manufacture, Administrative &amp; Other Expenses</b>		
Salary/Wages & Other Benefits to Staff	287,747,232	169,035,151
Contribution to Provident & Other Funds	28,799,278	11,154,572
Power & Fuel	94,967,318	64,051,723
Other Manufacturing Exp.	464,876,690	253,101,769
Rent, Rates & Taxes	15,555,845	21,578,758
Insurance	3,358,102	2,470,694
Royalty	19,356,417	363,185
Communication Expenses	6,513,292	5,085,675
Amount written off (net)	-	2,781,120
{Net Off Rs. Nil/- (Previous Year 1,372,413/-)}		
Legal & Professional Charges	4,201,461	2,102,777
<b>Repair &amp; Maintenance</b>		
– Machinery *	53,421,253	31,551,362
– Building	10,079,823	4,525,414
– Others	39,289,482	20,834,367
Staff Welfare	36,857,832	12,003,474
Research & Development Expenses	21,090,018	12,761,722
{Refer Note No. 19 of Schedule 12(B)}		
Travelling & Conveyance	47,949,987	16,815,848
Auditor's Remuneration	1,370,000	1,045,000
Bad Debets Written Off	6,121,271	-
{Net off profit of Rs.Nil/- (Previous Year :8,086)}		
Other Expenses	43,039,734	19,546,924
Selling & Distribution Expenses	74,311,250	67,817,784
<b>Sub Total</b>	<u>1,258,906,285</u>	<u>718,627,319</u>
<b>Total</b>	<u>6,028,300,217</u>	<u>3,805,364,725</u>

\* Includes Stores &amp; Spares Consumed of Rs. 12,578,295/- (Previous Year : 11,042,976/-)



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE - 11 : FINANCIAL CHARGES (Net)</b>		
Interest on		
– Fixed Loan	<b>38,502,837</b>	43,959,867
– Others	<b>34,271,690</b>	31,316,222
Bank Charges	<b>8,898,138</b>	8,512,559
	<b>81,672,665</b>	83,788,648
Less: Interest received on Fixed deposit and others*	<b>854,159</b>	1,271,600
	<b>80,818,506</b>	82,517,048

\* TDS Rs. 35,307/-.(P.Y.12,069/-)

**Schedule forming part of the Balance Sheet & Profit & Loss Account****SCHEDULE 12 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT****A. SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements have been prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles ("GAAP"), mandatory accounting standards as per the Company (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI) and other relevant provisions of the Companies Act, 1956 and guidelines issued by the Security Exchange Board of India as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

**2. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that affect the reported amounts of assets & liabilities and disclosure of contingent assets & liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

**3. Fixed Assets**

Fixed assets are stated at cost of acquisition inclusive of freight, duties & taxes and incidental expenses related to acquisition up to the date of installation. Cost of Fixed assets are further adjusted by the amount of Modvat/Cenvat credit availed and Vat credit wherever applicable. Fixed assets under construction, advance paid towards acquisition of fixed assets and cost of assets not put to use before year end, are shown as capital work in progress. Interest and finance charges incurred are allocated to the respective fixed assets on installation.

**4. Depreciation / Amortization**

Depreciation is provided at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956 by following the written down value method.

Depreciation is calculated on a Pro rata basis from the date of installation till the date the assets are sold or disposed off. Assets costing individually Rs. 5,000/- or less are fully depreciated in- the year of purchase.

Cost of Leasehold Land is amortized over the period of Lease.

**5. Inventories**

Raw material, stores and spare parts are valued at lower of cost or net realizable value. Cost includes purchase price, those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, FIFO method is used.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost or net realizable value. The comparison of cost and net realizable value is made on an item by item basis. Cost of work in progress and manufactured finished goods is determined on FIFO basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition.

Scrap is valued at "Net Realizable Value".

Excise duty liability is included in the valuation of closing inventory of finished goods.

**6. Revenue Recognition**

Domestic Sales are recognized at the point of dispatch of goods to the customers from factory. The sales are accounted for net of trade discount, sales tax; sale returns but includes excise duty. Export Sales are recognized at the time of the clearance of goods and approval of excise authorities.

Sales include revision in prices received from customers with retrospective effect.

Interest Income is accounted for on time proportional basis. Dividend income is recognized when the right to receive the Dividend is established.

**7. Purchases**

Purchase of material is recognized on the basis of acceptance of material at the respective location.

Price revision of material purchased has also been included in purchases. Further adjustments, if any, are made in the year of final settlement.

**8. Foreign Exchange Transactions**

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statement are recognized as income/expense in the period in which they arise.

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortized as income or expense over the life of contract as well as exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognized as income/expense for the period.

#### 9. Borrowing Cost

Borrowing costs that are attributable to the acquisition for construction of qualifying asset are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

#### 10. Investments

Long Term Investments are stated at cost unless there is a diminution of permanent nature, if any. Current Investments are carried at lower of cost or fair value.

#### 11. Expenditure on Research and Development

The revenue expenditure on research and development is charged as an expense in the year in which it is incurred. However Expenditure on development activities, whereby research findings are applied to a future plan or design for the production of new or substantially improved products and process and has got future benefits is capitalized. Such capitalization includes cost of materials, direct labor and an appropriate proportion of overheads that are directly attributable to preparing the assets for its intended use.

Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Depreciation on such capital assets is followed in accordance with the Company's Policy.

#### 12. Employees Benefits

- a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which related service is rendered.
- b) The Company has Defined Contribution plans for post employment benefits' namely Provident Fund and Employee State Insurance Scheme. The Company's contributions in the above plans are charged to revenue every year.
- c) The Company has Defined benefits plans namely Leave Encashment / Compensated Absence and Gratuity for employees. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each Financial Year by using 'Projected Unit Credit' (PUC) method. However, the company through its Trust has taken a policy with 'Life Insurance Corporation of India' to cover the gratuity liability of the employees. The difference between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with Life Insurance Corporation of India is provided for as liability in the books.
- d) Provision for Leave Encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each Financial Year by using 'Projected Unit Credit' (PUC) method.
- e) Actuarial gains / losses are immediately taken to Profit and Loss Account.
- f) Terminal benefits are recognized as an expense immediately.

#### 13. Taxes on Income

##### Current Tax

Current tax is amount of tax payable on taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

##### Deferred Tax

Deferred tax resulting from "timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets subject to consideration of prudence, are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### 14. Contingency/Provisions

Provision is recognized when a company has a present obligation as a result of past event, it is probable that an outflow of resources embodying benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent Liabilities, if material are disclosed by way of notes, contingent assets are not recognized or disclosed in the financial statements.

#### 15. Leases

Lease arrangements where the risks and rewards incident to the ownership of assets substantially vests with the lesser, are recognized as operating leases. Lease payments under operating leases are recognized as an expense in the profit and loss account.

#### 16. Earning per share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable (taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted Earning per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**17. Cash Flow**

Cash Flow statement is prepared as per the indirect method prescribed under "Accounting Standard-3" "Cash Flow Statement".

**18. Warranty**

Warranty expenses are provided for in the year of sales based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing

**19. Impairment of assets**

The company assesses whether there is any indication that any asset may be impaired at the balance sheet date. If any indication exists, the company estimates the recoverable amount. If the carrying amount of the fixed assets exceeds the recoverable amount, an impairment loss is recognized in the accounts; to the extent the carrying amount exceeds the recoverable amount.

**20. Intangible Assets**

Intangible assets such as technical know-how fees, etc. which do not meet the criteria laid down, in terms of Accounting Standard 26 on Intangible Assets, are written off in the year in which they are incurred. If such costs / expenditure meet the criterion, it is recognized as an intangible asset and is measured at cost. It is amortized by way of a systematic allocation of the depreciable amount over its useful life on straight line basis and recognized in the balance sheet at net of any accumulated amortization and accumulated impairment losses thereon.

**B. NOTES TO ACCOUNT**
**1. Background**

Sharda Motor Industries Limited ("the Company") together with its subsidiary is primarily engaged in the manufacturing and assembly of Auto Components and White Goods Components. The company serves as a 'Tier I' vendor for some of the major Automobiles and Electronics Original Equipment Manufacturers (OEMs). It has got a 'State of Art' manufacturing facilities across eight locations in India. Their production range includes Exhaust Systems, Catalytic Convertors, Suspension Systems, Sheet Metal Components and Plastic parts for the Automotive and White Goods Industries.

**2 (a) Contingent Liabilities**

- (i) Foreign Letters of Credit Rs. 135,124,476/- (Previous year Rs. 86,334,633/-).
- (ii) Entry tax of Rs 227,265/- (Previous year Rs. 227,265/-) for the financial year 2000-01, 2001-02 & 2002-03 against which the company has filed an appeal before Appellate Authority UP Trade Tax.
- (iii) Excise duty of Rs. 97,461/- (Previous year Rs. 97,461/-) under Central Excise Rules, which is pending before the Adjudicating Authority. The company has executed a bank guarantee of Rs 175,000 against such liability.
- (iv) Excise duty of Rs. 44,000,000/- (Previous year Rs. 44,000,000/-) under the Central Excise Rules, which is pending before the Custom, Central Excise & Service Tax Appellate Tribunal, Delhi, however, the Company has filed the special leave petition against this issue before Bombay high court which has been decided in favour of the Company.
- (v) Excise duty of Rs. 4,072,313/- (Previous year Rs. 4,072,313/-) under Central Excise Rules, which is pending before 'The Additional Commissioner, Central Excise Large Tax Payer Unit.
- (vi) Service Tax of Rs. 1,106,897/- (Previous Year Rs. Nil) under Service Tax Rules which is pending before the Additional Commissioner of Service Tax, Delhi.

(b) Estimated value of contracts remaining to be executed on capital account not provided for in the Accounts, net of advance is Rs. 86,828,717/- (Previous Year Rs. 177,458,667/-).

3. The balances of debtors, creditors and loans and advances are awaiting confirmation.
4. In the opinion of the Board, the current assets, loans and advances are approximate of the value stated if realized in the ordinary course of business. The provision for all the known liabilities are adequate and not in excess of the amount reasonably necessary.
5. Pre-Operative Expenses and Capital Work in Progress (including capital advances)
  - (a) Pre Operative expenses (directly allocable) amounting to Rs. 36,713,204/- (previous year Rs. 36,507,924) as under:

Particulars	2010-2011	2009-2010
<b>Opening balance</b>	<b>36,507,924</b>	<b>21,627,450</b>
Add: Additions during the year		
Interest paid	138,866	11,461,677
Salary, Wages, Allowances and Contribution to Fund	2,969,174	2,073,124
Legal & Professional	481,350	-
Power & Fuel	1,331,544	-
Other Expenses	2,566,269	1,345,673
Less: Capitalized during the year	(7,281,923)	
<b>Balance as at year end</b>	<b>36,713,204</b>	<b>36,507,924</b>

(b) Capital Work in Progress includes an amount of Rs. 129,712,547/- (Previous Year Rs. 128,904,958/-) paid as Capital Advances.

**6 (a) Amounts due from/ to Subsidiary Company:**

The maximum aggregate amount due to Sharda Sejong Auto Components (India) Limited, a subsidiary company, during the year as well as closing balance as on 31st March, 2011 was Rs. 212,988,,868/-. In the previous year the amount due from Sharda Sejong Auto Components (India) Limited as well as closing balance was Rs.569,193,665/-.

(b) Debtors include amounts due from Companies under the same management:

(i) The maximum aggregate amount due from Bharat Seats Limited, during the year was Rs 140,518,449/- (Previous year Rs.101,641,949/-) and closing balance as on 31st March, 2011 was Rs. 39,732,600/- (Previous year Rs. 86,541,030).

(ii) The maximum aggregate amount due from Progressive Engineering & Automation Pvt Ltd, during the year was Rs 21,174,352/- (Previous year Rs. 1,635,125) and closing balance as on 31st March, 2011 was Rs. 14,379,769/- (Previous year Rs. 1,635,125/-).

**7 Employee Benefits**

**Defined Contribution Plan**

The Company makes contribution towards Employees Provident Fund and Employee's State Insurance scheme. Under the rules of these schemes, the company is required to contribute a specified percentage of payroll costs. The Company during the year recognized the following amounts in the Profit and Loss Account under company's contribution to Defined contribution plan.

(Amount in Rupees)

Particulars	2010-2011	2009-2010
Provident Fund	19,477,593	8,686,151
Employee State Insurance	3,270,271	1,222,575

Note:

The above amount includes Rs 128,204 and Rs 6,779 as Employer's Contribution to Provident Fund and Employer's Contribution to ESI respectively transferred to Capital Work in Progress.

**Defined Benefit Plans:**

**Gratuity Scheme:** This is a funded defined benefit plan for qualifying employees. The employees gratuity fund scheme managed by Life Insurance Corporation of India. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity

**Leave Encashment/Compensated Absences:** This is an unfunded defined benefit plan.

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans (as per Actuarial Valuation as on March 31,2011).

In accordance with the Accounting Standard (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans based on following assumptions:

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Discount Rate	8%	7.50%	8%	7.50%
Rate of increase in Compensation	10.00%	10.00%	10.00%	10.00%
Rate of Return on Plan Assets (For Gratuity)	NA	NA	9.25%	9.25%
Mortality	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.

**Net employees benefit expense (recognized in the Statement of Profit and Loss for the year ended 31st March 2011)**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Current Service Cost	3,583,654	1,397,443	4,087,894	2,517,918
Interest Cost on benefit obligation	566,605	393,440	1,679,104	991,943
Expected return on plan assets	NA	NA	(1,785,382)	(1,032,266)
Past Service Cost	–	–	3,436,154	–
Actuarial (gain)/loss recognized in the year	(368,997)	(1,039,069)	42,612	(1,191,240)
<b>Net Benefit Expense</b>	<b>3,781,262</b>	<b>751,814</b>	<b>7,460,382</b>	<b>1,286,355</b>

**Net Asset/ (liability) recognized in the Balance Sheet as on March 31, 2011**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Present Value of Defined Benefit Obligation	10,619,987	5,927,849	31,090,302	16,135,944
Fair Value of Plan Assets	–	–	23,666,253	14,849,589
<b>Net Asset/ (Liability) recognized in the Balance Sheet</b>	<b>10,619,987</b>	<b>(5,927,849)</b>	<b>(7,424,049)</b>	<b>(1,286,355)</b>

**Changes in the Obligation during the year ended 31st March 2011**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Opening defined benefit obligation	7,554,729*	5,620,573	22,388,056*	14,170,616
Interest cost	566,605	393,440	1,679,104	991,943
Past Service Cost	–	–	3,436,154	–
Current Service Cost	3,583,654	1,397,443	4,087,894	2,517,918
Benefits Paid	(716,004)	(444,538)	(468,534)	(441,442)
Actuarial (gain)/ loss on obligation	(368,997)	(1,039,069)	(32,372)	(1,103,091)
Closing defined benefit obligation	10,619,987	5,927,849	31,090,302	16,135,944

**Changes in the fair value of Plan Assets are as follows:**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Opening fair value of Plan Assets	N.A	N.A	19,350,079*	11,281,597
Expected return on Plan Assets	–	–	1,785,382	1,032,266
Contribution by employer	–	–	3,074,310	2,889,019
Benefits paid	–	–	(468,534)	(441,442)
Actuarial Gain/ (Loss) on Plan Assets	–	–	(74,984)	88,149
<b>Closing Fair Value of Plan Assets</b>	<b>N.A</b>	<b>N.A</b>	<b>23,666,253</b>	<b>14,849,589</b>

Note:- \* The above figures include amount of Sipcot Unit , Chennai which was earlier the part of the subsidiary company (Sharda Sejong Auto Components India Ltd.) has been brought back by the company during the year.

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

8. Pursuant to amendments to Schedule VI to Companies Act, 1956 vide Notification No. GSR 719 (E) dated 16th November, 2007. The company has not received any intimation from suppliers regarding the status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, disclosure, if any was concerning the amount unpaid as at the year end together with interest paid/payable as required under the said act has not been given.

9. **Detail of prior period expenses is as follows:**

(Amount in Rupees)

Expenditures (Dr.)	2010-11	2009-10
Tours & Travels	(9,961)	–
<b>Total</b>	<b>(9,961)</b>	<b>–</b>

10. **Payment to Auditors**

(Amount in Rupees)

Particulars	2010-11	2009-10
Audit Fees	860,000	595,000
Tax Audit Fees	310,000	250,000
Management Services	200,000	200,000
Service Tax	141,110	107,635
Taxation Matters	34,000	70,000
Out of Pocket Expenses	78,264	75,664

11. **Managerial Remuneration to Directors**

(Amount in Rupees)

Particulars	2010-11	2009-10
Salary	21,020,000	21,302,400
Perquisites	7,213,330	7,856,334
Commission	2,600,000	6,400,000
Sitting Fees	600,000	690,000

**Note: -**

1. Managerial Remuneration to Directors does not include incremental liability for gratuity and leave encashment unless paid/ payable as per company rules.
2. The Managerial Remuneration paid to the Directors is well within the limits specified in Companies Act, 1956.

12. **Computation of eligible net profit u/s 349 of the Companies Act:**

(Amount in Rupees)

Profit as per profit and loss account		282,468,232
(A) Add :		
i MD's & Whole-time Director's remuneration & Commission	28,233,330	
ii Commission paid to part-time Directors	2,600,000	
iii Director's Sitting Fees	600,000	
<b>TOTAL (A)</b>		<b>31,433,330</b>
(B) Less :		
i Profit or Loss on sale of Investments	71,674	
ii Profit on Sale of Fixed Assets (Net)	26,580,506	
iii Warranty Claim (Net)	4,259,473	
<b>TOTAL (B)</b>		<b>30,911,653</b>
<b>Net Profit under Section 349{Profit as per profit and loss account + TOTAL (A) – TOTAL (B)}</b>		<b>282,989,909</b>
Overall Limit of 11% (Including Comm. to part-time Directors)		31,128,889
Overall Limit of 10% (For all Whole-time Directors)		28,298,991
Limit for Individual Director of 5%		14,149,495
Limit of Commission to Part Time Directors 1%		2,829,899



**13. Additional Information:**
**a) Capacity, Production, Turnover & Stocks:**
**(i) Licensed & Installed Capacity :**

As certified by the Management and as per the norms laid down by the Central Government, no licence is required for the class of goods manufactured by the Company; hence information pertaining to the licensed capacity is not given. The Company is of the view that the installed capacity of its machinery in terms of measurable units cannot be determined as it varies, based on the design / process of its heterogeneous range of products.

**(ii) (A) Quantitative Information with regard to Actual Production, Stock, Turnover of the Goods Manufactured by the Company.**  
 (Amount in Rupees)

PARTICULARS	Unit	Actual Production		Opening Stock		Turnover		Closing Stock	
		Qty		Qty	Value	Qty	Value	Qty	Value
<b>a) AUTOMOTIVE COMPONENTS</b>									
- Metal Parts	PCS	16,320,202 (18,731,665)		9,019 (103,335)	1,647,550 (11,990,041)	16,314,321 (18,826,894)	6,149,669,827 (3,584,954,997)	14,900 (9,019)	809,149 (692,858)
- Fabric	PCS	4,501,056 (4,068,157)		219 (247)	11,283 (43,047)	4,501,132 (4,068,185)	933,156,880 (696,007,015)	143 (219)	72,313 (11,283)
<b>b) WHITE GOODS</b>	PCS	3,304,575 (3,752,651)		71,896 (59,357)	146,851 (2,865,828)	3,376,471 (3,740,112)	466,210,890 (460,027,073)	- (71,896)	- (146,851)
<b>c) OTHERS</b>		- (-)		- (-)	227,309 (278,924)	- (-)	82,607,322 (59,405,619)	- (-)	341,041 (227,309)
<b>d) JOB WORK</b>		- (-)		- (-)	- (-)	- (-)	16,590,294 (15,020,498)	- (-)	- (-)
<b>TOTAL ii (A)</b>		24,125,833 (26,552,473)		81,134 (162,939)	2,032,993 (15,177,840)	24,191,924 (26,635,191)	7,648,235,213 (4,815,415,202)	15,043 (81,134)	1,222,503 (1,078,301)

Note: Opening Stock and Closing Stock (P.Y.) Figures of Metal Parts includes Opening Stock of 913 pcs of Siptcot Unit.

**(ii) (B) Quantitative Information With Regard To Actual Turnover of Goods Traded**

(Amount in Rupees)

PARTICULARS	Unit	Purchases		Opening Stock		Turnover		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value	Qty	Value
a) AUDIO VIDEO SYS.	PCS	1,235 (1,622)	790,352 (1,553,697)	2,737 (3,660)	14,411,099 (22,076,207)	1,538 (2,545)	2,206,952 (8,340,023)	2,434 (2,737)	13,603,516 (14,411,099)
b) OTHERS			418,291,689 (343,993,531)		- (-)		474,266,903 (306,128,764)		- (-)
<b>TOTAL ii (B)</b>		1,235 (1,622)	419,082,041 (345,547,228)	2,737 (3,660)	14,411,099 (22,076,207)	1,538 (2,545)	476,473,855 (314,468,787)	2,434 (2,737)	13,603,516 (14,411,099)

Note: Figures in brackets indicates previous year's figures.

**iii) (a) Consumption of raw -material**

Particulars	Unit	2010-11		2009-10	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Steel	Kgs	30,580,923	1,826,214,099	26,596,948	1,543,145,291
Fabric	Mtrs	3,143,573	553,096,471	2,492,125	410,719,789
Others	-	-	2,445,833,928	-	1,111,568,832
<b>Total</b>	-	33,724,496	4,825,144,498	29,089,073	3,065,433,912

**b) Value of imported/indigenous raw materials, stores and spares consumed :**

(Amount in Rupees)

Particulars	2010-11		2009-10	
	Amount (Rs.)	%	Amount (Rs.)	%
<b>Raw Material</b>				
Imported	1,139,008,091	23.60	730,357,677	23.83
Indigenous	3,686,136,407	76.40	2,335,076,235	76.17
<b>Total</b>	<b>4,825,144,498</b>	<b>100.00</b>	<b>3,065,433,912</b>	<b>100</b>
<b>Stores &amp; Spares</b>				
Imported	4,919,353	39.11	4,323,193	39.15
Indigenous	7,658,942	60.89	6,719,783	60.85
<b>Total</b>	<b>12,578,295</b>	<b>100</b>	<b>11,042,976</b>	<b>100</b>

**c) CIF Value of Import**

(Amount in Rupees)

Particulars	2010-11	2009-10
Capital Goods	83,171,733	11,344,681
Raw Material	1,126,532,325	701,212,894
Machinery Spares and Consumables	44,753,431	8,149,101
<b>Total</b>	<b>1,254,457,489</b>	<b>720,706,676</b>

**d) Expenditure in Foreign Currency:**

(Amount in Rupees)

Particulars	2010-11	2009-10
Foreign Traveling	15,160,229	3,143,185
Royalty	5,651,119	309,374
Research & Development (Testing Fees)	–	3,000,587
Technical Know-how / Guidance Fee / Consultancy	6,398,697	1,793,575
Subscription & Fee	–	132,110
Repair and Maintenance	6,214,118	125,701
Shifting Charges	–	484,656
Handling Charges	995,559	–

**e) Earning in Foreign Currency:**

(Amount in Rupees)

Particulars	2010-11	2009-10
F.O.B. Value of Exports	26,239,881	15,268,678

**f) Statement showing Purchase/Sale of Shares during the year ended 31st March' 2011**

(Figures in Units)

S.No.	Name of Share	Opening Stock		Invested		Sold		Closing Balance	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1	Sharda Sejong Auto Components Ltd.	20,050,000	20,050,000	–	–	–	–	20,050,000	20,050,000
2	Reliance Communication Ventures Ltd.	56	–	–	–	56	–	–	–
3	Reliance Natural Resouces Ltd	56	–	–	–	56	–	–	–
4	Reliance Industries Ltd*	72	36	–	–	72	–	–	72

\* Reliance Industries Ltd., Bonus share issue in the ratio of 1:1.

**14. Segment wise Reporting**
**(a) Composition of Business Segments:**

The Company's business segments are organized on product lines as under:

- i) Automotive components
- ii) White Goods
- iii) Others

**(b) Segment revenues, Results and Other Information**

(Amount in Rupees)

Particulars	Year Ended 31st March, 2011				Year Ended 31st March, 2010			
	Automotive Components & Accessories	White Goods	Others	Total	Automotive Components & Accessories	White Goods	Others	Total
External Sales (Gross)	7,426,898,595	695,603,522	2,206,951	8,124,709,068	4,566,082,939	555,454,038	8,347,012	5,129,883,989
Inter Segment Sales								
Less: Excise duty	1,079,900,545	42,830,337	–	1,122,730,882	449,828,868	18,088,166	–	467,917,034
Other Income	47,269,438	(119,584)	(506,840)	46,643,014	30,343,334	(63,550)	(593)	30,279,191
<b>Segment Revenue</b>	<b>6,394,267,488</b>	<b>652,653,601</b>	<b>1,700,111</b>	<b>7,048,621,200</b>	<b>4,146,597,405</b>	<b>537,302,322</b>	<b>8,346,419</b>	<b>4,692,246,146</b>
Un-allocated Income	–	–	–	5,630,085	–	–	–	12,037,710
Profit on sale of Investments (Net)	–	–	–	71,674	–	–	–	–
<b>Total Revenue</b>				<b>7,054,322,959</b>				<b>4,704,283,856</b>
<b>Segment Results</b>	<b>436,529,383</b>	<b>42,411,992</b>	<b>(1,600,794)</b>	<b>477,340,581</b>	<b>445,849,891</b>	<b>47,253,967</b>	<b>(14,531,356)</b>	<b>478,572,502</b>
Un-allocated Expenses				114,053,843				82,070,565
<b>Operating Profit</b>				<b>363,286,738</b>				<b>396,501,937</b>
Interest Expenses (Net)				80,818,506				82,517,048
Current Income Tax				23,100,000				86,000,000
Deferred Tax				49,542,092				16,594,607
Provision for Wealth Tax				1,60,785				133,018
Prior Period Adjustments (Net)				(9,961)				–
Tax adjustment for earlier year (Net)				–				(304,659)
<b>Profit after tax</b>				<b>209,675,316</b>				<b>211,561,923</b>
<b>Segment Assets</b>	<b>3,461,255,271</b>	<b>15,925,1044</b>	<b>14,234,105</b>	<b>3,634,740,420</b>	<b>2,561,191,106</b>	<b>192,988,956</b>	<b>15,403,708</b>	<b>2,769,583,770</b>
Un-allocated Assets				338,174,989				315,476,891
<b>Total</b>				<b>3,972,915,409</b>				<b>3,085,060,661</b>
<b>Segment Liabilities</b>	<b>1,344,420,988</b>	<b>9,250,922</b>	<b>1,868,359</b>	<b>1,355,540,269</b>	<b>836,312,430</b>	<b>71,246,757</b>	<b>1,628,250</b>	<b>909,187,437</b>
Un-allocated Liabilities				165,552,798				32,509,643
<b>Total</b>				<b>1,521,093,067</b>				<b>941,697,080</b>
<b>Capital Expenditure</b>	<b>570,621,214</b>	<b>9,227,756</b>	<b>–</b>	<b>579,848,970</b>	<b>333,454,681</b>	<b>3,570,074</b>	<b>–</b>	<b>337,024,755</b>
<b>Depreciation / Amortisation</b>	<b>223,794,451</b>	<b>17,972,669</b>	<b>53,760</b>	<b>241,820,880</b>	<b>133,057,492</b>	<b>12,685,923</b>	<b>3,461,442</b>	<b>149,204,857</b>

**15. Leases**
**Assets taken on operating Lease**

- a) The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. Nil (Previous Year Rs. 12,287,903/-) has been debited to the Profit & Loss account. The future minimum lease payments as on 31st March, 2011 are as under:

(Amount in Rs.)

S. No.	Minimum Lease Payment Payables	2010-11	2009-10
i)	Not later than in 1 years	13,200,000	12,540,000
ii)	Later than 1 year but not later than 5 years	52,800,000	48,000,000
iii)	Later than 5 years	-	-

General Description of Lease Terms:

- Lease Rentals are charged on the basis of agreed terms.
- Assets are taken on lease over a period of 1 to 9 years.

**b) Assets given on Operating Lease**

The Company has given the premises on cancellable operating lease on or after 2001, and lease rental amounting to Rs. Nil (Previous Year: Rs. 1,500,000/-) has been credited to the Profit and Loss Account. The details for the assets given of operating lease are as under:

Description of Assets given on Lease:

(Amount in Rs.)

Description of Assets	Gross Block	Accumulated Depreciation as on 1 April 2010	Depreciation For the Year	Written Down Value as on 31 March 2011
Building (G-20, Sipcot)	(74,910,725)	(40,007,374)	(3,490,335)	(31,413,016)

Details of Leasing Agreement are enumerated below:

Property given on lease	Date for Termination Of Lease
Building (G-20, Sipcot)	31.03.2010

**16. Financial and Derivative Instruments**

Derivative contracts entered into by the company and outstanding as on 31st March, 2011.

- Foreign currency exposure hedged by derivative instruments amounts to Rs. 55,225,000/- (P.Y.Rs. 112,187,500 /- ).
- Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2011 amounts to Rs.373,015,636/- (P.Y.Rs. 74,041,900)

**17. Disclosure in pursuance of AS-18 "Related Party Disclosure"**

List of related parties where control exists and related parties with whom transactions have taken place and relationships:

S.No.	Name of the Related Party	Relationship
1	Sharda Sejong Auto components (India) Limited	Subsidiary Company
2	Relan Industrial Finance Ltd.	Associate Companies
3	Bharat Seats Ltd.	
4	Progressive Engineering & Automation Pvt. Ltd.	
5	Shri. N.D. Relan (Chairman)	
6	Shri Ajay Relan (Managing Director)	Key Managerial Personnel
7	Shri Udayan Banerjee (Executive Director)* * Up to 31st May 2009	
8	Shri Rohit Relan	Relatives of Key Managerial Personnel
9	Smt. Sharda Relan	
10	Smt. Mala Relan	
11	Smt. Ritu Relan	
12	Ms. Aashita relan	
13	Mr. Aashim Relan	
14	Mr. Rishabh Relan	
15	Mr. Pranav Relan	
16	Mr. Ayush Relan	
17	Sharda Enterprises	
18	N.D. Relan (HUF)	
19	Ajay Relan (HUF)	
20	Rohit Relan (HUF)	
21	A.N.I Hospitality LLP	

## (ii) Transactions during the year with Related Parties

(Amount in Rupees)

S No	Nature of Transactions	Subsidiary Company	Associate Companies	Associate Concern	Key Management Personnel	Relative of Key Management Personnel
1	Sales	- (1,326,468,811)	3,487,018,276 (1,800,495,762)	- (-)	- (-)	- (-)
2	Purchases	- (78,784,726)	- (-)	- (-)	- (-)	- (-)
3	Loans received	- (1,889,492,642)	- (-)	- (-)	79,281,575 (56,950,000)	83,730,000 (46,950,000)
4	Loan given	- (868,652,395)	- (-)	- (-)	45,511,575 (67,600,000)	34,500,000 (36,000,000)
5	Interest paid on loans	- (-)	- (-)	- (-)	11,853,853 (16,400,623)	14,141,226 (13,767,542)
6	Rent paid	- (-)	- (-)	13,521,004 (12,000,000)	- (-)	- (-)
7	Hire Charges received	- (1,500,000)	- (-)	- (-)	- (-)	- (-)
8	Remuneration Paid	- (-)	- (-)	- (-)	28,233,330 (32,558,734)	4,194,554 (4,643,169)
9	Dividend Received	- (-)	5,400,000 (4,500,000)	- (-)	- (-)	- (-)
10	Dividend Paid	- (-)	- (-)	936,000 (1,170,000)	12,983,980 (16,229,975)	32,580,180 (40,725,225)
11	Purchase of Fixed Assets	- (1,381,186)	- (-)	- (-)	- (-)	- (-)
12	Sale of Investments	- (-)	12,665 (-)	- (-)	- (-)	- (-)
13	Sale of Fixed Assets	- (7,495,571)	21,540,837 (55,348,525)	- (-)	- (-)	- (-)
14	Advance received against supply of goods	- (-)	20,000,000 (24,000,000)	- (-)	- (-)	- (-)
15	Advance paid against sale of goods during the year	- (-)	24,000,000 (-)	- (-)	- (-)	- (-)
16	Transfer of Sipcot's business from subsidiary	782,182,533 (-)	- (-)	- (-)	- (-)	- (-)
17	<b>Net Outstanding Balance Payable/ (Receivable) as on 31.03.2011</b>	<b>212,988,688 (569,193,665)</b>	<b>(54,112,369) (57,513,648)</b>	<b>- (-)</b>	<b>162,500,000 (134,776,397)</b>	<b>179,700,000 (135,864,718)</b>

Note: Figures in brackets indicate previous year's figures.

**18. Deferred Taxation (AS 22)**
**Deferred Tax Liability (DTL) : Arising on account of timing difference**

S.No.	Particulars	Total upto 31.03.2010 (Rs.)	For the year 2010-11 (Rs.)	Total upto 31.03.2011 (Rs.)
1)	Depreciation	72,067,850	54,364,070	126,431,920
	<b>Total</b>	<b>72,067,850</b>	<b>54,364,070</b>	<b>126,431,920</b>

**Deferred Tax Assets (DTA) : arising on account of timing difference**

S.No.	Particulars	Total upto 31.03.2010 (Rs.)	For the year 2010-11 (Rs.)	Total upto 31.03.2011 (Rs.)
1)	Expenditure under section 43B of the Income Tax Act, 1961	5,170,384	6,227,577	11,397,961
2)	Others	1,405,599	(1,405,599)	–
	<b>Total</b>	<b>6,575,983</b>	<b>4,821,978</b>	<b>11,397,961</b>
	<b>Net Deferred Tax Liability/(Assets)</b>	<b>65,491,867</b>	<b>49,542,092</b>	<b>115,033,959</b>

**19. Research and Development Expenses include:**

(Amount in Rs.)

Particulars	2010-11	2009-10
Purchases	76,226	–
Salary, Wages and other allowances	17,141,675	8,763,583
Traveling expenses	1,130,122	714,377
Design, Development and other Expenses	2,741,995	3,283,762
<b>Total</b>	<b>21,090,018</b>	<b>12,761,722</b>

**20. Earning per Share**

The numerators &amp; denominators used to calculate the earnings per share.

(Amount in Rs.)

Particulars	2010-11	2009-10
Profit/(loss) attributable to the equity shareholders (Rs.) - (A)	209,675,316	211,561,923
Basic/weighted average number of Equity shares outstanding during the year - (B)	5,946,326	5,946,326
Nominal value of equity shares (Rs.)	10	10
Basic/diluted earnings per share (Rs.) (A) / (B)	35.26	35.58

21. Previous year's figures have been reclassified/regrouped, wherever considered necessary.

22. The current year results include the figure pertaining to Sipcot Unit situated at G-20, Sipcot Industrial Park, Kancheepuram, Chennai due to cancellation of transfer of business vide cancellation deed dated November 20, 2009. All assets and liabilities pertaining to Sipcot Unit hitherto hived off to wholly owned subsidiary M/s Sharda Sejong Auto Components India Ltd. have returned back to the company at their respective book values as on commencement of business on 1st April, 2010. Hence current year's figures are not comparable with previous year's figures

23. Information pursuant to clause 32 of the listing agreements with stock exchanges Loans and advances in the nature of loans to wholly-owned subsidiary company are as under:

(Amount in Rs.)

Interest free with no specified payment schedule:	Balance as at 31st March		Maximum Balance During the year ended 31st March	
	2011	2010	2011	2010
Sharda Sejong Auto Components India Limited	212,988,868 (Cr.)	569,193,665 (Dr.)	212,988,868 (Cr.)	569,193,665 (Dr.)

24. Disclosure in accordance with Accounting Standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets. The following table provides disclosure in accordance with AS 29.

Particulars	Balance as at April 1, 2010	Amount Transferred from Subsidiary Company	Additions during the year	Amounts used/ paid/ reversed during the year	Balance as at March 31, 2011
Provision For Warranty	7,342,276	17,861,002	12,307,082	18,707,941	<b>1,8802,419</b>
Previous Year	4,418,401	–	3,520,843	596,968	<b>7,342,276</b>

For and on Behalf of  
the Board of Directors

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director



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

I. Registration Details  
 Registration No.   
 State Code   
 Balance Sheet Date     
   Day                      Month                      Year

II. Capital Raised during the year (Amount in Rs. Thousands)  
 Public Issue   
 Bonus Issue   
 Right Issue   
 Private Placement

III. Capital Raised during the year (Amount in Rs. Thousands)  
 Total Liabilities   
 Source of Funds  
 Paid-Up Capital   
 Secured Loans   
 Deferred Tax Liability   
 Total Assets   
 Reserves & Surplus   
 Unsecured Loans   
 Application of Funds  
 Net Fixed Assets\*   
 Net Current Assets   
 Investments   
 Misc. Expenditure

\* Includes Capital Advances.

IV. Performance of Company (Amount in Rs. Thousand)  
 Turnover / Income   
 Total Expenditure   
 + - Profit/Loss Before Tax    
 + - Profit/Loss After Tax    
 Please tick Appropriate box (+) for Profit (-) for loss  
 + - Earning per Share in Rs.    
 Dividend rate %

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="87089200"/>
Product	<input type="text" value="EXHAUST SYSTEM"/>
Description	<input type="text" value="FOR AUTOMOBILES"/>
Item Code No. (ITC Code)	<input type="text" value="940120"/>
Product	<input type="text" value="SEAT COVER FOR"/>
Description	<input type="text" value="AUTOMOBILES"/>
Item Code No. (ITC Code)	<input type="text" value="87.08"/>
Product	<input type="text" value="PART &amp; ACCESSORIES"/>
Description	<input type="text" value="FOR MOTORVEHICLES"/>

For and on Behalf of  
the Board of Directors

(NITIN VISHNOI)  
Company Secretary

(PRADEEP RASTOGI)  
President-Legal & CFO

(N. D. RELAN)  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

(D.A. AGGARWAL)  
Sr. Vice President (F&A)

(AJAY RELAN)  
Managing Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

A.	Name of the Subsidiary	:	Sharda Sejong, Auto Components (India) Limited*
B.	Financial Year of the Subsidiary Company	:	31st March' 2011
C.	Holding Company's Interest as at close of financial year of Subsidiary Company.		
	(i) Share Holding	:	2,00,50,000 Equity Shares of Rs. 10/- each fully paid-up.
	(ii) Extent of Holding	:	100%
D.	The net aggregate amount of Subsidiary Company's Profits/Loss after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's accounts		
	(i) for the Subsidiary's financial year ended as in (B) above	:	46,717,156
	(ii) for the previous financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	:	34,242,006
E.	Net Aggregate amount of Subsidiary Company's Profit/ Loss after deducting its losses or vice-versa, dealt within the Company's accounts.		
	(i) for the Subsidiary's financial year ended as in (B) above	:	NIL
	(ii) for the previous financial years of the Subsidiary Company since it became the Holding Company's subsidiary.	:	NIL

\*Sharda Sejong Auto Components (India) Limited became subsidiary of the Company on 16th June, 2007

For and on Behalf of  
the Board of Directors

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F & A)

**(AJAY RELAN)**  
Managing Director

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF SHARDA MOTOR INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SHARDA MOTOR INDUSTRIES LIMITED

We have examined the attached Consolidated Balance Sheet of Sharda Motor Industries Ltd. ('the Company'), its subsidiary and associates (collectively referred as "The Sharda Group"), as at March 31st 2011, the Consolidated Profit and Loss Account and Consolidated Cash Flow for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the management of Sharda Motor Industries Ltd. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements M/s Bharat Seats Limited, an associate company whose financial statement reflect total assets of Rs. 743,719,881 as at March 31st 2011 and total revenues of Rs. 4,427,537,642 for the year then ended. These financial statements have been audited by others auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the associates company is based solely on the report of the other auditors. Further the financial statements of Relan Industrial and Finance Limited, an associate company, whose financial statement reflect total assets of Rs. 36,246,917 as at March 31st 2011 and total revenues of Rs. 918,854 for the year then ended, were furnished unaudited to us and have been taken as certified by the Management.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard – 21 "Consolidated Financial Statements" and Accounting standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements and on the basis of separate audited statements of Sharda Motor Industries Ltd and its subsidiaries and associates included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Sharda Motor Industries Ltd and its subsidiaries and associates, we are of the opinion that the said consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Sharda Group as at March 31st 2011;
- (ii) In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Sharda Group for the year ended on that date.
- (iii) In the case of the Consolidated Cash Flow Statement, of the Sharda Group for the year ended on that date.

**For S.R. DINODIA & CO.**  
Chartered Accountants

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**  
Partner  
(M. No. 083689)

**CONSOLIDATED BALANCE SHEET AS AT 31MARCH 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	AS AT	
		31.03.2011	31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholder Funds</b>			
Share Capital	1	59,463,260	59,463,260
Reserves & Surplus	2	1,355,418,804	1,182,157,932
<b>Loan Funds</b>			
Secured Loans	3	715,186,077	703,924,118
Unsecured Loans	4	366,518,750	259,200,000
Deferred Tax Liability(Net)		115,033,959	77,976,445
{Refer Note No.13 of Schedule 12(B)}			
		<b>2,611,620,850</b>	<b>2,282,721,755</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	5	2,869,225,642	2,355,080,407
Less: Depreciation		1,055,313,217	843,213,043
<b>Net Block</b>		<b>1,813,912,425</b>	<b>1,511,867,364</b>
Capital Work In Progress (Including Capital Advances)		337,774,710	226,973,304
<b>Investments</b>	6	<b>127,998,366</b>	<b>109,053,727</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	655,895,116	485,899,132
Sundry Debtors		761,722,739	781,350,853
Cash & Bank Balances		24,077,962	91,755,823
Other Current Assets		21,848,666	16,165,048
Loans & Advances		176,505,066	196,959,560
		<b>1,640,049,549</b>	<b>1,572,130,416</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	8	1,254,642,103	1,077,315,259
Provisions		53,472,097	59,987,797
		<b>1,308,114,200</b>	<b>1,137,303,056</b>
<b>Net Current Assets</b>		<b>331,935,349</b>	<b>434,827,360</b>
		<b>2,611,620,850</b>	<b>2,282,721,755</b>
Significant Accounting Policies & Notes to Accounts	12		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Turnover and Inter-unit Transfers		9,828,029,496	6,970,669,898
Less: Inter-unit Transfers		1,703,320,428	351,264,671
Sales		8,124,709,068	6,619,405,227
Less : Excise duty recovered		1,122,730,882	710,263,891
		<b>7,001,978,186</b>	5,909,141,336
Other Income	9	46,944,773	38,148,336
		<b>7,048,922,959</b>	5,947,289,672
<b>EXPENDITURE</b>			
Cost of Traded goods		420,915,124	353,212,337
Manufacturing & Other Expenses	10	6,026,817,758	4,914,284,461
Financial Charges (Net)	11	80,817,936	83,428,536
		<b>6,528,550,818</b>	5,350,925,334
Profit Before Depreciation, Taxation & Exceptional Items		520,372,141	596,364,338
Depreciation/Amortisation		241,820,880	219,837,017
Profit Before Taxation		278,551,261	376,527,321
Less: Provision for tax			
– Current Tax		56,000,000	99,500,000
Less: MAT Credit Entitlement		32,900,000	–
– Deferred Tax charged/ (Released)		37,057,514	23,520,132
– Wealth tax		160,785	152,209
Less: Prior Period Adjustment(Net)		(9,961)	–
Profit after tax		218,242,923	253,354,980
Add: Share of Profit from Associates		24,357,305	11,982,808
Less: Tax Adjustments for Earlier Years (Net)		–	(2,192,232)
		<b>242,600,228</b>	267,530,020
Surplus brought forward from last year		202,671,164	204,710,184
<b>Profit available For Appropriation</b>		<b>445,271,392</b>	472,240,204
<b>APPROPRIATIONS</b>			
Proposed Dividend		29,731,630	29,731,630
Interim Dividend		29,731,630	29,731,630
Tax on Interim Dividend		4,938,048	5,052,890
Tax on Proposed Dividend		4,938,048	5,052,890
Transferred to General Reserves		150,000,000	200,000,000
Balance Carried To Balance Sheet		225,932,036	202,674,164
		<b>445,271,392</b>	472,240,204
Basic / Diluted Earning Per Share (Rs.)		40.80	44.99
Significant Accounting Policies & Notes to Accounts	12		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Amount in Rupees)

PARTICULARS	Current Year	Previous Year
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation & Extraordinary items	278,551,261	376,527,321
Adjustment for:		
Exchange Fluctuation (Profit)/Loss	–	(18,840,787)
Depreciation written off	241,820,880	219,837,017
Interest Income	(854,729)	(1,272,165)
Interest Expenses	72,774,527	75,293,090
Dividend Income	(2,104)	(502)
(Profit) / Loss on Sale of Fixed Assets (Net)	(26,580,506)	(13,927,554)
Amount written off (Net)	(5,842,021)	1,868,867
<b>Operating profit before working capital changes</b>	<b>559,867,308</b>	<b>639,485,287</b>
Adjustment for		
Decrease / (Increase) in Trade & Other receivables	19,628,114	(98,685,308)
Decrease / (Increase) in Increase in Inventories	(169,995,984)	(78,454,174)
Decrease / (Increase) in Advances and other current assets	43,180,348	160,783,531
Increase / (Decrease) in Trade Payable	177,326,844	4,197,287
Amount written off (Net)	5,842,021	(2,781,120)
Warranty Claims	(6,400,858)	2,923,875
<b>Cash Generated from operation</b>	<b>629,447,793</b>	<b>627,469,378</b>
Direct Taxes paid (Net)	(51,647,659)	(111,117,913)
<b>Net Cash flow from Operating Activities</b>	<b>577,800,134</b>	<b>516,351,465</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	62,563,530	65,105,230
Purchase of Fixed Assets/Technical know-how	(690,650,344)	(409,436,759)
Interest Received	854,729	1,272,165
Dividend Income	5,402,104	4,500,502
<b>Net Cash used in Investing Activities</b>	<b>(621,829,981)</b>	<b>(338,558,862)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings (Net)	118,580,709	33,929,110
Interest Paid	(72,774,527)	(75,293,090)
Dividend paid	(69,454,198)	(69,569,040)
<b>Net Cash used in Financing Activities</b>	<b>(23,648,016)</b>	<b>(110,933,020)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(67,677,864)</b>	<b>66,859,584</b>
<b>CASH &amp; CASH EQUIVALENTS-OPENING BALANCES</b>	<b>91,755,823</b>	<b>24,896,239</b>
<b>CASH &amp; CASH EQUIVALENTS-CLOSING BALANCES</b>	<b>24,077,959</b>	<b>91,755,823</b>
<b>Cash &amp; Cash Equivalents include :</b>		
Cash in hand	62,639	8,501
<b>Balances with Scheduled Banks</b>		
– In Current Account	23,425,396	61,204,047
– In Deposit Account	69,663	30,085,237
– In Margin Money Account	520,264	458,038
	<b>24,077,962</b>	<b>91,755,823</b>

Note : 1. Figures in brackets represent outflows

 As per our report attached.  
 For **S.R. DINODIA & CO.**,  
 CHARTERED ACCOUNTANTS  
 REGN NO. 001478N

 For and on Behalf of  
 the Board of Directors

**(SANDEEP DINODIA)**  
 PARTNER  
 M.NO. 083689

**(NITIN VISHNOI)**  
 Company Secretary

**(PRADEEP RASTOGI)**  
 President-Legal & CFO

**(N. D. RELAN)**  
 Chairman

 PLACE : NEW DELHI  
 DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
 Sr. Vice President (F& A)

**(AJAY RELAN)**  
 Managing Director

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
-------------	---------------------	---------------------

**SCHEDULE - 1 : SHARE CAPITAL**
**Authorised**

25,000,000 (P.Y. 25,000,000) Equity Shares of Rs. 10/- each	<b>250,000,000</b>	250,000,000
--	--------------------	-------------

**Issued, Subscribed & Paid up**

5,946,326 Equity Shares* (P.Y. 5,946,326) of Rs.10/- each fully paid up	<b>59,463,260</b>	59,463,260
	<b>59,463,260</b>	59,463,260

**\* Out of the above Shares**

- i) 4,953,163 (P. Y. 4,953,163) equity share of Rs. 10/- each are issued as fully paid up bonus shares by way of capitalisation of General Reserve.
- ii) 3,161 (P. Y. 3,161) equity shares allotted for consideration other than cash.

**SCHEDULE - 2 : RESERVES & SURPLUS**

a) Capital Reserve	<b>20,000</b>	20,000
b) General Reserve		
– As per last Balance Sheet	<b>979,466,768</b>	779,466,768
Add: Transfer from Profit and Loss Account	<b>150,000,000</b>	200,000,000
	<b>1,129,466,768</b>	979,466,768
c) Profit & Loss Account Balance Carried Forward	<b>225,932,036</b>	202,671,164
	<b>1,355,418,804</b>	1,182,157,932

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 3 : SECURED LOANS**
**From Banks**

– Cash Credit	258,435,111	162,813,994
– Buyers' Credit	95,095,771	37,056,373
– Bills Discounted	30,588,319	
– <b>Term Loan :-</b>		
– External Commercial Borrowing *	225,685,626	354,053,751
– Short Term Loan *	–	150,000,000
– Rupee Term Loan	105,381,250	–
	<b>715,186,077</b>	<b>703,924,118</b>

\* Repayable within one year Rs.128,368,125/- (P.Y. Rs. 224,393,125/-)

Note : The above Loans are secured against :

**1) Cash Credit/ Buyers' Credit**

- (a) Secured by charge on Inventories and Book Debts at Company's Godowns, yards and Premises situated at Noida, Greater Noida, Haridwar, Gurgaon, Nasik and Chennai (Mahindra World City).
- (b) Equitable mortgage of Leasehold Land and Building and Plant & Machinery and other assets situated at Plot No.4, Sector 31, Kasna Industrial Area, Greater Noida, U.P

**2) Bill Discounted**

First hypothecation charge on pre-accepted hundies by Tata Motors Ltd. and bill discounting under the bill discounting /Express vendor discounting scheme and recievables of Tata Motors Ltd. both present and future.

**3) Term Loan (External Commercial Borrowing)**

- i) Mortgage in favour of the Security Trustee in a form satisfactory to the Security Trustee of the Borrower's immovable properties pertaining to the Project Situated at Mahindra World City, Changalpattu Taluk, Kancheपुरam Dist. Industrial Park, Tamilnadu-603002,
- ii) An exclusive charge by way of hypothecation in favour of the Security Trustee of the Borrower's movables pertaining to the Projects Situated at:
  - a) Mahindra World City, Changalpattu Taluk, Kancheपुरam Dist. Industrial Park, Tamilnadu-603002,
  - b) Plot No. 52/1,52/2,53/2A,54A,54B,54C & 54D, Behind Ceat Company, Satpur, Nashik-422007
  - c) Plot No. C-8, TML Vendor Park, Sanand Road, North Cotepura, Sanand, Ahmedabad
  - d) 58 KM, Delhi - Jaipur Highway, P.O. Binola, Haryana.being financed out of the proceeds of the Facility (save and except book debts), including movable machinery, machinery spares, tools and accessories, both present and future.

**4) Short Term Loan**

First charge on current assets (both present and future) and first charge on all movable fixed assets (except those which are exclusively)

**5) Rupee Term Loan**

Mortgage in favor of bank in respect of Plot No. C - 8 , TML VENDER PARK, Sanand Road, Kotepura, Sanand, Ahemdabad.

**SCHEDULE - 4 : UNSECURED LOANS**

– From Directors	342,200,000	259,200,000
– From Corporate	24,318,750	–
	<b>366,518,750</b>	<b>259,200,000</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED STATEMENTS**  
**SCHEDULE - 5 : FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION/AMORTIZATION			NET BLOCK		
	AS AT 01.04.10	ADDITION	SALE/ ADJUSTMENT	AS AT 31.03.11	AS AT 01.04.10	ADDITION	SALE/ ADJUSTMENT	AS AT 31.03.11	AS AT 31.03.10
<b>TANGIBLE ASSETS</b>									
<b>LAND</b>									
- Lease Hold	105,629,473	8,568,980	22,500	114,175,953	3,882,319.00	900,604	-	109,393,029	101,747,154
- Free Hold	27,361,187	-	-	27,361,187	-	-	-	27,361,187	27,361,187
Building	292,206,458	139,425,551	-	431,632,010	133,710,102	19,224,248	-	278,697,659	158,496,356
Plant & Machinery	1,350,434,499	343,482,552	54,135,838	1,639,781,213	485,242,498	137,888,190	20,546,310	1,037,196,834	865,192,001
Office Furniture & Equipment	77,594,027	13,705,189	1,281,773	90,017,443	46,240,214	8,971,644	1,239,208	36,044,792	31,353,813
Electric Fitting	138,857,964	38,057,043	8,686,844	168,228,163	50,937,853	13,280,631	6,806,790	110,816,468	87,920,111
Vehicle	72,672,956	4,634,829	1,576,780	75,731,004	47,346,283	7,477,929	1,128,403	22,035,195	25,326,673
<b>INTANGIBLE ASSETS</b>									
Goodwill	204,818	-	-	204,818	-	-	-	204,818	204,818
Software Development	13,762,929	22,886,423	-	36,649,352	2,784,234	6,905,135	-	26,959,983	10,978,695
Technical Knowhow & Guidance	276,356,096	9,088,403	-	285,444,499	73,069,540	47,172,499	-	165,202,460	203,286,556
<b>Total</b>	<b>2,355,080,407</b>	<b>579,848,970</b>	<b>65,703,735</b>	<b>2,869,225,642</b>	<b>843,213,043</b>	<b>241,820,880</b>	<b>29,720,711</b>	<b>1,813,912,425</b>	<b>1,511,867,364</b>
Previous Year	1,932,038,037	491,749,556	68,707,186	2,355,080,407	648,209,319	219,837,017	24,833,293	1,511,867,364	1,283,828,718
Capital Work In Progress	226,973,304	337,774,710	226,973,304	337,774,710	-	-	-	337,774,710	226,973,304

Notes :

- Capital Work-in Progress includes Capital Advances Rs.129,710,105/- (P.Y. Rs.129,555,044/-)
- Borrowing cost capitalised during the Year amounting to Rs. 138,866/- (P.Y. Rs. 11,461,677/-)
- Leasehold Land represents the cost of Land acquired at Singur (West Bengal), Lease deed in respect of which is under execution.

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 6 : INVESTMENTS**

(Valued at cost unless there is a permanent fall in value thereof)

**LONG TERM**
**I Non-Trade Investments**
**A) Investment In Equity Shares**
**QUOTED**

Nil Equity Shares of of Reliance Industries Limited (P.Y. 72) of Rs. 10/- each, fully paid up*	-	6,099
NI Equity Shares of Reliance Communication Ventures Ltd. of Rs. 10/- each, Fully paid up (P.Y.56)	-	5,899
Nil Equity Shares of Reliance Natural Resources Ltd. of Rs. 10/- each, Fully paid up (P.Y.56)	-	667

**UNQUOTED**
**- IN ASSOCIATE COMPANY**

490,000 Equity Shares (P.Y. 490,000) of Relan Industrial Finance Ltd. of Rs. 10/- each, fully paid up	<b>16,416,148</b>	16,373,779
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**Investment In Equity Shares**
**QUOTED**
**- IN ASSOCIATE COMPANY**

9,000,000 Equity Shares (P.Y. 9,000,000) of Bharat Seats Ltd. of Rs. 2/- each, fully paid up(includes 4,500,000 bonus shares)	<b>111,582,218</b>	92,667,283
	<b>127,998,366</b>	109,053,727

\* Out of above , Nil bonus shares (P.Y. 36) of Reliance Industries Limited received during the year.

Aggregate book value of Quoted Investment	<b>111,582,218</b>	92,667,283
Aggregate book value of Unquoted Investment	<b>16,416,148</b>	16,386,444
Aggregate Market value of Quoted Investment	<b>150,750,000</b>	156,212,760

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES**
**A. CURRENT ASSETS**
**1. Inventories**

(As certified by the management )

– Raw material	443,535,432	372,207,713
– Consumable Stores	15,005,539	17,844,640
– Work-in-progress	123,052,709	66,567,338
– Finished Goods	1,222,503	2,032,993
– Finished Goods ( Trading)	13,603,516	14,411,099

**Goods In Transit**

– Raw Material	59,475,417	12,835,349
	<u>655,895,116</u>	<u>485,899,132</u>

**2. Sundry Debtors**
**(Unsecured Considered Good)**

{Refer Note No. 2 of Schedule 12(B)}

Outstanding for a period exceeding six months	63,488,625	22,304,035
Other Debts	698,234,114	759,046,818
	<u>761,722,739</u>	<u>781,350,853</u>

**3. Cash & Bank Balances**

Cash in hand	62,639	8,501
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**Balances with Scheduled Banks**

In Current Account	23,425,396	61,204,047
In Deposit Account (Including interest accrued)		
– Pledged		8,023
– Not Pledged	69,663	30,077,214
In Margin Money Account (Pledged)	520,264	458,038
	<u>24,077,962</u>	<u>91,755,823</u>

**4. Other Current Assets**

	<u>21,848,666</u>	<u>16,165,048</u>
	<u>21,848,666</u>	<u>16,165,048</u>

**B. LOANS & ADVANCES**
**Advances**

Unsecured considered good unless otherwise stated

Advances and other amounts recoverable in cash

or in kind or for value to be received

	37,675,989	13,181,584
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(Refer Note No.2 of Schedule 12B)

Security Deposit	16,087,748	9,194,465
Balance with Central Excise Authorities	30,387,285	110,638,939
Mat credit entitlement	34,623,191	1,723,191
Advance Tax ( Including T.D.S.)	57,730,853	62,221,381

(Net Off Provision Rs. 224,059,171/- (P.Y. Rs.217,438,786/-)

	<u>176,505,066</u>	<u>196,959,560</u>
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**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS**
**A. Current Liabilities**

Sundry Creditors	1,048,243,953	909,079,626
Statutory Dues	67,212,295	49,887,637
Expenses Payable	75,846,452	52,807,908
Other Liabilities	60,716,527	63,257,187
Unclaimed Dividend *	2,622,876	2,282,901
	<b>1,254,642,103</b>	<b>1,077,315,259</b>

**B. Provisions**

Proposed Dividend	29,731,630	29,731,630
Tax on Proposed Dividend	4,938,048	5,052,890
Warranty claims	18,802,419	25,203,277
	<b>53,472,097</b>	<b>59,987,797</b>

\* The above figure does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
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**SCHEDULE - 9 : OTHER INCOME**

Dividend Received on Long Term Investments:

– Trade Investment		
– Non Trade Investments	2,104	502
Profit on sale of fixed asset*	26,580,506	13,927,554
Profit on sale of Non Trade Investments	71,674	
Amount Written Back (Net)**	5,842,021	912,253
Exchange Fluctuation Gain (Net Off Rs.)	–	15,287,359
Excess Provision Written Back	14,448,468	–
Miscellaneous Income	–	8,020,668
	<b>46,944,773</b>	<b>38,148,336</b>

\* Net Off Loss Rs. Nil (P.Y. 157,676)

\*\* Net Off Written off Rs. Nil (P.Y. 382,783)

\*\*\* TDS Rs. Nil (P.Y. 304,500)

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE - 10 : MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>1. Consumption of Raw Material</b>	<b>4,823,652,039</b>	<b>3,920,238,112</b>
<b>2. Decrease in Stock- In -Trade/Work -In- Progress</b>		
<b>Opening stock</b>		
Finished goods	2,032,993	30,601,856
Less:Excise Duty	189,844	2,564,070
	<u>1,843,149</u>	<u>28,037,786</u>
Work-In-Progress	66,567,338	88,273,480
<b>Total</b>	<u>68,410,487</u>	<u>116,311,266</u>
<b>Closing stock</b>		
Finished goods	1,222,503	2,032,993
Less:Excise Duty	114,159	189,844
	<u>1,108,344</u>	<u>1,843,149</u>
Work-In-Progress	123,052,709	66,567,338
<b>Total</b>	<u>124,161,053</u>	<u>68,410,487</u>
	<u>(55,750,566)</u>	<u>47,900,779</u>
<b>3. Expenses for Manufacture, Administration and selling</b>		
– Salary/Wage & Other Benefits	287,747,232	243,819,944
– Contribution to Provident & OtherFund	28,799,278	21,828,007
– Power & Fuel	94,967,318	78,626,279
– Other Manufacturing Exp.	464,876,690	262,950,734
– Research & Development Expenses	21,090,018	12,761,722
– Rent, Rates & Taxes	15,555,845	21,266,584
– Insurance Charges	3,358,102	3,030,601
– Royalty	19,356,417	26,668,076
– Communication Expenses	6,513,292	6,110,233
– Amt. written off/back (net)	–	2,781,120
– Legal & Professional Charges	4,201,461	2,571,534
<b>– Repair &amp; Maintenance</b>		
– Machinery*	53,421,253	52,811,708
– Building	10,079,823	5,325,435
– Others	39,289,482	29,929,473
– Staff Welfare	36,857,832	27,130,252
– Travelling & Conveyance	47,949,987	37,514,663
– Auditor’s Remuneration	1,380,000	1,145,000
– Bad Debts Written Off	6,121,271	–
– Other Expenses	43,039,734	26,369,810
– Selling & Distribution Exp.	74,311,250	83,504,395
	<u>1,258,916,285</u>	<u>946,145,570</u>
	<u>6,026,817,758</u>	<u>4,914,284,461</u>

\* Includes Stores &amp; Spares Consumed of Rs. 12,578,295/- (P.Y Rs. 19,547,114/-)

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE - 11 : FINANCIAL CHARGES (Net)</b>		
Interest on		
– Fixed Loan	<b>38,502,837</b>	43,959,867
– Others	<b>34,271,690</b>	31,333,223
Bank Charges	<b>8,898,138</b>	9,407,611
	<b>81,672,665</b>	84,700,701
Less: Interest received*	<b>854,729</b>	1,272,165
	<b>80,817,936</b>	83,428,536

\* TDS Rs. 35,307/-.(P.Y. Rs. 12,069/-)

**SCHEDULE FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**SCHEDULE 12 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT**
**A. SIGNIFICANT ACCOUNTING POLICIES**
**1. Basis of Accounting**

The consolidated financial statements of the company are prepared and presented under the historical cost convention on accrual basis of accounting. These statements have been prepared in compliance with the provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies Accounting Standard Rules, 2006.

**2. Principles of Consolidation**

a) The consolidated financial statements relate to Sharda Motor Industries limited ('the Company') its subsidiary and its associates. The consolidated financial statements have been prepared on the following basis:

- the financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- the excess/deficit of cost to the Company of its investment in a subsidiary company over the Company's portion of the equity of the subsidiary at the date on which investment in subsidiary is made is recognized in the financial statements as goodwill/capital reserve.

b) The companies considered in the consolidated financial statements are:

Name of the Company	Country of incorporation	% voting power held as at March 31, 2011
Subsidiary companies		
Sharda Sejong Auto Components (India) Limited	India	100

c) These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiary on the audited financial statements prepared for consolidation by the concerned subsidiary in accordance with the requirements of AS –21 "Consolidated Financial Statements".

**3. Investment in Associate**

Investments in associates have been accounted for using the equity method in accordance with Accounting Standard – 23 "Accounting for investment in associates in consolidated financial statements". The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of the acquisition of stake has been identified as Goodwill/Capital reserve and included in the carrying value of the investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate.

**4. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that affect the reported amounts of assets & liabilities and disclosure of contingent assets & liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

**5. Fixed Assets**

Fixed assets are stated at cost of acquisition inclusive of freight, duties & taxes and incidental expenses related to acquisition up to the date of installation. Cost of Fixed assets are further adjusted by the amount of Modvat/Cenvat credit availed and Vat credit wherever applicable. Fixed assets under construction, advance paid towards acquisition of fixed assets and cost of assets not put to use before year end, are shown as capital work in progress. Interest and finance charges incurred are allocated to the respective fixed assets on installation.

**6. Intangible Assets**

Intangible assets such as technical know-how fees, etc. which do not meet the criteria laid down, in terms of Accounting Standard 26 on Intangible Assets, are written off in which they are incurred. If such costs/expenditure meet the criterion, it is recognized as an intangible asset and is measured at cost. It is amortized by way of a systematic allocation of the depreciable amount over its useful life and recognized in the Balance Sheet at net of any accumulated amortization and accumulated impairment losses thereon.

**7. Depreciation / Amortization**

Depreciation is provided at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956 by following the written down value method.

Depreciation is calculated on a Pro rata basis from the date of installation till the date the assets are sold or disposed off. Assets costing up to Rs. 5,000/- are fully depreciated in- the year of acquisition.

Depreciation on the fixed assets is provided keeping in consideration the management estimates of the useful lives of the assets.

**8. Revenue Recognition**

Domestic Sales are recognized at the point of dispatch of goods to the customers from factory. The sales are accounted for net of trade discount, sales tax; sale returns but includes excise duty. Export Sales are recognized at the time of the clearance of goods and approval of excise authorities.

Sales include revision in prices received from customers with retrospective effect.

Interest Income is accounted for on time proportional basis. Dividend income is recognized when the right to receive the Dividend is established.

**9. Purchases**

Purchase of material is recognized on the basis of acceptance of material at the respective location. Price revision of material purchased has also been included in purchases. Further adjustments, if any, are made in the year of final settlement

**10. Foreign Exchange Transactions**

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statement are recognized as income/expense in the period in which they arise.

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortized as income or expense over the life of contract as well as exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognized as income/expense for the period.

**11. Investments**

Long Term Investments are stated at cost unless there is a diminution of permanent nature, if any. Current Investments are carried at lower of cost or fair value.

**12. Valuation of Inventories**

Raw material, stores and spare parts are valued at lower of cost or net realizable value. Cost includes purchase price, those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, FIFO method is used.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost or net realizable value. The comparison of cost and net realizable value is made on an item by item basis. Cost of work in progress and manufactured finished goods is determined on FIFO basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition.

Scrap is valued at "Net Realizable Value".

Excise duty liability is included in the valuation of closing inventory of finished goods.

**13. Borrowing Costs**

Borrowing costs that are attributable to the acquisition for construction of qualifying asset are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**14. Expenditure on Research and Development**

The revenue expenditure on research and development is charged as an expense in the year in which it is incurred. However Expenditure on development activities, whereby research findings are applied to a future plan or design for the production of new of substantially improved products and process and has got future benefits is capitalized. Such capitalization includes cost of materials, direct labor and an appropriate proportion of overheads that are directly attributable to preparing the assets for its intended use.



Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Depreciation on such capital assets is followed in accordance with the Company's Policy.

#### 15. Employees Benefits

- a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which related service is rendered.
- b) The company has Defined Contribution plans for post employment benefits namely Provident Fund and Employees State Insurance Scheme. The company's contributions in the above plans are charged to revenue every year.
- c) The company has Defined Benefit plans namely leave encashment/ compensated absence and Gratuity for employees'. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year by using the Projected Unit Credit Method. However, the company through its Trust has taken a policy with LIC to cover the gratuity liability of the employees. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of funds with LIC is provided for as liability in the books.
- d) Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
- e) Actuarial gains/losses are immediately taken to Profit & Loss Account.
- f) Terminal benefits are recognized as an expense immediately.

#### 16. Taxes on Income

##### Current Tax

Current tax is amount of tax payable on taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

##### Deferred Tax

Deferred tax resulting from "timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets subject to consideration of prudence, are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### 17. Cash Flow

Cash Flow statement is prepared as per the indirect method prescribed under "Accounting Standard-3" "Cash Flow Statement".

#### 18. Leases

Lease arrangements, where the risks and rewards incidental to the ownership of an asset substantially vest with the lesser, are recognized as an operating lease. Lease payments under operating lease are recognized as an expense in the Profit and Loss Account.

#### 19. Impairment of assets

The company assesses whether there is any indication that any asset may be impaired at the balance sheet date. If any indication exists, the company estimates the recoverable amount.

If the carrying amount of the fixed assets exceeds the recoverable amount, an impairment loss is recognized in the accounts; to the extent the carrying amount exceeds the recoverable amount.

#### 20. Contingencies / Provisions

Provision is recognized when a company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent liabilities, if material are disclosed by way of notes, contingent assets are not recognized or disclosed in the financial statements.

#### 21. Warranty

Warranty expenses are provided for in the year of sales based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing

#### 22. Earning per share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable (taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted Earning per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**B. NOTES TO ACCOUNT**
**1 (a) Contingent Liabilities**

- (i) Foreign Letters of Credit Rs. 135,124,476 /- (Previous Year Rs. 86,334,633/-)
  - (ii) Entry tax of Rs 227,265/- (Previous Year Rs.227,265/-) for the financial year 2000-01, 2001-02 & 2002-03 against which the company has filed an appeal before Appellate Authority UP Trade Tax.
  - (iii) Excise duty of Rs. 97,461 /- (Previous year Rs. 97,461) under Excise Rules, which is pending before the Adjudicating Authority.
  - (iv) Excise duty of Rs. 44,000,000/- (Previous year Rs. 44,000,000) under Central Excise Rules, which is pending before 'The Commissioner, Central Excise Large Tax Unit'.
  - (v) Excise duty of Rs. 4,072,313/- (Previous year Rs. 4,072,313) under Central Excise Rules, which is pending before 'The Additional Commissioner, Central Excise Large Tax Unit'.
  - (vi) Service Tax of Rs. 1,106,897/- (Previous Year Rs. Nil) under Service Tax Rules which is pending before the Additional Commissioner of Service Tax, Delhi.
- 1 (b) Estimated value of contracts remaining to be executed on capital account not provided for in the accounts, net of advance is Rs.129,710,105 /- (Previous Year Rs. 177,514,781/-).
  2. The balances of debtors, creditors, loans and advances are awaiting confirmation.
  3. In the opinion of the Board, the current assets, loans and advances are approximate of the value stated if realized in the ordinary course of business. The provision for all the known liabilities are adequate and not in excess of the amount reasonably necessary.
  4. **Alignment of Accounting Policy for consolidation.**

In case of Bharat Seats Limited an associate concern, depreciation on assets purchased after 1st April, 2005 has been provided on the Straight Line Method as per the rates of prescribed under Schedule XIV of the Companies Act, 1956 which is inconsistent with the Written Down Value method of depreciation used in case of the parent and other subsidiaries. However as it is impractical therefore adjustment for the same has not been made in the consolidated financial statements.

**5. Employee Benefits**
**Defined Contribution Plan**

The Company makes contribution towards Employees Provident Fund and Employee's State Insurance scheme. Under the rules of these schemes, the company is required to contribute a specified percentage of payroll costs. The Company during the year recognized the following amounts in the Profit and Loss Account under company's contribution to Defined contribution plan.

(Amount in Rupees)

Particulars	2010-2011	2009-2010
Provident Fund	19,477,593	12,218,262
Employee State Insurance	3,270,291	2,319,429

Note: The above amount includes Rs 128,204 and Rs 6,779 as Employer's Contribution to Provident Fund and Employer's Contribution to ESI respectively transferred to Capital Work in Progress.

**Defined Benefit Plans:**

**Gratuity Scheme:** This is a funded defined benefit plan for qualifying employees. The employees gratuity fund scheme managed by Life Insurance Corporation of India. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity.

**Leave Encashment/Compensated Absences:** This is an unfunded defined benefit plan.

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans (as per Actuarial Valuation as on March 31, 2011).

In accordance with the Accounting Standard (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans based on following assumptions:

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Discount Rate	8%	7.5%	8%	7.5%
Rate of increase in Compensation	10%	10%	10%	10%
Rate of Return on Plan Assets (For Gratuity)	NA	NA	9.25%	9.25%
Mortality	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.	Published notes under the LIC (1994-96) mortality table.

**Net employees benefit expense (recognized in the Statement of Profit and Loss for the year ended 31st March 2011.**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Current Service Cost	3,583,654	1,805,428	4,087,894	3,313,207
Interest Cost on benefit obligation	566,605	491,308	1,679,104	1,392,227
Expected return on plan assets	NA	NA	(1,785,382)	(1,449,518)
Past Service Cost	–	–	3,436,154	–
Actuarial (gain)/loss recognized in the year	(368,997)	(1,266,014)	42,612	(1,288,003)
Net Benefit Expense	3,781,262	1,030,722	7,460,382	1,967,963

**Net Asset/ (liability) recognized in the Balance Sheet as on March 31, 2011.**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Present Value of Defined Benefit Obligation	10,619,987	7,554,729		22,388,056
Fair Value of Plan Assets	–		23,666,253	19,350,079
Net Asset/ (Liability) recognized in the Balance Sheet	10,619,987	(7,554,729)	(7,424,049)	(3,037,977)

**Changes in the Obligation during the year ended 31st March 2011.**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Opening defined benefit obligation	7,554,729	7,018,684	22,388,056	19,888,956
Interest cost	566,605	491,308	1,679,104	1,392,227
Past Service Cost	–	–	3,436,154	–
Current Service Cost	3,583,654	1,805,428	4,087,894	3,313,207
Benefits Paid	(716,004)	(494,677)	(468,534)	(889,486)
Actuarial (gain)/ loss on obligation	(368,997)	(1,266,014)	(32,372)	(1,316,848)
Closing defined benefit obligation	10,619,987	7,554,729	31,090,302	22,388,056

**Changes in the fair value of Plan Assets are as follows:**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-11	2009-10	2010-11	2009-10
Opening fair value of Plan Assets	N.A	N.A	19,350,079	15,841,724
Expected return on Plan Assets	–	–	1,785,382	1,449,518
Contribution by employer	–	–	3,074,310	2,889,019
Benefits paid	–	–	(468,534)	889,486
Actuarial Gain/ (Loss) on Plan Assets	–	–	(74,984)	59,304
Closing Fair Value of Plan Assets	N.A	N.A	23,666,253	19,350,079

**6. Detail of prior period is as follows:**

(Amount in Rupees)

<b>Expenditures (Dr.)</b>	<b>2010-11</b>	<b>2009-10</b>
Tools & travels	(9,961)	–
<b>Total</b>	<b>(9,961)</b>	<b>–</b>

**7. Payment to Auditors**

(Amount in Rs.)

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Audit Fees	<b>870,000</b>	665,000
Tax Audit Fees	<b>310,000</b>	280,000
Management Services	<b>200,000</b>	200,000
Service Tax	<b>141,110</b>	1,17,935
Taxation Matters	<b>34,000</b>	70,000
Out of Pocket Expenses	<b>78,264</b>	75,664

**8. Investment in Associates**

(Amount in Rs.)

<b>COST OF INVESTMENTS</b>	<b>AS AT 31st MARCH 2011</b>
<b>QUOTED</b>	9,000,000
In Bharat Seats Limited (India) – at original cost (Includes Goodwill Rs. 3,363,141 arising on acquisition of Investments)	
Add: Share in Reserves (at 1st April 2010)	83,667,282
Add: Share of profits for the year ended 31st March 2011	5,400,000
	24,314,936
Less: Share of Dividend received during the year	
<b>Carrying cost of Investment in Consolidated Financial statements</b>	<b>111,582,218</b>
<b>UNQUOTED</b>	
In Relan Industrial Finance Limited (India) – at original cost (Net of Capital reserve Rs. 657,478 arising on acquisition of Investments)	4,900,000
Add: Share in Reserves (at 1st April 2010)	11,473,779
Add: Share of profits for the year ended 31st March 2011	42,369
<b>Carrying cost of Investment in Consolidated Financial statements</b>	<b>16,416,148</b>

**9. Segment wise Reporting:**

(a) Composition of Business Segments:

The Company's business segments are organized on product lines as under:

- i) Automotive components
- ii) White Goods
- iii) Others

**(b) Segment revenues, Results and Other Information**

(Amount in Rs.)

	Automotive Components & Accessories	White Goods	Others	Segment Total	Elimination	Total
External Sales (Gross)	7,426,898,595 (6,055,604,177)	695,603,522 (555,454,038)	2,206,951 (8,347,012)	8,124,709,068 (6,619,405,227)	– (–)	8,124,709,068 (6,619,405,227)
Inter Segment Sales	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)
Less: Excise duty	1,079,900,545 (692,175,725)	42,830,337 (18,088,166)	– (–)	1,122,730,882 (710,263,891)	– (–)	1,122,730,882 (710,263,891)
Other Income	47,269,438 (32,966,689)	(119,584) (63,550)	(506,840) (593)	46,643,014 (32,902,546)	– (791,920)	46,643,014 (32,110,626)
Segment Revenue	6,394,267,488 (5,396,395,141)	652,653,601 (537,302,322)	1,700,111 (8,346,419)	7,048,621,200 (5,942,043,882)	– (791,920)	7,048,621,200 (5,941,251,962)
Un-allocated Income	– (–)	– (–)	– (–)	5,630,085 (12,037,710)	5,400,000 (6,000,000)	230,085 (6,037,710)
Profit on sale of Investments Net)	– (–)	– (–)	– (–)	71,674 (–)	– (–)	71,674 (–)
Total Revenue				7,054,322,959 (5,954,081,592)	5,400,000 (6,791,920)	7,048,922,959 (5,947,289,672)
Segment Results	436,519,383 (495,128,771)	42,411,992 (47,253,967)	(1,600,794) (356,316)	477,330,581 (542,026,422)	(3,907,541) (–)	473,423,610 (542,026,422)
Un-allocated Expenses	– (–)	– (–)	– (–)	114,053,843 (82,070,565)	– (–)	114,053,843 (82,070,565)
Operating Profit	– (–)	– (–)	– (–)	363,276,738 (459,955,856)	(3,907,541) (–)	359,369,197 (459,955,856)
Interest Expenses (Net)	– (–)	– (–)	– (–)	80,817,936 (83,428,536)	– (–)	80,818,506 (83,428,536)
Current Income Tax	– (–)	– (–)	– (–)	231,00,000 (99,500,000)	– (–)	23,100,000 (99,500,000)
Deferred Tax	– (–)	– (–)	– (–)	37,057,514 (23,520,132)	– (–)	37,057,514 (23,520,132)
Provision for Wealth Tax	– (–)	– (–)	– (–)	160,785 (152,209)	– (–)	160,785 (152,209)
Prior Period Adjustments (Net)	– (–)	– (–)	– (–)	(9,961) (–)	– (–)	(9,961) (–)
Tax adjustment for earlier year (Net)	– (–)	– (–)	– (–)	– (2,192,232)	– (–)	– (2,192,232)
Profit after tax	– (–)	– (–)	– (–)	222,150,464 (255,547,211)	– (–)	218,242,923 (255,547,211)
Share of Profit From Associates	– (–)	– (–)	– (–)	24,357,305 (11,982,808)	– (–)	24,357,305 (11,982,808)
Net Profit after Tax	– (–)	– (–)	– (–)	246,507,769 (267,530,021)	– (–)	242,600,228 (267,530,020)
Segment Assets	3,461,255,271 (2,836,145,530)	159,251,044 (192,988,956)	14,234,105 (15,403,708)	3,634,740,420 (3,044,538,194)	– (2,211,655)	3,434,576,626 (3,042,326,539)
Un-allocated Assets	– (–)	– (–)	– (–)	338,174,989 (315,476,891)	– (–)	338,174,989 (315,476,891)
Total				3,972,915,409 (3,360,015,085)	– (2,211,655)	3,972,751,615 (3,357,803,430)
Segment Liabilities	1,344,420,988 (1,031,918,406)	9,250,922 (71,246,757)	1,868,359 (1,628,250)	1,355,540,269 (1,104,793,413)	– (–)	1,320,706,796 (1,104,793,413)
Un-allocated Liabilities	– (–)	– (–)	– (–)	165,552,798 (32,509,643)	– (–)	165,552,798 (32,509,643)
Total				1,521,093,067 (1,137,303,056)	– (–)	1,486,259,594 (1,137,303,056)
Capital Expenditure	570,621,214 (495,483,261)	922,756 (3,570,074)	– (–)	579,848,970 (499,053,335)	– (–)	579,848,970 (499,053,335)
Depreciation/ Amortisation	223,794,451 (203,689,653)	17,972,669 (12,685,923)	53,760 (3,461,442)	241,820,880 (219,837,018)	– (–)	241,820,880 (219,837,018)

Note : Figures in brackets indicates previous year's figures.

**10. Leases**
**Assets taken on operating Lease**

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs.Nil (Previous Year Rs. 12,287,903/-) has been debited to the Profit & Loss account. The future minimum lease payments as on 31st March, 2011 are as under:

(Amount in Rupees)

S. No.	Minimum Lease Payment Payables	2010-11	2009-10
i)	Not later than in 1 years	13,200,000	12,540,000
ii)	Later than 1 year but not later than 5 years	52,800,000	48,000,000
iii)	Later than 5 years	-	-

General Description of Lease Terms:

- Lease Rentals are charged on the basis of agreed terms.
- Assets are taken on lease over a period of 1 to 9 years.

**11. Financial and Derivative Instruments**

Derivative contracts entered into by the company and outstanding as on 31st March' 2011.

- i. Foreign currency exposure hedged by derivative instruments amounts to Rs.55,225,000/-(P.Y.Rs. 112,187,500 /-).
- ii. Foreign currency exposure that are not hedged by derivative instruments as on 31st March' 2011 amounts to Rs. 373,015,636 (P.Y.Rs. 74,041,900/- )

**12. Disclosure in pursuance of AS-18 Related Party Disclosure**

- (i) **List of related parties where control exists and related parties with whom transactions have taken place and relationships:**

S.No.	Name of the Related Party	Relationship
1	Relan Industrial Finance Ltd.	Associate Companies
2	Bharat Seats Ltd.	
3	Progressive Engineering & Automation Pvt. Ltd.	
4	Shri. N.D Relan (Chairman)	Key Managerial Personnel
5	Shri. Ajay Relan (Managing Director)	
6	Shri Udayan Banerjee (Executive Director)* *Up to 31st May 2009	Relatives of Key Managerial Personnel
7	Smt. Mala Relan	
8	Shri Rohit Relan	
9	Smt. Sharda Relan	
10	Smt. Ritu Relan	
11	Ms. Aashita Relan	
12	Mr. Aashim Relan	
13	Mr. Rishab Relan	
14	Mr. Pranav Relan	
15	Mr. Ayush Relan	
16	Sharda Enterprises	Enterprises over which Key Managerial Personnel are able to Exercise significant influence (Associate Concern)
17	N.D. Relan (HUF)	
18	Ajay Relan (HUF)	
19	Rohit Relan (HUF)	
20	A.N.I Hospitality LLP	

**(ii) Transactions during the year with Related Parties**

Amount in Rs.

S No	Nature of Transactions	Associate Companies	Associate Concern	Key Management Personnel	Relative of Key Management Personnel
1	Sales	3,487,018,276 (1,800,495,762)	- (-)	- (-)	- (-)
2	Loans received	- (-)	- (-)	79,281,575 (56,950,000)	83,730,000 (46,950,000)
3	Loan given	- (-)	- (-)	45,511,575 (67,600,000)	34,500,000 (36,000,000)
4	Interest paid on loans	- (-)	- (-)	11,853,853 (16,400,623)	14,141,226 (13,767,542)
5	Rent paid	- (-)	13,521,004 (12,000,000)	- (-)	- (-)
6	Remuneration Paid	- (-)	- (-)	28,233,330 (32,558,734)	4,194,554 (4,643,169)
7	Dividend Received	5,400,000 (4,500,000)	- (-)	- (-)	- (-)
8	Dividend Paid	- (-)	936,000 (1,170,000)	12,983,980 (16,229,975)	32,580,180 (40,725,225)
9	Purchase of Fixed Assets	- (-)	- (-)	- (-)	- (-)
10	Sale of Investments	12,665 (-)	- (-)	- (-)	- (-)
11	Sale of Fixed Assets	21,540,837 (55,348,525)	- (-)	- (-)	- (-)
12	Advance received against supply of goods	20,000,000 (24,000,000)	- (-)	- (-)	- (-)
13	Advance paid against sale of goods during the year	24,000,000 (-)	- (-)	- (-)	- (-)
14	Net Outstanding Balance Payable/ (Receivable) as on 31.03.2011	(54,112,369) (57,513,648)	- (-)	162,500,000 (134,776,397)	179,700,000 (135,864,718)

Note: Figures in brackets indicates previous year's figures.

**13. Deferred Taxation (AS 22)**
**Deferred Tax Liability (DTL): - Arising on account of timing difference**

S. No.	Particulars	Total upto 31.03.2010 (Rs.)	For the year 2010-11 (Rs.)	Total upto 31.03.2011 (Rs.)
1)	Depreciation	89,312,910	37119010	126,431,920
	<b>Total</b>	<b>89,312,910</b>	<b>37119010</b>	<b>126,431,920</b>

**Deferred Tax Assets (DTA) : - Arising on account of timing difference**

S. No.	Particulars	Total upto 31.03.2010 (Rs.)	For the year 2010-11 (Rs.)	Total upto 31.03.2011 (Rs.)
1)	Expenditure under section 43B of the Income Tax Act, 1961	6,318,735	5,079,226	11,397,961
2)	Others	5,017,731	(5,017,731)	-
	<b>Total</b>	<b>11,336,466</b>	<b>61,495</b>	<b>11,397,961</b>
	<b>Net Deferred Tax Liability/(Assets)</b>	<b>77,976,444</b>	<b>37,057,515</b>	<b>115,033,959</b>

**14. Earning per Share**

The numerators & denominators used to calculate the earnings per share.

Particulars	2010-2011	2009-2010
Profit/(loss) attributable to the equity shareholders (Rs.) - (A)	242,600,228	267,530,020
Basic/weighted average number of Equity shares outstanding during the year - (B)	5,946,326	5,946,326
Nominal value of equity shares (Rs.)	10	10
Basic/diluted earnings per share (Rs.) (A) / (B)	40.80	44.99

15. Previous year's figures have been reclassified/regrouped, wherever considered necessary.

**16. Research and Development Expenses include:**

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Purchases	76,226	–
Salary, Wages and other allowances	17,141,675	8,763,583
Traveling expenses	1,130,122	714,377
Design, Development and other Expenses	2,741,995	3,283,762
Total	21,090,018	12,761,722

**17. Pre-Operative Expenses and Capital Work in Progress (including capital advances)**

(a) Pre Operative expenses (directly allocable) amounting to Rs. 36,713,204 (previous year Rs. 36,507,924) as under:

As at 31st March 2011

Particulars	2010-2011	2009-2010
Opening balance	36,507,924	21,627,450
Add: Additions during the year		
Interest paid	138,866	11,461,677
Salary, Wages, Allowances and Contribution to Fund	2,969,174	2,073,124
Legal & Professional	481,350	–
Power & Fuel	1,331,544	–
Other Expenses	2,566,269	1,345,673
Less : Capitalised during the year	(7,281,923)	–
Balance as at year end	36,713,204	36,507,924

(b) Capital Work in Progress includes an amount of Rs.129,712,547 /- (Previous Year Rs128,804,958/-) paid as Capital Advances.

18. Disclosure in accordance with Accounting Standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets. The following table provides disclosure in accordance with AS 29 :

Particulars	Balance as at April 1, 2010	Amount Transferred from Subsidiary Company	Additions during the year	Amounts used/ paid/reversed during the year	Balance as at March 31, 2011
Provision For Warranty	7,342,276	17,861,002	12,307,082	18,707,941	18,802,419
Previous Year	18,650,175	–	10,754,809	4,201,707	25,203,277

For and on Behalf of  
the Board of Directors

**(NITIN VISHNOI)**  
Company Secretary

**(PRADEEP RASTOGI)**  
President-Legal & CFO

**(N. D. RELAN)**  
Chairman

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(D.A. AGGARWAL)**  
Sr. Vice President (F& A)

**(AJAY RELAN)**  
Managing Director



**DIRECTORS' REPORT**

To the Members,

Your Directors are pleased to present their Sixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2011.

**1. OPERATIONS**

Since, during the period under the review, your Company has not carryout any business activity and hence, the Company could not generate any business revenue

**2. FINANCIAL RESULTS**

(Rs. in Lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Turnover	–	28,947.75
Profit(Loss) before Other Income, Depreciation & Financial charges	–	1,327.01
Add: Other income	–	44.66
Profit (Loss) before Depreciation, financial Charges & Provisions	–	1,371.67
Less:		
a) Depreciation	–	706.31
b) Financial charges	0.01	9.11
c) Taxation		
– Current Tax	–	135.00
– Wealth Tax	–	0.19
– Deferred tax Charge (Released)	(12.48)	69.26
– Fringe Benefit Tax	–	–
– Tax Adjustment for earlier Year	–	(18.87)
Net Profit (Loss) after tax	12.47	470.66
Add : Profit (Loss) Brought forward from Previous Year	342.42	(128.24)
Profit (Loss) carried to the Balance Sheet	467.17	342.42

**3. DIVIDEND**

Your director has not recommended any dividend during the period review.

**4. DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri N. D. Relan and Shri R. P Chowdhry, Director of the Company retire by rotation and being eligible offer himself for re-appointment at the ensuing Annual General Meeting.

**5. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.**

The Company has no employee whose – (i) if employed through the financial year, was receipt of remuneration in aggregate, more than Rs. 60 Lacs or (ii) if employed for a part of the year the financial year, was in receipt of remuneration in aggregate, more than Rs.5 lacs per month. Hence information required to be given in pursuant to the provision of the Section 217 (2A) of the Companies Act, 1956, read with companies (Particulars of employees) Rules, 1975, it is not applicable hence not attached.

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

Since, during the period under review the Company has not carryout any manufacturing activity, hence particulars relating to Conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 it is not applicable hence not attached.

The Company has not made export during the period under review.

During the period under review the Company has neither earned nor spent any foreign exchange.

**7. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (I) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (II) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September, 2006 and of the profit of the Company for the period ended on that date;
- (III) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (IV) The annual accounts have been prepared on a "going concern" basis.

**8. FIXED DEPOSITS**

The Company has not accepted any fixed deposits from the public during the period under review and has nil fixed deposits outstanding.

**9. STATUTORY AUDITORS**

Messrs. S. R. Dinodia & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment, and the Company has received letter from them to the effect that their appointment if made, would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

**10. INDUSTRIAL RELATIONS**

Cordial relation prevailed in the plant during the period under review.

**11. ACKNOWLEDGEMENT**

The Directors place on record their grateful appreciation for the valuable assistance and co-operation extended to the Company from Canara Bank ABN Amro Bank, Citi Bank and State Bank of India. Yours Directors look forward to the future with confidence.

By order of the Board  
For **Sharda Sejong Auto Components (India) Ltd**

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(N. D. RELAN)**  
DIRECTOR

**(AJAY RELAN)**  
DIRECTOR

## AUDITOR'S REPORT

To the Shareholders of

### M/s SHARDA SEJONG AUTO COMPONENTS (INDIA) LIMITED

We have audited the attached Balance sheet of **M/S SHARDA SEJONG AUTO COMPONENTS (INDIA) LIMITED**, as at **31st March 2011** and the Profit & Loss Account and Cash Flow Statement 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 conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (Auditor's Report) Order, 2003 {as amended by the Companies (Auditor's Report) (Amendment) Order, 2004} issued by the Central Government of India, in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the 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 purpose 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 Company's 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 and 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 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as director in term 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 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
  - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date; and
  - iii) in the case of cash flow statement, of the cash flow for the year ended on that date.

**For S.R. DINODIA & CO.**

Chartered Accountants

Regn No. 001478N

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**

Partner

(M. No. 083689)

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our audit report of even date)

- i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management at appropriate intervals. In our opinion, the program is reasonable having regard to the size of the Company and the nature of the fixed assets. No material discrepancies were noticed on such verification as compared to book records.
- (c) In our opinion, the company has not disposed off substantial part of Fixed Assets during the year, and going concern status of the company is not affected.
- ii) (a) On the basis of information and explanation provided by the management, Inventories have been physically verified by the management during the year except the inventories in transit and lying with the third parties. In our opinion, frequency of verification is reasonable.
- (b) In our opinion, frequency and the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the company is maintaining proper records of inventory. We have been explained that discrepancies noticed on physical verification as compared to book records were not material and the same have been properly dealt with in the books of account.
- iii) (a) According to information and explanation given to us, the Company has not granted any loans to Companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956 during the year.
- (b) According to information and explanation given to us, the Company has not taken unsecured loans from parties entered in the register maintained u/s 301 of the Companies Act, 1956 during the year.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets, sales of goods and services. According to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that the particulars of contracts or arrangements that need to be entered into a register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to explanation given to us, transactions made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
- vi) The Company has not accepted any deposits during the year from the public as defined in section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) On the basis of records produced, we are of opinion that prime facie, the cost records and accounts prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 has been maintained by the Company, but, we were not required to carry out and have not carried out any detailed examination of such records and accounts.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable to it. There was no undisputed amount outstanding at the year end for a year more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute, are NIL.
- x) The Company has no accumulated losses as at 31st March, 2011 and incurred cash losses during the financial year covered by our audit however no cash loss incurred in the immediately preceding financial year.

- xi) On the basis of information and explanation provided by the management, the Company has not made any default in the repayment of dues to the financial institutions and banks. During the year, the Company has not availed any loan from the debenture holders.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, during the year under audit.
- xiii) In our opinion considering the nature of activities carried on by the company during the year, the provision of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to it.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- xv) On the basis of information and explanation provided, the Company has not given guarantee for loans taken by other from the bank during the year
- xvi) On the basis of records available and information and explanation given to us, the company has not taken any term loan during the year.
- xvii) On the basis of information and explanation given to us and an overall examination of the balance sheet, we report that no funds raised on short-term basis have been used for long-term investments by the Company.
- xviii) According to information and explanation given to us, during the year. 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.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For S.R. DINODIA & CO.**  
Chartered Accountants  
Regn No. 001478N

PLACE : NEW DELHI  
DATED : 6th May' 2011

**SANDEEP DINODIA**  
Partner  
(M. No. 083689)

**BALANCE SHEET AS AT 31ST MARCH, 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	AS AT	
		31.03.2011	31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Fund :</b>			
Share Capital	1	200,500,000	200,500,000
Reserves & Surplus		46,717,156	34,242,008
Unsecured Loan	2	—	569,193,665
Deferred Tax Liability		—	12,484,578
{Refer Note No. No. no.12 of Schedule 9(B)}			
		<u>247,217,156</u>	<u>816,420,251</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	3	—	540,342,697
Less: Depreciation		—	131,119,141
		<u>—</u>	<u>409,223,556</u>
<b>Net Block</b>			
Capital Work In Progress (Including Capital Advances)		—	650,086
		<u>—</u>	<u>650,086</u>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	4	—	98,281,111
Sundry Debtors		—	371,419,160
Cash & Bank Balances		107,817	11,884,150
Other Current Assets		—	3,800,984
Loans & Advances		247,119,339	116,767,178
		<u>247,227,156</u>	<u>602,152,583</u>
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	5	10,000	177,744,973
Provisions		—	17,861,001
		<u>10,000</u>	<u>195,605,974</u>
Net Current Assets		<u>247,217,156</u>	<u>406,546,609</u>
		<u>247,217,156</u>	<u>816,420,251</u>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>			
	9		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(N. D. RELAN)**  
Chairman

**(AJAY RELAN)**  
DIRECTOR

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(UDYAN BANERJEE)**  
EXECUTIVE DIRECTOR

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2011**

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Turnover		–	2,894,774,775
Less : Excise duty recovered		–	350,294,866
		–	2,544,479,909
Other Income	6	–	4,465,681
		–	2,548,945,590
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	7	10,000	2,411,779,243
Financial Charges (Net)	8	(570)	911,487
		9,430	2,412,690,730
<b>Profit before Depreciation &amp; Taxes</b>		<b>(9,430)</b>	136,254,860
Depreciation/Amortisation		–	70,632,160
<b>Profit before Taxes</b>		<b>(9,430)</b>	65,622,700
<b>Less: Provision for Tax</b>			
– Current Tax		–	13,500,000
– Wealth tax		–	19,191
– Deferred Tax Charged(Released)		(12,484,578)	6,925,525
– Tax Adjustment for earlier year		–	(1,887,573)
<b>Profit after Taxes</b>		<b>12,475,148</b>	47,065,557
Profit/(Loss) brought forward profit fom Last Year		<b>34,242,008</b>	(12,823,549)
<b>Profit/(Loss) carried to Balance Sheet</b>		<b>46,717,156</b>	34,242,008
Basic / Diluted Earning Per Share (Rs.)		<b>0.62</b>	2.35
{Refer Note No. 13 of Schedule 9(B)}			
Significant Accounting Policies & Notes to Accounts	9		

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(N. D. RELAN)**  
Chairman

**(AJAY RELAN)**  
DIRECTOR

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(UDYAN BANERJEE)**  
EXECUTIVE DIRECTOR

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Amount in Rupees)

PARTICULARS	Current Year	Previous Year
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation & Extraordinary items	(9,430)	65,622,700
<b>Adjustment for:</b>		
Exchange Fluctuation	-	(3,553,428)
Depreciation written off	-	70,632,160
Interest Income	(570)	(565)
Interest Expenses	-	17,001
(Profit) / Loss on Sale of Fixed Assets (Net)	-	1,842,325
Amount Written back	-	(912,253)
<b>Operating profit before working capital changes</b>	<b>(10,000)</b>	<b>133,647,940</b>
<b>Adjustment for</b>		
Decrease / (Increase) in Trade & Other receivables	<b>371,419,160</b>	(47,380,491)
Decrease / (Increase) in Increase in Inventories	<b>98,281,111</b>	36,501,208
Decrease / (Increase) in Advances and other current assets	<b>(126,531,986)</b>	89,655,139
Increase / (Decrease) in Trade Payable	<b>(177,734,973)</b>	(23,573,737)
Warranty Claims	<b>(17,861,001)</b>	-
<b>Cash Generated from operation</b>	<b>147,562,311</b>	188,850,059
Direct Taxes paid (Net)	<b>(19,191)</b>	(17,047,578)
<b>Net Cash flow from Operating Activities</b>	<b>147,543,120</b>	171,802,481
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	<b>409,873,642</b>	2,004,953
Purchase of Fixed Assets/Technical know-how	-	(137,636,980)
Interest Received	<b>570</b>	565
<b>Net Cash used in Investing Activities</b>	<b>409,874,212</b>	(135,631,462)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment from/of Borrowings	<b>(569,193,665)</b>	(27,889,149)
Interest Paid	-	(17,001)
<b>Net Cash used in Financing Activities</b>	<b>(569,193,665)</b>	(27,906,150)
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(11,776,333)</b>	8,264,869
<b>CASH &amp; CASH EQUIVALENTS-OPENING BALANCES</b>	<b>11,884,150</b>	3,619,281
<b>CASH &amp; CASH EQUIVALENTS-CLOSING BALANCES</b>	<b>107,817</b>	11,884,150
<b>Cash &amp; Cash Equivalents include :</b>		
Cash in hand	<b>358</b>	358
<b>Balances with Scheduled Banks</b>		
- In Current Account	<b>98,866</b>	11,875,769
- In Deposit Account	<b>8,593</b>	8,023
	<b>107,817</b>	11,884,150

Note : 1. Figures in brackets represent outflows

As per our report attached.  
For **S.R. DINODIA & CO.**,  
CHARTERED ACCOUNTANTS  
REGN NO. 001478N

For and on Behalf of  
the Board of Directors

**(SANDEEP DINODIA)**  
PARTNER  
M.NO. 083689

**(N. D. RELAN)**  
Chairman

**(AJAY RELAN)**  
DIRECTOR

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(UDYAN BANERJEE)**  
EXECUTIVE DIRECTOR



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 1 : SHARE CAPITAL****Authorised**

25,000,000 Equity Shares of Rs. 10/- each (P.Y.25,000,000 of Rs. 10 each)	<u>250,000,000</u>	<u>250,000,000</u>
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**Issued, Subscribed & Paid up**

20,050,000 Equity Shares *(P.Y.20,050,000) of Rs. 10/- each fully paid up*	<u>200,500,000</u>	<u>200,500,000</u>
	<u>200,500,000</u>	<u>200,500,000</u>

\* All Equity shares held by Sharda Motor Industries Limited, the holding Company

**SCHEDULE - 2 : RESERVES & SURPLUS**

- From Holding Company	<u>-</u>	<u>569,193,665</u>
	<u>-</u>	<u>569,193,665</u>

**SCHEDULES FORMING PART OF BALANCE SHEET**  
**SCHEDULE - 3 : FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION/AMORTIZATION			NET BLOCK		
	AS AT 01.04.10	ADDITION	ADJUSTMENT	AS AT 31.03.11	AS AT 01.04.10	ADDITION	ADJUSTMENT	AS AT 31.03.11	AS AT 31.03.10
<b>TANGIBLE ASSETS</b>									
Building	9,202,471		9,202,471	-	609,546	-	609,546	-	8,592,925
Plant & Machinery	211,245,497		211,245,497	-	49,771,522	-	49,771,522	-	161,473,975
Office Furniture & Equipment	10,748,586		10,748,586	-	3,236,518	-	3,236,518	-	7,512,068
Electric Fitting	36,550,970		36,550,970	-	3,629,711	-	3,629,711	-	32,921,259
Vehicle	7,769,909		7,769,909	-	2,720,617	-	2,720,617	-	5,049,292
<b>INTANGIBLE ASSETS</b>									
Technical Knowhow	264,825,264		264,825,264	-	71,151,227	-	71,151,227	-	193,674,037
<b>Total</b>	<b>540,342,697</b>	-	<b>540,342,697</b>	-	<b>131,119,141</b>	-	<b>131,119,141</b>	-	<b>409,223,556</b>
Previous Year	382,576,027	162,028,579	4,261,909	540,342,697	60,901,612	70,632,160	414,631	131,119,141	409,223,556
Capital Work In Progress	650,086	-	650,086	-	-	-	-	-	650,086

Notes :

- Capital Work-in Progress including Capital Advances Rs. Nil (P.Y. 650,086)

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
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**SCHEDULE - 4 : CURRENT ASSETS, LOANS & ADVANCES****A. CURRENT ASSETS****1. Inventories****(As certified by the management )**

– Raw material	–	72,595,329
– Consumables Stores	–	6,875,357
– Work-in-progress	–	12,419,639
– Finished Goods	–	954,692
– Goods In Transit	–	5,436,094
	–	98,281,111

**2. Sundry Debtors****(Unsecured considered good)**

Outstanding for a period exceeding six months	–	16,628
Other Debts	–	371,402,532
	–	371,419,160

**3. Cash & bank Balances**Cash In hand 358 358**Balances with Scheduled Banks**

– In Current Account	98,866	11,875,769
– In Fixed Deposit (Including Interest accrued )	8,593	8,023
	107,817	11,884,150

**4. Other Current Assets**

	–	3,800,984
	–	3,800,984

**B. LOANS & ADVANCES****(Unsecured considered good unless otherwise stated)****Advances**

Due from Holding Company	212,988,868	–
Advances and other amounts recoverable in cash or in kind or for value to be received	–	3,983,498
– Security Deposit	–	2,771,201
– Balance with Central Excise Authorities	–	75,901,199
– Mat Credit Entitlement	1,723,191	1,723,191
– Advance Tax (Including T.D.S)	32,407,280	32,388,089
{Net Off Provision Rs.16488191(P.Y.16,507,382/-)}	–	–
	247,119,339	116,767,178

**SCHEDULE - 5 : CURRENT LIABILITIES & PROVISIONS****A. Current Liabilities**

Sundry Creditors (Refer Note No. No.6 of Schedule 9 (B))	–	145,481,660
Statutory Dues	–	14,858,340
Expenses Payable*	10,000	13,475,667
Other Liabilities	–	3,929,306
	10,000	177,744,973

**B. Provisions**

Warranty Claims	–	17,861,001
	–	17,861,001

\* It includes amoung due to director Rs.NIL (P.Y. 139860/)

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

(Amount in Rupees)

PARTICULARS	Current Year	Previous Year
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**SCHEDULE - 6 : OTHER INCOME**

Sundry Balances Written Back	-	912,253
{Net Off written off of Rs.NIL /-(P.Y.382783)}		
Exchange Fluctuation Gain(Net)	-	3,553,428
	<u>-</u>	<u>4,465,681</u>

**SCHEDULE - 7 : MANUFACTURING & OTHER EXPENSES**

<b>1. Consumption of Raw Material</b>	<b>A</b>	-	2,154,321,382
<b>2. Decrease in Stock- In -Trade/Work -In- Progress</b>			
<b>Opening stock</b>			
Finished goods	-	-	15,424,016
Less: Excise Duty	-	-	1,196,917
		<u>-</u>	<u>14,227,099</u>
Work-In-Progress	-	-	25,655,366
	<b>I</b>	<u>-</u>	<u>39,882,465</u>
<b>Closing stock</b>			
Finished goods	-	-	954,692
Less: Excise Duty	-	-	89,151
		<u>-</u>	<u>865,541</u>
Work-In-Progress	-	-	12,419,639
	<b>II</b>	<u>-</u>	<u>13,285,180</u>
<b>Total</b>	<b>B (I-II)</b>	<u>-</u>	<u>26,597,285</u>
<b>3. Expenses for Manufacture, Administration and selling</b>			
Salary/Wage & Other Benefits to Staff	-	-	78,438,340
Contribution to Provident & Other Fund	-	-	5,229,920
Power & Fuel	-	-	14,574,556
Other Manufacturing Exp.	-	-	9,848,965
Rent, Rates & Taxes	-	-	1,187,826
Insurance Charges	-	-	559,907
Royalty	-	-	26,304,891
Communication Expenses	-	-	1,024,558
Legal & Professional Charges	-	-	468,757
<b>Repair &amp; Maintenance</b>			
- Machinery *	-	-	21,260,346
- Building	-	-	800,021
- Others	-	-	9,095,106
Staff Welfare	-	-	15,126,778
Travelling & Conveyance	-	-	20,698,815
Director Remuneration	-	-	1,789,968
Loss on sale of Fixed assets	-	-	1,842,325
Auditor Remuneration	10,000	-	100,000
Other Expenses	-	-	9,857,984
Selling & Distribution Exp.	-	-	12,651,513
<b>Total</b>	<b>C</b>	<u>10,000</u>	<u>230,860,576</u>
<b>TOTAL</b>	<b>(A+B+C)</b>	<u>10,000</u>	<u>2,411,779,243</u>

\* Includes Stores &amp; spares consumed of Rs.NIL/- (P.Y. Rs. 8504138/-)

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

(Amount in Rupees)

PARTICULARS	Current Year	Previous Year
<b>SCHEDULE - 8 : FINANCIAL CHARGES (Net)</b>		
Interest on		
– Others	–	17,001
– Bank Charges	–	895,051
	<u>–</u>	<u>912,052</u>
Less: Interest received on Fixed Deposit*	<b>570</b>	565
	<u><b>(570)</b></u>	<u>911,487</u>

\* TDS Rs.Nil (P.Y. Rs. 22,000/-)

**Schedule forming part of the Balance Sheet & Profit & Loss Account****SCHEDULE 9: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT****A. SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI), and the relevant provisions of the Companies Act, 1956.

**2. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that affect the reported amounts of assets & liabilities and disclosure of contingent assets & liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

**3. Fixed Assets**

Fixed assets are stated at cost of acquisition inclusive of freight, duties & taxes and incidental expenses related to acquisition up to the date of installation. Cost of Fixed assets are further adjusted by the amount of Modvat/Cenvat credit availed and Vat credit wherever applicable. Fixed assets under construction, advance paid towards acquisition of fixed assets and cost of assets not put to use before year end, are shown as capital work in progress. Interest and finance charges incurred are allocated to the respective fixed assets on installation.

**4. Intangible Assets**

Intangible assets such as technical know-how fees, etc. which do not meet the criteria laid down, in terms of Accounting Standard 26 on Intangible Assets, are written off in which they are incurred. If such costs/expenditure meet the criterion, it is recognized as an intangible asset and is measured at cost. It is amortized by way of a systematic allocation of the depreciable amount over its useful life and recognized in the Balance Sheet at net of any accumulated amortization and accumulated impairment losses thereon.

**5. Depreciation / Amortization**

Depreciation is provided at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956 by following the written down value method.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Assets costing individually Rs. 5,000 or less are fully depreciated in the year of purchase.

Cost of Leasehold land is amortized over the period of lease.

**6. Inventories**

Raw material, stores and spare parts are valued at lower of cost or net realizable value. Cost includes purchase price, those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, FIFO method is used.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost or net realisable value. The comparison of cost and net realisable value is made on an item by item basis. Cost of work in progress and manufactured finished goods is determined on FIFO basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition.

Scrap is valued at "Net Realisable Value".

Excise duty liability is included in the valuation of closing inventory of finished goods.

**7. Revenue Recognition**

Domestic Sales are recognised at the point of despatch of goods to the customers from factory. The sales are accounted for net of trade discount, sales tax, sale returns but includes excise duty. Export Sales are recognized at the time of the clearance of goods and approval of excise authorities.

Sales include revision in prices received from customers with retrospective effect.

Interest Income is accounted for on time proportional basis. Dividend income is recognized when the right to receive the Dividend is established.

**8. Purchases**

Purchase of material is recognized on the basis of acceptance of material at the respective location.

Price revision of material purchased has also been included in purchases. Further adjustments, if any, are made in the year of final settlement.

**9. Foreign Exchange Transactions**

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statement are recognized as income/expense in the period in which they arise.

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortized as income or expense over the life of contract as well as exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognized as income/expense for the period.

**10. Borrowing Cost**

Borrowing costs that are attributable to the acquisition for construction of qualifying asset are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**11. Expenditure on Research and Development**

The revenue expenditure on research and development is charged as an expense in the year in which it is incurred. However Expenditure on development activities, whereby research findings are applied to a future plan or design for the production of new or substantially improved products and process and has got future benefits is capitalized. Such capitalization includes cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the assets for its intended use.

Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Depreciation on such capital assets is followed in accordance with the Company's Policy.

**12. Employees Benefits**

- a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which related service is rendered.
- b) The Company has Defined Contribution Plans for post employment benefit's namely Provident Fund and Employee State Insurance Scheme The company's contributions in the above plans are charged to revenue every year.
- c) The company has Defined Benefit plans namely leave encashment/ compensated absence and Gratuity for employee's. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year by using the Projected Unit Credit Method. However, the company through its Trust has taken a policy with LIC to cover the gratuity liability of the employees. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of funds with LIC is provided for as liability in the books.
- d) Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
- e) Actuarial gains/losses are immediately taken to Profit & Loss Account.
- f) Terminal benefits are recognized as an expense immediately.

**13. Taxes on Income****Current Tax**

Current tax is amount of tax payable on taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

**Deferred Tax**

Deferred tax resulting from "timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date." Deferred tax assets subject to consideration of prudence, are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**14. Contingency/Provisions**

Provision is recognized when a company has a present obligation as a result of past event, it is probable that an outflow of resources embodying benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent Liabilities, if material are disclosed by way of notes; contingent assets are not recognized or disclosed in the financial statements.

**15. Leases**

Lease arrangements, where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are recognized as an operating lease. Lease payments under operating lease are recognized as an expense in the Profit and Loss Account.

**16. Earning per share**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted Earning per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**17. Cash Flow**

Cash Flow statement is prepared as per the indirect method prescribed under "Accounting Standard-3" "Cash Flow Statement".

**18. Warranty**

Warranty expenses are provided for in the year of sales based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing.

**19. Impairment of assets**

The company assesses whether there is any indication that any asset may be impaired at the balance sheet date. If any indication exists, the company estimates the recoverable amount. If the carrying amount of the fixed assets exceeds the recoverable amount, an impairment loss is recognized in the accounts; to the extent the carrying amount exceeds the recoverable amount.

**B. NOTES TO ACCOUNT****1. Background**

Sharda Sejong Auto Components (India) Ltd. is a wholly-owned subsidiary of Sharda Motor Industries Limited having its plant located at Chennai. The company is engaged in the manufacture and supply of automotive components and all of its products to Hyundai Motors India Limited.

- Estimated value of contracts remaining to be executed on capital account not provided for in the accounts, net of advance is Rs. Nil (Previous Year Rs. 56,114)
- The balances of debtors, creditors and loans and advances are awaiting confirmation.
- In the opinion of the Board, the current assets, loans and advances are approximate of the value stated if realized in the ordinary course of business. The provision for all the known liabilities are adequate and not in excess of the amount reasonably necessary.

**5. Employees Benefits****Defined Contribution Plan**

The Company makes contribution towards Employees Provident Fund and Employee's State Insurance Scheme of these schemes, the company is required to contribute a specified percentage of payroll costs. The company during the year recognized the following amounts in the Profit and Loss Account under company's contribution to Defined contribution plan.

(Amount in Rupees)

Particulars	2010-2011	2009-2010
Provident Fund	Nil	3,532,111
Employee State Insurance	Nil	1,096,854

**Defined Benefit Plans:**

**Gratuity Scheme:** This is a funded defined benefit plan for qualifying employees. The employee's gratuity fund scheme managed by Life Insurance Corporation of India. The present value of obligation is determine based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity

**Leave Encashment/Compensated Absences:** This is a unfunded defined benefit plan.

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

In accordance with the Accounting Standard (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans based on following assumptions:



Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-2011	2009-2010	2010-2011	2009-2010
Discount Rate	-	7.5%	-	7.5%
Rate of increase in Compensation	-	10 %	-	10%
Rate of Return on Plan Assets (For Gratuity)	-	-	-	9.15%
Mortality		Published notes under the LIC (1994-96) mortality table.		Published notes under the LIC (1994-96) mortality table.

**Expense recognised in the Profit and Loss Account**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-2011	2009-2010	2010-2011	2009-2010
Current Service Cost	-	407,985	-	795,289
Interest Cost on benefit obligation	-	97,868	-	400,284
Expected return on plan assets	-	-	-	(417,252)
Past Service Cost	-	-	-	-
Actuarial (gain)/loss recognized in the year	-	(226,945)	-	(184,912)
Net Benefit Expense	-	278,908	-	593,409

**Net Asset/ (liability) recognized in the Balance Sheet as on March 31, 2011**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-2011	2009-2010	2010-2011	2009-2010
Present Value of Defined Benefit Obligation	-	16,26,880	-	62,52,112
Fair Value of Plan Assets	-	-	-	45,00,490
Net Asset/ (Liability) recognized in the Balance Sheet	-	(16,26,880)	-	(1,751,622)

**Changes in the Obligation during the year ended 31st March 2011**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-2011	2009-2010	2010-2011	2009-2010
Opening defined benefit obligation	*	1,398,111	*	5,718,340
Interest cost	-	97,868	-	400,284
Current Service Cost	-	4,07,985	-	795,289
Benefits Paid	-	(50,139)	-	(448,044)
Actuarial (gain)/ loss on obligation	-	(2,26,945)	-	(213,757)
Closing defined benefit obligation	<b>NIL</b>	16,26,880	<b>NIL</b>	62,52,112

**Changes in the fair value of Plan Assets are as follows:**

(Amount in Rupees)

Particulars	Leave Encashment (Unfunded)		Gratuity (Funded)	
	For the year ended		For the year ended	
	2010-2011	2009-2010	2010-2011	2009-2010
Opening fair value of Plan Assets	N.A	N.A	*	4,560,127
Expected return on Plan Assets	-	-	-	417,252
Contribution by employer	-	-	-	Nil
Benefits paid	-	-	-	(448,044)
Actuarial Gain/ (Loss) on Plan Assets	-	-	-	(28,845)
Closing Fair Value of Plan Assets	N.A	N.A	NIL	4,500,490

- \* The above does not include amount of Sipcot unit, Chennai which was earlier the part of the company, has been brought back by the holding co. M/s Sharda Motor Industries Ltd during the year.

The estimate of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

6. Pursuant to amendments to Schedule VI to Companies Act, 1956 vide Notification No. GSR 719 (E) dated 16th November, 2007. The Company has not received any intimation from suppliers regarding the status under the Micro, Small and Medium Enterprises development act 2006. Hence, disclosure, if any concerning the amount unpaid as at the year end together with interest paid/payable as required under the said act has not been given.

**7. Managerial Remuneration to Directors**

(Amount in Rupees)

Particulars	2010-11	2009-10
Salary and allowances	-	1,512,000
Contribution to provident fund	-	126,921
Perquisites	-	151,047

Note: -

1. Managerial Remuneration to Directors does not include incremental liability for gratuity and leave encashment unless paid/payable as per company rules.
2. The Managerial Remuneration paid to the Directors is well within the limits specified in Companies Act, 1956.

**8. Payment to Auditors**

(Amount in Rupees)

Particulars	Current Year	Previous Year
Audit Fees	10,000	70,000
Tax Audit Fees		30,000

**9. Additional Information:****a) Capacity, Production, Turnover & Stocks:****(i) Licensed & Installed Capacity:**

As certified by the Management and as per the norms laid down by the Central Government, no licence is required for the class of goods manufactured by the Company; hence information pertaining to the licensed capacity is not given. The Company is of the view that the installed capacity of its machinery in terms of measurable units can not be determined as it varies, based on the design / process of its heterogeneous range of products.

- (ii) Quantitative Information with regard to Actual Production, Stock, Turnover of the Goods Manufactured by the Company

(Amount in Rupees)

PARTICULARS	Unit	Actual Production	Opening Stock		Turnover		Closing Stock	
		Qty	Qty	Value	Qty	Value	Qty	Value
A) AUTOMOTIVE COMPONENTS								
- Metal Parts	PCS	- (1,575,086)	- (10,608)	- (15,424,016)	- (1,584,78)	- (2,543,282,683)	- (913)	- (954,692)
B) OTHERS		- (-)	- (-)	- (-)	- (-)	- (1,197,226)	- (-)	- (-)
Total		- (1,575,086)	- (10,608)	- (15,424,016)	- (1,584,781)	- (2,544,479,909)	- (913)	- (954,692)

Note: Figures in brackets indicates previous year's figures.

iii) a) Consumption of raw -material

Particulars	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Steel	Kgs	-	-	-	-
Parts made from pipe and steel	Nos.	-	-	10,517,452	742,490,439
Others	-	-	-	-	1,411,830,943
Total	-	-	-	10,517,452	2,154,321,382

b) Value of imported/indigenous raw materials, stores and spares consumed:

Particulars	Current Year		Previous Year	
	Amount (Rs.)	%	Amount (Rs.)	%
Raw Material				
Imported	-	-	428,757,382	19.90
Indigenous	-	-	1,725,564,000	80.10
Total	-	-	2,154,321,382	100%
Stores & Spares				
Indigenous	-	-	8,504,138	100%

c) CIF Value of Import

(Amount in Rupees)

Particulars	Current Year	Previous Year
Raw Material	-	403,623,298
Capital Assets	-	9,160,242
Stores and Spares	-	970,175

d) Expenditure in Foreign Currency (Accrual Basis):

(Amount in Rupees)

Particulars	Current Year	Previous Year
Royalty	-	22,105,642
Technical Know-how / Guidance Fee / Consultancy	-	83,307,480
Foreign Travelling	-	7,750,771

e) Earning in Foreign Currency

Particulars	Current Year	Previous Year
F.O.B. Value of Exports	-	353,785

**10. Disclosure in pursuance of AS-18 "Related Party Disclosure"****I. List of related parties where control exists and related parties with whom transactions have taken place and relationships:**

S.No.	Name of the Related Party	Relationship
1	Sharda Motor Industries Limited	Holding Company
2	Udyan Banerjee(Executive Director)* * from 1st June 2009	Key Managerial Person

**II. Transactions during the year with Related Parties**

(Amount in Rupees)

S.No.	Nature of Transactions	Holding Company	
		Current Year	Previous Year
i)	Sales	-	78,784,726
ii)	Purchases	-	1,326,468,811
iii)	Loans repaid	-	1,889,492,642
iv)	Loan taken	-	868,652,395
v)	Transferred of Sipcot Unit's Business	<b>782,182,533</b>	-
vii)	Hire charges paid	-	1,500,000
viii)	Purchase of Fixed Assets	-	7,495,571
ix)	Sale of Fixed Assets	-	1,381,186
xi)	Net Outstanding Balance payable/ (Receivable) as on 31.03.2011	<b>(212,988,868)</b>	569,193,665

(Amount in Rupees)

S.No.	Nature of Transactions	Key Managerial Person 2010-11
i)	Remuneration	- (1,789,968)

Note: Figures in brackets indicates previous year's figures.

**11. Leases****Assets taken on Operating Leases:**

The Company has taken the Factory Building on cancellable operating lease. Lease Agreement is valid till the period March 31, 2011. Lease rental amounting to Rs. Nil (Previous Year Rs. 15,00,000/-) has been debited to Profit and Loss Account.

**12. Deferred Taxation (AS 22)**

The company has been recognizing the deferred tax assets/liabilities in accordance with Accounting Standard 22 "Accounting for Taxes on Income".

**Deferred Tax Liability (DTL): -**

(Amount in Rupees)

S.No.	Particulars	As at 31st March 2010	Adjustment For the year	As at 31st March 2011
(i)	Depreciation	17,245,060	(17,245,060)	NIL
	<b>Total</b>	<b>17,245,060</b>	<b>(17,245,060)</b>	<b>NIL</b>

**Deferred Tax Assets (DTA) :-**

(i)	Expenditure under section 43B of the Income Tax Act	1,148,352	(1,148,352)	NIL
(ii)	Others	3,612,130	(3,612,130)	NIL
	<b>Total</b>	<b>4,760,482</b>	<b>(4,760,482)</b>	<b>NIL</b>
	<b>Net Deferred Tax Asset/(Liability)</b>	<b>(12,484,578)</b>	<b>(12,484,578)</b>	<b>NIL</b>

**13. Earning per Share**

The numerators & denominators used to calculate the earnings per share.

Particulars	Current Year	Previous Year
Profit/(loss) attributable to the equity shareholders (Rs.) - (A)	<b>12,475,148</b>	47,065,557
Basic/weighted average number of Equity shares outstanding during the year - (B)	<b>20,050,000</b>	20,050,000
Nominal value of equity shares (Rs.)	<b>10</b>	10
Basic/diluted earnings per share (Rs.) (A) / (B)	<b>0.62</b>	2.35

**14. Segment Reporting**

The company is in the business of manufacture of automotive components and this is the only reportable segment as per the Accounting Standard 17 on 'Segment Reporting'.

**15. Disclosure in accordance with Accounting Standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets.**

The following table provides disclosure in accordance with AS 29.

	Balance as at March 31,2010	Additions during the year	Amounts used/paid/ reversed during the year	Balance as at March 31,2011
Provision for warranty	17,861,001	–	17,861,001	NIL
Previous Year	14,231,774	7,233,966	3,604,739	17,861,001

16. The current year results does not include the figure pertaining to Sipcot Unit situated at G-20, Sipcot Industrial Park, Kancheepuram, Chennai due to cancellation of transfer of business vide cancellation deed dated November 20, 2009. All assets and liabilities pertaining to Sipcot Unit hitherto hived off to the company have returned back to the holding company M/s Sharda Motor Industries Ltd at their respective book values as on commencement of business on 1st April, 2010. Hence current year's figures are not comparable with previous year's figures

17. Previous year's figures have been reclassified/regrouped, wherever considered necessary

For and on Behalf of  
the Board of Directors

**(N. D. RELAN)**  
Chairman

**(AJAY RELAN)**  
DIRECTOR

PLACE : NEW DELHI  
DATED : 6th May' 2011

**(UDYAN BANERJEE)**  
EXECUTIVE DIRECTOR

**Balance Sheet Abstract and Company's General Business Profile**

I. Registration Details  
 Registration No.                       
 State Code    
 Balance Sheet Date          
 Day Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)  
 Public Issue       
 Bonus Issue       
 Right Issue       
 Private Placement

III. Capital Raised during the year (Amount in Rs. Thousands)  
 Total Liabilities        
 Source of Funds  
 Paid-Up Capital        
 Secured Loans       
 Reserves & Surplus        
 Unsecured Loans       
 Application of Funds  
 Net Fixed Assets\*       
 Net Current Assets        
 Deferred Tax Assets       
 Investments       
 Misc. Expenditure       
 \* Includes Capital Advances.

IV. Performance of Company (Amount in Rs. Thousand)  
 Turnover / Income       
 Total Expenditure      
 + - Profit/Loss Before Tax        
 + - Profit/Loss After Tax          
 Please tick Appropriate box (+) for Profit (-) for loss  
 + - Earning per Share in Rs.        
 Dividend rate %

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)  
 Item Code No. (ITC Code)          
 Product                
 Description

For and on Behalf of  
the Board of Directors

(N. D. RELAN)  
Chairman

(AJAY RELAN)  
DIRECTOR

PLACE : NEW DELHI  
DATED : 6th May' 2011

(UDYAN BANERJEE)  
EXECUTIVE DIRECTOR







Dear Shareholder,

**SUBJECT: GREEN INITIATIVE IN CORPORATE GOVERNANCE: GO PAPERLESS**

The Ministry of Corporate Affairs ('Ministry') has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circulars no. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send various notices /documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc) to their shareholders through electronic mode, to the registered e- mail addresses of the shareholders.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment.

This is also a golden opportunity for every shareholder of M/s Sharda Motor Industries Limited to contribute to the Corporate Social Responsibility initiative of the Company. All you have to do is to register your e-mail id with the Company to receive communication through electronic mode.

Advantages of registering for e-communication:

- Receive communication promptly
- Reduce paper consumption and save trees
- Eliminate wastage of paper
- Avoid loss of document in postal transit
- Save costs on paper and postage

Keeping the view the underlying theme and circular of MCA, we proposed you to give your consent to send in future all the documents like the notice calling annual general meeting, audited financial statements, director reports, auditor reports, ect in electronic form.

We therefore invite all our shareholders to contribute to the cause by filling up the form given below and send it back to us.

We are sure you would appreciate the "Green Initiative" taken by MCA and your company's desire to participate in such initiatives.

Please note that you will be entitled to be furnished, free of cost, the physical copy of the documents, upon receipt of a requisition from you, any time, as a member of the Company.

If you have any questions or need additional information, please contact us at 011 - 47334100 or via email at [smil@shardamotor.com](mailto:smil@shardamotor.com)

Thanking you

Yours faithfully

For Sharda Motor Industries Limited

Nitin Vishnoi  
Company Secretary

## E-COMMUNICATION REGISTRATION FORM

To

Sharda Motor Industries Limited  
D – 188, Okhla Industrial Area,  
Phase - I  
New Delhi – 110020

Dear Sir/Madam,

RE: Green Initiative in Corporate Governance

I agree to receive all communication from the Company in electronic mode. Please register my e-mail id in your records for sending communication through e-mail.

Folio No. : .....

DP ID : .....

Client ID : .....

PAN : .....

Name of 1st Registered Holder : .....

Name of Joint Holder(s) : .....

Registered Address : .....

E-mail ID : .....

Alternate E-mail ID : .....

Date:.....

Signature of the first holder :.....

### IMPORTANT NOTES:

- 1) On registration, all the communication will be sent to the e-mail ID registered in the folio/DP ID & Client ID.
- 2) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email Id given above is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned email ID.



**SHARDA MOTOR INDUSTRIES LTD.**

D-188, Okhla Industrial Area, Phase-I, New Delhi-110020

**PROXY**

I/We.....of.....being a member/members of M/s SHARDA MOTOR INDUSTRIES LTD. hereby appoint.....of.....or.....failing him / her.....of.....as my/our proxy to vote for me/us on my/our behalf at the Twenty- sixth Annual General Meeting of the Company to be held on Monday day the 8th August' 2011 at 12:30 P.M. and any adjournment thereof.

Signed this .....day of.....2011

Signature of shareholder.....

Folio No..... No. of Shares held.....

Address.....

Affix a Revenue Stamp

- Notes: 1. The Proxy need not be a member.
- 2. The Proxy to be valid should be duly stamped and executed by the member and should reach the Company's Registered Office at least 48 hours before the time of the meeting.

CUT-HERE-

CUT HERE



**SHARDA MOTOR INDUSTRIES LTD.**

Registered Office

D-188, Okhla Industrial Area, Phase-I, New Delhi-110020

**ATTENDANCE SLIP**

Twenty-sixth Annual General Meeting - 8th August' 2011

Regd. Folio No.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Twenty- sixth Annual General Meeting of the Company at Habitat World at India Habitat Centre, New Delhi at 12:30 P.M. on Monday the 8th August' 2011.



Member's/Proxy's name in BLOCK letters

Member's/Proxy's Signature

Note: Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL.

**IF YOU BELIEVE IN IT,  
YOU CAN ACHIEVE IT.**

***TEAM SMIL***

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## BOARD OF DIRECTORS



**N. D. RELAN**  
Chairman



**AJAY RELAN**  
Managing Director



**SHARDA RELAN**  
Director



**ROHIT RELAN**  
Director



**R. P. CHOWDHRY**  
Director



**O. P. KHAITAN**  
Director



**G. L. TANDON**  
Director



**PROF. ASHOK KUMAR BHATTACHARYA**  
Director



**KISHAN N. PARIKH**  
Director



**UDAYAN BANERJEE**  
Executive Director



## KEY EXECUTIVES



**S. D. LEE**  
President  
(CEO - Chennai Plant - I)



**ANIL BADHWAR**  
President



**DR. SIVNAND RAJA DURAINARASIMHACHARY DIVAKARAN**  
(Head - R & D Centre)  
(CEO - Nashik Plant)



(CEO - Nashik Plant)



**PRADEEP RASTOGI**  
President - Legal & CFO



**D. A. AGGARWAL**  
Sr. Vice President (F&A)



**NITIN VISHNOI**  
Company Secretary



**SUNG HO LEE**  
Vice President  
(Chennai Plant-II)



**Lt. Col. PREM GABA**  
Vice President  
(Surajpur Plant)



**RAMESH SAXENA**  
Vice President  
(Gurgaon Plant)



**RAKESH JAIN**  
Vice President  
(Sanand Plant)



**PRASHANT PATIL**  
Vice President  
(Chakan Plant)



**K. K. SHARMA**  
Sr. General Manager  
Chennai Plant - I



**A. K. CHATURVEDI**  
Sr. General Manager  
(Taxation)



**RAJESH MALIK**  
Sr. General Manager  
(Haridwar Plant)



**N. R. PILLAI**  
General Manager  
(P & A / HR)



**SHARDA MOTOR INDUSTRIES LIMITED**

**REGISTERED OFFICE :**

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