



NOTICE

Notice is hereby given that the **THIRTY EIGHTH (38TH) ANNUAL GENERAL MEETING** of the Members of Clutch Auto Limited will be held on **Tuesday, the 29th September, 2009 at 10.00 A.M. at Seble Cinema, Mathura Road, Badarpur, New Delhi - 110 044** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Kewal Krishan Taneja, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Chandra Shekhar Aggarwal, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s. B. Aggarwal & Co., Chartered Accountants, New Delhi and to consider, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT M/s. B. Aggarwal & Co., Chartered Accountants, New Delhi, the retiring Auditors, who are eligible to be so appointed and whose consent is available, be and are hereby reappointed as the Statutory Auditors under section 224 and all other applicable provisions, if any, of the Companies Act, 1956 to hold such office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration including out of pocket expenses, as may mutually be decided by the Board and the said Auditors."

SPECIAL BUSINESS

5. Appointment of Sh. Avinash P Gandhi as Director

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

"RESOLVED THAT Sh. Avinash P. Gandhi, who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

Regd. Office
2E/14 (1st Floor)
Jhandewalan Extn.
New Delhi 110 055
Dated: 28th July, 2009

By Order of the Board

Pritam Paul
GM-Commercial & Company Secretary



NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item No.5 set out above and details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/re-appointment at the Annual General Meeting, are annexed hereto.
2. **Only registered members of the Company may attend and vote at the Annual General Meeting. A Member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself/herself. A proxy need not be a member of the Company.**
3. **The proxy in order to be effective, should be duly signed, stamped and deposited at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Annual General Meeting.**
4. The Register of Members and Transfer Books will remain closed from Wednesday, 23rd, September, 2009 to Tuesday, 29th September, 2009 (both days inclusive).
5. The Company has admitted its Equity Shares in the Depository System of National Securities Depository Limited (NSDL) as well as Central Depository Services (India) Ltd. (CDSL) and has offered investors the facility to hold shares in demat form and to carry out scripless trading of these shares as per the prescribed procedure.
6. The shareholders may send their requests for transfer, transmission, transposition, deletion of name, demat, remat, change of address etc. at the below mentioned address of the Registrar & Share Transfer Agent (R & T Agent):

M/s. MAS Services Ltd.,
T-34, 2nd Floor,
Okhla Industrial Area Phase – II,
New Delhi – 110 020.

The requests received at the registered office will also be forwarded to the R & T Agent.

7. Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders may file Nominations in respect of their respective shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed form 2B, if not already filed.
8. Members are requested to bring their copies of Annual Report to the Meeting as such copies may not be available at the Annual General Meeting.
9. Members are requested to put their signatures at the space provided in the Attendance Sheet annexed to the proxy form and hand over the same at the designated counter near the entrance of the Meeting Hall.
10. Members are requested to quote folio numbers in all correspondence with the company.
11. In case you intend to raise any queries in the forthcoming Annual General Meeting, you are requested to please forward the same at least 10 days before the date of the Meeting to Mr. Pritam Paul, GM-Commercial & Company Secretary at the following registered office address so that the same may be attended to appropriately to your satisfaction.
12. **Members may also kindly note that there will be no gifts/food coupons at the Annual General Meeting.**
13. The documents referred to in the accompanying notice and explanatory statement are open for inspection at the Registered Office of the Company on all working days, except Holidays, between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.

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Dated: 28th July, 2009

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Pritam Paul
GM-Commercial & Company Secretary



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.5

The Board of Directors of the Company appointed Sh. Avinash P Gandhi as an Additional Director effective from 18th April, 2009 pursuant to Section 260 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company. He ceases to hold office at this Annual General Meeting but is eligible for appointment as a Director. A notice under Section 257 of the Act has been received from a Member signifying his intention to propose his appointment as a Director.

Born in 1938, Sh. Avinash P Gandhi, B.Sc. in Mechanical Engineering, holds the position of Director of various reputed and prestigious Companies. He is also the Chairman of FAG Bearings India Limited.

Brief information of Sh. Avinash P Gandhi is given in the Corporate Governance Report. Having regard to his rich experience at top positions in reputed companies, the Board considers that the Company should continue to avail services of Shri Avinash P Gandhi and accordingly commends the Resolution at item No.5 for approval by the Members.

Sh. Avinash P Gandhi is concerned or interested in item No.5 of the Notice.

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New Delhi 110 055
Dated: 28th July, 2009

By Order of the Board

Pritam Paul
GM-Commercial & Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 38th Annual Report of the Company along with the Audited Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

| | (Rs. in Lakhs) | |
|--|-----------------|-----------------|
| | <u>2008-09</u> | <u>2007-08</u> |
| Income from Operations | 21992.17 | 23798.03 |
| Excise Duty | 2247.29 | 2099.90 |
| Net Sales (1-2) | 19744.88 | 21698.13 |
| Other Income (including increase/ Decrease in value in goods in process) | 87.88 | 488.26 |
| Total Revenue (3+4) | 19832.77 | 22186.39 |
| Raw Materials and Components | 11200.99 | 13495.93 |
| Employees Costs | 2128.37 | 1885.69 |
| Other Expenses (excl. Dep. & Interest) | 3818.56 | 3457.90 |
| Total Expenses (excl. Dep. & Interest) | 17147.92 | 18839.52 |
| PBDIT (5-9) | 2691.57 | 3346.87 |
| Depreciation and Amortisation | 782.92 | 592.90 |
| PBIT (10-11) | 1908.65 | 2753.97 |
| Interest | 1346.04 | 1149.00 |
| PBT (12-13) | 562.61 | 1604.97 |
| Current Tax | 162.66 | 231.21 |
| Deferred Tax | (46.00) | 27.00 |
| PAT (14-15-16) | 445.95 | 1346.76 |
| Balance Brought Forward from last year | 5493.35 | 4146.59 |
| Surplus carried forward to the Balance Sheet | 5939.30 | 5493.35 |
| Earning per Share (EPS in Rupees) - Basic | 2.73 | 8.26 |
| - Diluted | - | - |

Fixed Deposits

The Company has not accepted any public Deposits within the meaning of Section 58A of the Companies Act, 1956.

Directors

(i) Additional Director – Your Board has appointed Sh. Avinash P. Gandhi, aged 70 years, an Engineering Graduate (Mech), is one of the distinguished professionals in the Automobile Industry, with effect from 18th April, 2009 and now commends the said appointment of Sh. Avinash P. Gandhi as a **Non Executive Independent Director**, for consideration and approval of the Shareholders at the ensuing Annual General Meeting of the Company. Brief Resume of Sh. Avinash P. Gandhi has been given under heading 2 (a) of the Corporate Governance Report.

Board members co-opted Sh. Gandhi as an additional Director in view of and to fill up the vacancy caused by the resignation of Sh. Shital Kumar Jain.

Sh Avinash P. Gandhi does not hold any shares in the Company.

(ii) Resignation of a Director – Due to personal reasons, Sh. Shital Kumar Jain resigned and cease to be a Director with effect from 23.03.2009. Board members at their meeting held on 18.04.2009 noted the same and recorded their note of appreciation of the valuable service, guidance and help rendered by Sh. Shital Kumar Jain during his tenure as a Non-executive Independent Director of the Company

Disclosures regarding re-appointment of Directors liable to retire by rotation

In terms of Section 256 of the Companies Act, 1956, Sh. Kewal Krishan Taneja and Sh. Chandra Shekhar Aggarwal, Directors are liable to retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors recommend their re-appointments for a further term from the conclusion of the ensuing Annual General Meeting in the larger business interests of your Company.

The abbreviated resumes of Sh. Kewal Krishan Taneja and Sh. Chandra Shekhar Aggarwal, the Directors seeking re-appointment / appointment are as under:

◆ Sh. Kewal Krishan Taneja

Sh. K K Taneja is a highly qualified and retired Deputy Director General, DGT, Ministry of Industry. He is having a vast experience of over 40 years in planning, development and modernization of industries as well as technology transfer and investment, promotion. He has widely travelled abroad and has acted as an industrial consultant in developing countries under the aegis of UNIDO and other multilateral international aid agencies. He has been associated with the establishment of many major Industries in India as technical consultant. He is also a Director on the Boards of M/s. Orind Exports Limited. Sh. K K Taneja is the Chairman of the Audit Committee of the Company.

◆ Sh. Chandra Shekhar Aggarwal

Sh. C S Aggarwal is a Law graduate from the University of Delhi and was inducted as an Additional Director effective from 26.07.2008. Sh. Aggarwal is a Senior Advocate by profession and a renowned tax counsel and consultant in the Corporate sector.



Management Discussion & Analysis Report

The Board presents Management Discussion and Analysis Report as **Annexure – A** to this Report.

Corporate Governance Report

Your Company has been complying with good Corporate governance practices in terms of Listing Agreement by maintaining highest level of transparency, ethics, accountability and fairness in all facets of its operations. To achieve highest internal standards in corporate governance, the Company believes in attaining the best business interests to enhance overall shareholders' value by adopting sound business practices. **Annexure - B** on Company's Corporate Governance is annexed herewith.

A separate statement on Corporate Governance is included as a part of the Annual Report along with the Practicing Company Secretary's Certificate on its compliance as **Annexure – C** to this report.

Auditors

M/s. B. Aggarwal & Co., Chartered Accountants, New Delhi, the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment, subject to approval of the shareholders of the company, for a further term at such remuneration as may mutually be agreed between the Board and the Auditors.

Directors' Responsibility Statement

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with appropriate explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a "going concern" basis.

Employees

The year under report witnessed stressed business environment across. Though the Company had to take some corrective steps to downsize the number of employees, however, was able to maintain cordial and harmonious relationship throughout the year and on behalf of your Board, I would like to express appreciation of the good work done and co-operation extended by employees at all levels in accomplishing Company's tasks and goals even under uncertain business environment.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report is placed as **Annexure – D** to this report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

A Statement as required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 as part of the Directors' Report for the year ended 31st March, 2009 is submitted in **Annexure – E** to this report.

Acknowledgement

Your Directors place on record their thanks for the assistance, guidance and cooperation extended from time to time by our revered Customers, Financial Institutions, Banks, Central & State Governments and our dear Shareholders during the year under report. They also wish to convey deep appreciation of the loyal and devoted services rendered by the employees at all levels of the Company.

For and on behalf of the Board

New Delhi,
28th July, 2009

Vijay Krishan Mehta
Chairman & Managing Director



ANNEXURE - A TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

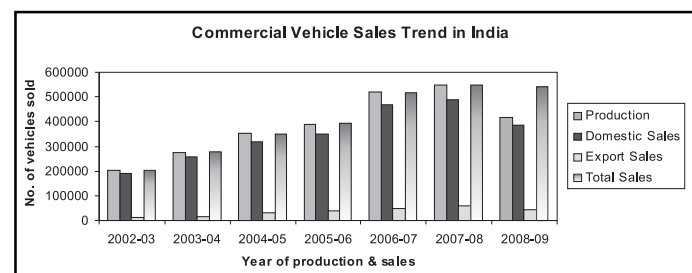
I. INDUSTRY STRUCTURE & OPPORTUNITIES

After witnessing consistent growth in previous few years, our Country witnessed down turn since previous year and unexpectedly further deteriorated in the current year covering almost every sectors of Indian economy. While US was worse effected due to sub-prime crisis and series of fall out in banking system, the spillover of financial meltdown could be witnessed in rest of the World including Europe, Latin America, China, Japan, Russia & other South Asian countries. First time in the Global history, the Governments of all over the World have taken initiative for a faster recovery by pumping in more than US\$ 2.5 trillion. In US, in the past 15 months, real GDP declined 1.8%, but the monetary stimulus is estimated at 18% of the GDP and the fiscal stimulus at 11.9%. This brings the total stimulus to an unbelievable 30% of the GDP. The Indian Government had extended financial support to the tune of US\$ 4 billion by way of stimulus packages thru' banks and financial Institutions to ensure liquidity in the system, yet it was felt that the credit availability was restrained. Government's above measure was backed by series of CRR/Repo rate cuts as announced by the RBI from time to time. But Banks generally preferred either to lend only in priority sector leaving other troubled sectors like Automotive sector etc. or opted reverse repo to park their money with RBI. With this credit contraction, the MSME's were worst sufferers in terms of credit availability, given the high risk perception of the Banks towards this sector. This could, virtually make no larger impact in the economy since the money could not reach the hands of the end users.

The economy achieved growth rate of 7.8% during the first half of the year and due to dislocation of the manufacturing activity in the second half of the year, particularly in the quarter ended December, 2008, GDP reported growth of 5.30%, followed by last quarter growth of 5.8%, the Economy could achieve overall growth of 6.7% (higher than the Government expectation of 6.5%) against projected growth of ~ 8%.

It has been reported that Indian Economy will be likely to grow by 7.0 ± 0.5% in 2009-10 fiscal against estimated ~ 6.50% growth in the first half and over 7% in the second half of the year. The above estimate are however, based on the assessment that the US economy will start to show signs of growth in Q3/2009, which will strengthen overall global economic activity. Post General Elections 2009, in view of the 100 day agenda set by the Government, it has been reported that if perused in right earnest, economy could sustain a high GDP growth rate of 9-10% in the current fiscal.

Automotive Industry, a prominent segment of the national economy was adversely affected due to Global slowdown, however, continued to survive due to Govt. of India's committed expenditure on the infrastructure sector of the economy. This is the first year of set back ever since the Automotive Mission Plan 2016 was announced by the Government of India with growth rate estimated at 6%, after achieving double digit growth in recent years. The year witnessed steady falling demand for medium and heavy commercial vehicles (MHCV), which was primarily due to overall slowdown in industrial production. The severe demand shortage since October, 2008 led the leading commercial vehicle manufacturers to cut down schedules drastically, followed by repeated lay-offs, resorting to repeated book closures, job-cuts etc. This was coupled with huge credit crunch and the working capital of large OEMs virtually exhausted, impacting on liquidity of the Tier I suppliers. Hardening of interest rates coupled with higher inflationary pressures and industrial slowdown affected the input costs and availability of essential raw materials very adversely resulting in both bottom and top lines in the Automotive Industry. In spite of RBI and other Financial Institution's continued initiatives to enhance liquidity in the system, Bankers were shy to increase their exposure in the Automotive Sector, and as such could not virtually make any impact on the liquidity. The situation was further fuelled by the Transporters strike in early January, 2009 for a shorter haul. Transporters have deferred purchases despite stable freight rates with rising cost of ownership impacting their profitability amidst concerns over freight demand sustainability. Domestic commercial vehicle production and Sales trend since 2002-03 till 2008-09 were as under:



Source – SIAM Report

In International arena, US Heavy-Duty truck sales hit their lowest level in 16 years during 2008, falling for the second straight year, even though they made a modest recovery after hitting bottom in May, 2008. Further, several North American truck and engine makers underwent significant change during 2008 as they prepare for the next round of federal emission regulations slated for 2010. The fall out of the US Big Three



viz. GM, Ford & Chrysler made significant impact on the component manufacturers in India.

As per SIAM Report, overall Industry performance in 2008-09 was as under -

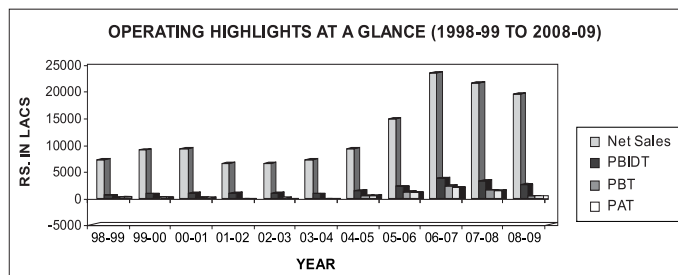
In domestic market, Passenger vehicle segment registered growth of 0.13% during 2008-09, the sale of overall commercial vehicles declined by (-) 21.69%. Medium and Heavy Commercial vehicles declined by (-) 33.16% and Light Commercial vehicles recorded de-growth at (-) 7.10%.

In Exports market, 2008-09 saw automobile exports growth of 23.61% with all segments except Commercial vehicles, which was declined at (-) 27.67% during the year.

Clutch Auto is catering to three sectors viz. OEM, Replacement Market and Exports. Even under depressed business environment, the Company was able to optimally use its product mix. The Company was able to make good the shortfall in OEM sales by introducing 77 new products by fiscal year end in the Aftermarket and Exports segment. Clutch Auto has made long term commitments to OEMs' in Commercial Vehicle & Tractor segments including a Co-Manufacturing Agreement with a MNC Clutch Manufacturer.

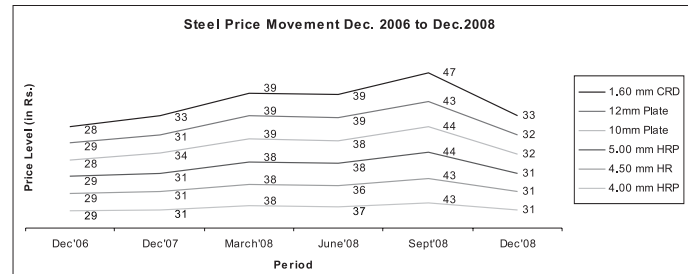
II. FINANCIAL PERFORMANCE OF THE COMPANY

While the overall commercial vehicle segment witnessed 22% decline in sales, Company's negative performance in 2008-09 was limited to about 10%, which was 5% more than that of the previous year.



The downfall in Sales was primarily due to global slowdown in Heavy duty vehicle segment, wherein the Company is a dominant player in the Industry. While Company's initiatives to use product mix and thereby diverting the supply from OE to Aftermarket and Exports segment was appreciated across, the same could not cover the substantial demand gap in OE segment. However, in view of new launches with strong IPR Portfolio, the Company was able to establish its strong foothold in Aftermarket. Further, with the introduction of the concept of TTD (Traceability Till Death), every clutch manufactured by the Company has become identifiable throughout its entire life span and verifiable about its genuinity. This will gradually replace the spurious products availability biting company's presence in the Aftermarket.

The decline in profitability during the reporting fiscal was largely due to sharp increase in raw material prices and increase in fixed administrative costs. Kew raw material price movements in recent times were as under:



While the Company was able to recover some portion of the price increase in Aftermarket, supplies to OEM's largely became un-remunerative due to time gap of such negotiations. Thus, Company had to struggle to maintain sustainable margins, mainly by cost reduction initiatives and improvement of internal efficiencies.

Turnover, net of excise duties, at Rs. 197.44 Cr. vs. Rs. 216.98 Cr. in 2007-08 was lower by 9% due to sharp decrease in demand in OE segment in India as an effect of Global slowdown primarily in Heavy duty commercial vehicle segment.

Raw Material consumption i.e. to Rs. 112 Cr (52.72%) in 2008-09 was Rs. 134.96 Cr (62.20%) in 2007-08. This was largely a result of unprecedented high steel & Pig Iron prices during the first two quarters, neutralized subsequently during last two quarters of the year. This made a severe impact on Company's VA & VE exercises as part of our cost reduction program. To neutralize the effect in coming years, Company has identified some strategic suppliers in Austria, China, Germany as a part of its global sourcing initiatives to procure key inputs at lower costs, maintaining stringent Quality norms as per customer needs. Company has further planned to increase the capacity of the captive Casting unit over a period of time to ensure easy and timely raw material flow matching with production needs.

Employee Cost increased to Rs. 21.28 Cr. (10.78%) from Rs.18.86 Cr. (8.69%) last year due to decline in top-line coupled with inflation and standardization of employee compensation packages at the beginning of the year to retain talent within the Company. Since, the Industry situation worsened during last two quarters of the year, Company substantially reduced its temporary workforce and offered shake hands with some set of deserving employees during that time. However, the Company did not opted for salary cuts of employees across. Though the above increased the efficiency & productivity at shop-floor level, Company had to bear one time settlement costs, causing increase in overall manpower costs during the year. To remain competitive,



Company has further planned to downsize its workforce in a phase manner by year end of current fiscal to a level of 7% of the production value.

Profit Before Depreciation, Interest, Exceptional items and Tax decreased to Rs. 26.91 Cr. (13.63%) from Rs. 33.46 Cr. (15.42%) in 2007-08.

Depreciation for the year 2008-09 increased to Rs. 7.76 Cr. (3.93%) from Rs. 5.86 Cr. (2.70%) in 2007-08.

Interest Cost increased to Rs. 13.46 Cr. (6.81%) in 2008-09 from Rs. 11.49 Cr. (5.29%) in 2007-08 due to increase in PLR coupled with additional long term ECB borrowings for undertaking Company's Capacity expansion & modernization project.

Profit Before Tax (PBT) stood at Rs. 5.62 Cr. from Rs. 16.05 Cr. in 2007-08. The tax provision for current year is at Rs. 1.62 Cr. as compared to Rs. 2.58 Cr. in 2007-08.

Profit After Tax (PAT) stood at Rs. 4.46 Cr. vs. Rs. 13.47 Cr. in 2007-08 resulting in decline in Earning Per Share (EPS) at Rs. 2.73 compared to Rs.8.26 last year.

Balance Sheet

Ordinary Share Capital - There was no change in the ordinary share capital of the Company, which stood at Rs. 16.31 Cr. as on March 31, 2008,

Gross Secured Debt stood at Rs. 108.11 Cr. as on March 31, 2009 as compared to Rs. 83.48 Cr. as on March 31, 2008.

Current Assets of the Company declined to Rs. 180.22 Cr. in 2008-09 from Rs. 192.31 Cr. in 2007-08, mainly due to increase in Inventories at Rs. 46.31 Cr. in 2008-09 from Rs. 44.68 Cr. and decline in Cash & Bank Balances at Rs.12.56 Cr. in 2008-09 from Rs. 34.55 Cr. in 2007-08.

Current Liabilities of the Company increased at Rs. 61.53 Cr. in 2008-09 from Rs.47.24 Cr. in 2007-08.

III. SWOT ANALYSIS

Strengths –

- The only Standalone clutch manufacturer in the World, poised to grow based on strong fundamentals in Technology with no restrictions.
- Sustained Brand leadership in a highly technology intensive industry.
- Low manufacturing cost compared to other leaders of the Industry across.
- Efficient supply flow thru' vertical integration.
- Fiercely innovative & focus on needs of end customers.
- Strong planning & implementation skills.
- Versatile Clutch Dyno - testing facility (under implementation).
- Products are virtually in the verge of Double life.
- Outcome of the NMITLI project will create altogether a

- different set of products with high economic benefits.
- MEOST (Multiple Environment Over Stressed Testing) facility.
- Preferred to remain low profile with biting capability.
- Customer Centric development with high care attitude.
- Improving credibility against MNC's.
- Steps taken during the last one year for increasing the Foundry capacity will supplement Company's efforts to tap new opportunities in the years to come.
- Timely assistance from International Bankers is likely to help establish need based capacities and test capabilities to meet the Company's International multifarious opportunities.
- Increase in market share of the leading Truck manufacturer in USA, with whom the Company has made long term supply contracts will enhance Company's business opportunity.

Weakness -

- Present Scale of operations (however, committed to increase capacity to double by December, 2010 in a phased manner).
- Limited Global reach due to lack of complementarity of the products across various continents.
- Single manufacturing facility, to be grown upto a full scale integrated facility.
- High dependence on Limited resource base.

Opportunities –

- Agricultural Segment- Five decade monopoly.
- Heavy duty segment – There is no compatibility among dominant players.
- Technology dissemination.
- Cost effective solutions.
- Long obsolescence.
- Retrofittability on 20-30 years old vintage cars has extended service life even on old vehicles.

Threat -

- Infringements by local players in unorganized sector.
- General market environment.
- Penetration of Spurious products in Aftermarket segment.
- New Technologies.
- Consolidation by the Competitors in domestic arena.
- OEM's target to have total control on the Aftermarket can significantly impact company's Replacement Market operations.
- Competition from Chinese low cost manufacturers can be a threat to Company's business in some segments.

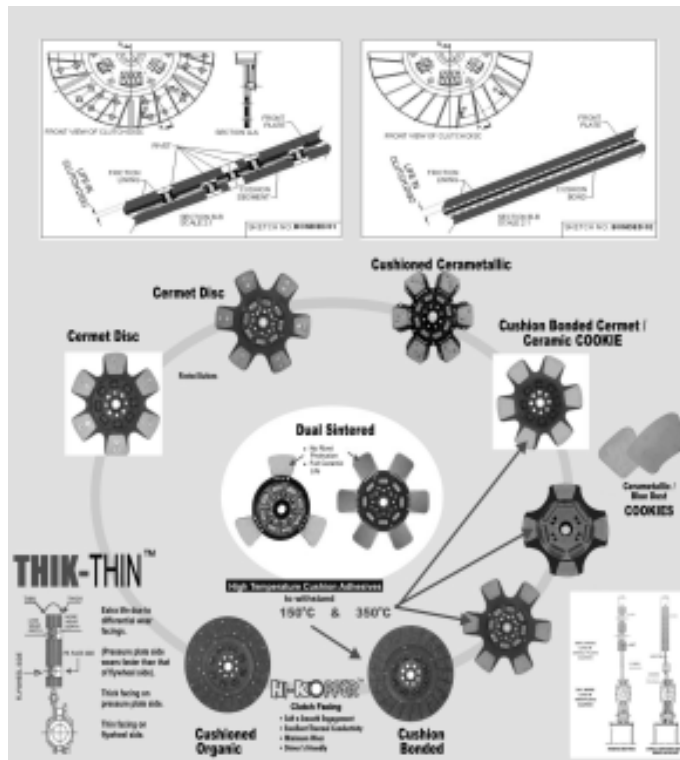
IV. TECHNOLOGY

Company is committed to deliver superior products across all segments. Under Capacity expansion and modernization plan with investment of US\$ 15 Mio targeted to be implemented by December, 2010, the Company has ordered

specialized machines from leading Global manufacturers. These machines include Engine based Clutch Dynamometer and other latest test machines, Virtual testing, Automatic riveting machines, latest NVH Systems, Torque test machines etc., which will not only sharpen the Technology edge of the Company but will also increase the productivity at large.

New concept “**Traceability Till Death**” (TTD), have been implemented successfully. This unique process of Bar coding the Clutch with the Engines & Transmission has been widely accepted across vehicle manufacturers. Additional machines are being imported to support the 100% production system with this unique characteristic. This will kill the spurious products being available in the market.

Development of Dual Sintered Buttons - In association with Hindustan Aeronautics Ltd. (HAL), Clutch Auto has developed the technology for Dual Sintered Buttons used on commercial vehicles clutches known as **Hi-Life & Extra Life Clutches**, specialized **CA City** and universal Clutches for Domestic as well as Overseas applications. By use of the Dual Sintered Buttons, the Clutch life will increase by at-least 100%.



Development of Cerametallic Buttons - There are only two recognized sources of this type of buttons, one in Australia and the other one in USA. We have successfully done localization of these kind of button with active assistance of Hindustan Aeronautics Ld. (HAL) with technology edge i.e. double life – the Road Raider source

with matching service life of clutches with much more competitive prices. This development activity is being extended to local manufacturers under the DEG Project which will be a major step in terms of containing cost of clutches both for domestic and international truck manufacturers (US, Europe and other markets).

Market penetration of 77 new items launched during 9th International Auto Expo, 2008 (New Delhi) have opened up new vistas/opportunities with an edge in such segments where the Company has not pursued business opportunities. The order book position in this segment have been increased by at-least 1.5 times.

V. IPR PORTFOLIO

The ONLY Indian Auto Component Manufacturer with domestic & overseas Patents & Trade Marks. Company’s continued efforts in R&D has generated unique products across all segments and further strengthened the IPR portfolio of the Company over a period of time. Snapshot of such IPR profile is as under:

| <u>Patents</u> | <u>Approved</u> | <u>Pending</u> | <u>Under filing</u> |
|-----------------------|-----------------|----------------|---------------------|
| Overseas | | | |
| USA | 1 | 2 | 11 |
| Mexico | 1 | - | - |
| Australia | 1 | - | - |
| Total overseas | 3 | 2 | 11 |
| Domestic | 2 | 11 | 19 |
| Designs | | | |
| India | 19 | 5 | 2 |
| Trade Marks | | | |
| USA | 11 | 1 | 13 |
| India | 10 | 40 | 9 |

PATENTS & TRADE MARKS

| <u>Patents</u> | <u>Trade Marks</u> |
|---------------------------------------|----------------------|
| APPROVED | APPROVED |
| EZ N LITE - Low Pedal Pressure Clutch | EZ N LITE |
| Clutch | INTERLOCK CLUTCH |
| Pre-Damp High Torque Clutch Disc | ECO CLUTCH |
| | PRE DAMP HIGH TORQUE |
| | WHISPER |
| | PDHT |
| | MONO |
| | COOL CLUTCH |
| | AUTO N EZ |
| | COOL RAIDER |
| | COOL N EZ |
| | TWIN N QUIK |
| | 3X |
| | CA LOGO |
| | CA Value for Money |
| | NVL |
| | Twin N Quik |
| | AUTO N COOL |



UNDER CONSIDERATION

Wear Indicator Assembly (Pin Type)
Clutch Wear Adjustment Indicator
Clutch Wear Adjustment Tool
Improved Clutch Disc Direct/Dual Sintering
Improved Clutch Disc with Spot Welding
Bonded Disc
Electronic Wear Adjustment for A Clutch
Clutch Adjuster
Clutch Packing cum Setting Gauge
Self-Adjusting clutch Assembly
Self Aligning Clutch

UNDER CONSIDERATION

ROAD RAIDER
AUTO COOL N EZ
SELF ALIGNING
CLUTCH
ECO NAUTO
AUTO
Hi-life
The Clutch that
thinks it does not
require a Mechanic
Think of Clutch
Think of Clutch Auto
We call it Clutch Auto
Clutch Auto India's
No. 1 Clutch
Innovation... thy
name is Clutch Auto
Tiger 3X
Turbo King
Angle Spring
Co-axial
Hi-Sink
Cookie Clutch
Thik-Thin
Gold Kits
Turbo Top
TTD
Angle ring
Universal Clutch
Insulator
Vibro Kits
Catcher Disc
Floating Clutch
Xtra Life
City Bus
Wavy Fulcrum Ring
Million Mile Clutch
Krom-Silikon
Hi-Kopper

UNDER FILING

Belleville Lever Clutch
Enclosed Window discs
Long Life Clutches – Bonded.
Dual Sintered Clutches
NVL Disc

VI. RESEARCH & DEVELOPMENT

1. The year continued with development of new products, to be supplied to Company's business with Navistar, USA and new launch of 77 new items in the Aftermarket with Hi-Life/Extra-Life features. After successfully completing the hurdle of PESO (Preliminary Engineering Sign off) stage, Navistar business has reached FESO (Final Engineering Sign off) stage, supplies being targeted to start by end of first quarter. Company's R&D activities are being actively supported by World renowned Consultants and Experts in the Clutch Industry.

2. Progress under **NMITLI** (New Millennium Indian Technology Leadership Initiative) **project** with an objective to increase service life (at-least 100%) of a clutch for Commercial Vehicles, Cars, Tractors, in association with the prestigious Partnering Institutions was phenomenal. While defining the broad object and deliverables of the Partnering Institutions, Company's support to these Institutions will take a big leap for the success of this project.

3. Company is developing 'Virtual' Design Development & Testing Software for improving its Development & Certification capabilities.

4. New products development with technology support from HAL will have long term impact in the domestic and international Truck Clutch opportunities.

VII. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Clutch Auto has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorized, recorded and reported quickly.

Company's Internal control is supplemented by an extensive program of strong and independent internal audits, review by management and documented policies, guidelines and procedures.

Based on the nature of business and size of operations, the Company's internal control system has been designed to provide for:

- Accurate recording of transactions with internal checks and prompt reporting.
- Effective inventory management system matching with average service life of the Vehicles and availability of the products in the Aftermarket segment.
- Adherence to applicable Accounting standards and policies.
- Review of capital investments and long term business plans.
- Periodic review meetings to manage effectively, all working capital elements.
- Compliance with applicable statutes, policies, listing requirements and operating guidelines of the Company.

VIII. AWARDS & CERTIFICATIONS

- **ACMA Technology Trophy 2007-08**
 - **Industry 2.0 Top performer Award 2007-08**
- Other awards include -**



- **IMTMA Siemens Productivity Championship Award 2006**
- **ACMA Technology Trophy 2000-01**
- **First Prize National Award** for indigenization of Defence Stores from Ministry of Defence, Government of India.
- **Award for Technology Development** from DGTD, Ministry of Industry, Government of India for development of T-72 Cerametallic Clutches.
- **Technology Innovation Award – ASRTU** (Association of State Road Transport Undertaking)
- **National Award for Import Substitution** from Govt. of India for indigenization of T-54/T-55 Tank Clutch.
- **New Generation Ceramic Clutches for Automotive applications –** By Technology Development Board (TDB), Deptt. of Science & Technology, Govt. of India, on Technology Day 2001.
- Nomination by Commerce Ministry to promote **“Made in India Brand in USA”**
- **2000 AD Millennium Award for Excellence** in category of Marketing Company (Large Scale) from Institute of Marketing & Management

Certifications

| Certification | By | Issue Date |
|-----------------------|-----------------------------------|------------|
| ISO/TS 16949:2002 | TUV | 15.04.2008 |
| R&D Unit | Ministry of Science & Technology | 05.06.2008 |
| One Star Export House | Ministry of Commerce & Industries | 01.04.2004 |

IX. EMPLOYMENT OF RESERVED CATEGORIES

In line with the current Policy of Government of India to give more and more employment to the Reserved Categories in the Private Sector, it is submitted for information that CAL employs 287 (previous year 311) persons belonging to these categories as per details given below:

of persons employed

| Caste | Current year | Previous year |
|--------------|--------------|---------------|
| SC / ST | 64 | 66 |
| OBC | 223 | 245 |
| Total | 287 | 311 |

According to Press reports Government of India proposes 40% of the employees should belong to reserved categories in Private Sector also. It is heartening to note Clutch Auto Ltd. is already providing employment to more than 40% employees belonging to Reserved Categories.

X. CLEAR AND PROVEN STRATEGY

The Company plans to go solo with total in-house development capabilities have stood well in the overall strategy where the technology base created has been enlist vide recognition with customer as well as clutch manufacturers alike. The Lo-cost base is serving an icing in the cake for increasing opportunities for new assignment of outsourcing and co-manufacturing. This is backed with a well established marketing base in USA has established linkages for opportunities to be addressed on the support, if required, to offer not only JIT deliveries but also locally assembled next door 24 hr. deliveries with Product Liability Insurance and Service support and to meet with the local Policies and cultural compulsions. Technical innovations and solutions have given increasing dependence in the Hi-volume sophisticated customer base.

XI. CORPORATE SOCIAL RESPONSIBILITY

The initiatives taken previous year to increase awareness on HIV & AIDS was further geared up by printing and circulating more copies of the UNO Sponsored Book **World Perspective on HIV & AIDS Epidemic for Less Fortunate** towards Strategies for Awareness and Prevention with Focus on Values Clarification, Cultural Heritage and Social Norms. The book was authored by Sh. Rajinder M. Kalra and Sh. Francis X. Sutman and Contributing Authors are Smt. Archana Uppal and Smt. Santosh Kalra. Company also made donations to Charitable/Orphanage homes to support deserving sections of the Society. As a part of employee welfare, company assists medical expenses and other assistance on any mis-happening with any employee in deserving cases. Company also provides one time financial assistance to the family on untimely death of any employee, employees across all sections also join hands with the Company in this initiative by contributing one day's remuneration.

XII. CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry (global or domestic or both) significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.

For and on behalf of the Board

New Delhi,
28th July, 2009.

Vijay Krishan Mehta
Chairman & Managing Director



ANNEXURE – B TO DIRECTORS’ REPORT

CORPORATE GOVERNANCE REPORT

1. COMPANY’S PHILOSOPHY

Clutch Auto Limited has consistently followed in appropriate disclosure procedures, transparent accounting policies, independent Board practices and highest levels of ethical standards towards its various stakeholders for sustained corporate growth. Clutch Auto’s commitment to good corporate governance practices predicts the laws and regulations of Securities & Exchange Board of India (SEBI) and the Stock Exchanges through Clause 49 of their listing agreement.

2. BOARD OF DIRECTORS

(a) Composition

Presently, your Board comprises of Six Directors including an Executive Chairman & Managing Director, one Executive Director and four other Non-Executive Directors (out of which one is relative of the Promoter). Thus, your Company’s Board has optimum combination of Executive and Non-Executive Directors as required under clause 49 of the Listing Agreement with the Stock Exchanges. The present constitution of the Board of Directors and the composition of Board Committees are given hereunder:

| Sl No | Name of Director(s) | DIN | Catagory |
|-------|------------------------------|----------|--|
| 1 | Sh. Vijay Krishan Mehta | 00053482 | Executive, Chairman & Managing Director |
| 2 | Sh. Kewal Krishan Taneja | 00053226 | Non Executive, Independent Director |
| 3 | Sh. Chandra Shekhar Aggarwal | 01539616 | Non Executive, Independent Director |
| 4 | Sh. Avinash P Gandhi* | 00161107 | Non Executive, Independent Director |
| 5 | Sh. Anuj Mehta | 00047381 | Executive Director |
| 6 | Ms. Pooja Kapoor | 00047231 | Non Executive, Non-Independent (Relative of Promoter) Director |

*Sh. Avinash P Gandhi is holding the position of an Additional Director effective from 18.04.2009, subject to re-election by the Shareholders at the ensuing annual general meeting of the Company and his profile in brief is as under:

Name : Sh. Avinash P Gandhi
 Father’s Name : Sh. Sita Ram Gandhi
 Date of Birth : 01.10.1938
 Nationality : Indian
 Education : B.Sc. (Mech. Engg.) from Birla Institute of Technology, Meshra, Ranchi

Sh. Avinash P Gandhi held top leadership positions in prestigious organizations for over two decades in 40 plus years of his working in professional sector.

Indian Ordnance Factories & TELCO :

As a mechanical engineering graduate, Sh. Gandhi started his career in the Indian Ordnance Factories where he worked in the managerial capacity for six years. He enjoyed a very successful career of over fifteen years with Tata Engineering & Locomotive Company Ltd (TELCO) and held senior positions in the areas of manufacturing operations and also had a brief stint with their sales and marketing set-up.

Escorts Limited :

Sh. Gandhi was associated with Escorts Limited at a very senior positions i.e. **Chief Executive – Corporate Research & Development Centre** in Escorts Ltd. He later headed the complete Tractor operations as the Vice President of their largest business unit. He was also a Director on Board of Escorts Class Limited and Escorts-Herion, a Joint Venture company.

Electricity Industry :

Sh. Gandhi also spent, nearly four years with electricals manufacturing companies as a Chief Executive Officer and also headed a conglomerate of seven companies having joint ventures with world-renowned electrical companies as the Group Chief Executive.

Hyundai Motor India Limited :

In 1992, Sh. Gandhi completed his highly successful tenure as the President, Hyundai Motor India Limited, which has become the second largest passenger car manufacturing company in India within a short span of time. He was also the only Indian whole time Director on Board of Hyundai Motors and during his tenure, three successful models “SANTRO”, “ACCENT” and “SONATA” were launched, which became the market leaders in their respective segments.

Mr. Gandhi has always been very actively involved with various professional activities and his leadership left distinct marks in the organizations with which he was associated.

Present Association:

After retirement from Hyundai Motors India, Sh. Gandhi became a Non-Executive Chairman of FAG Bearings India Limited from July 2002 and many other leading Companies in India. Details of his directorships and position held in other Companies are as under:

| Sl. No. | Name of Company | Position held in Board | Position held in Committees |
|---------|---|----------------------------|---|
| 1 | FAG Bearings India Ltd. | Chairman | Chairman - Audit Committee |
| 2 | Lumax Industries Ltd. | Director | Member - Audit Committee Chairman - Remuneration Committee |
| 3 | Fairfield Atlas Ltd. | Director | Member - Audit Committee Chairman - Remuneration Committee |
| 4 | Uniproducts (India) Ltd. | Director | Member - Remuneration Committee |
| 5 | Panalfa Automotive Pvt. Ltd. | Director | |
| 6 | Havell's India Ltd. | Director | Member - Remuneration Committee |
| 7 | Continental Engines Ltd. | Director | |
| 8 | Mahavir Aluminium Ltd. (Indo Alusys Ltd.) | Director | |
| 9 | Minda Corporation Ltd. | Director | |
| 10 | Avinar Consulting (P) Ltd. | Director / 50% shareholder | |
| 11 | Panalfa Autoelektrik Pvt. Ltd. | Director | |
| 12 | Minda Valeo Security Systems Pvt. Ltd. | Director | |
| 13 | MLR Motors Ltd. | Director | |
| 14 | Minda Farukawa Electric Pvt. Ltd. | Director | |
| 15 | R. N. Gupta & Sons | Director | |

Sh Gandhi is also actively involved in developing Indo-Korean ties and holds the position of Secretary General of India-Republic of Korea Friendship Society.

Board members at their meeting held on 27.09.2008 re-designated Sh. Shashi Bhusan Kumar, General Manager - Productions as the **'Technical Director'** to hold the position of an Executive Director (but not as a member of the Board). Board members further agreed that the terms of employment of Sh. Kumar will be reviewed by the Remuneration Committee from time to time. Since Sh. Kumar's re-designation had been kept outside the Board's purview, intimation to regulatory and other agencies was not required.

(b) Board Meetings

During the financial year under review, six (6) Board meetings were held on 28.04.2008, 26.07.2008, 27.09.2008, 31.10.2008, 23.01.2009 and 31.01.2009.

(c) Details of Directorship of Member(s) of the Board and their Attendance at the Board/Committee Meetings

and Annual General Meeting held during financial year 2008-09

| Names of Member(s) of the Board | Category of Directors | Board Meetings attended | Attendance at the last AGM | No.* of Directorships held (excluding in Private companies) as on 31.03.2009 | No. of Membership/ Chairmanship of Committees (other than Private Companies) as on 31.03.2009 |
|---------------------------------|------------------------------|-------------------------|----------------------------|--|---|
| Sh. Vijay Krishan Mehta | Chairman & Managing Director | 6 | Present | None | 3 |
| Sh. Kewal Krishan Taneja | NEDI** | 5 | Present | 1 | 2 |
| Sh. Anuj Mehta | Executive Director | 6 | Present | - | - |
| Sh. Chandra Shekhar Aggarwal | NEDI | 2 | Present | - | - |
| Ms. Pooja Kapur | NED | 6 | Present | None | 2 |
| Sh. Shital K. Jain**** | NEDI | 5 | Present | 3 | 6 |
| Sh. Krishna Sahai Bhatnagar**** | Chairman NEDI | 1 | (since deceased) | | |

* includes directorship(s)/ alternate directorship(s), membership(s) and Chairmanship(s) of Committee(s) of the Company but excluding foreign Companies.
** NEDI – Non-Executive Director (Independent)

*** Sh. Shital K Jain has tendered his resignation from the Company's Directorship as a Non-executive Independent Director effective from 23.03.2009.

**** (Late) Sh. K S Bhatnagar, Past Chairman of the Company expired on 17.5.2008.

Board members elected Sh. Vijay Krishan Mehta as the Chairman of the Board effective from 26th July, 2008 due to sad demise of late Sh. K S Bhatnagar (Past Chairman of the Board).

None of the Directors on the Company's Board is a member of more than ten (10) committees and Chairman of more than five committees (Committees being Audit Committee, Investor's Grievance Committee) across all Companies in which they are a Director. All the directors have made necessary disclosures regarding the Committee positions held by them in other companies.

Brief resumes of the directors, who are being reappointed / regularized at the forthcoming Annual General Meeting, are given in the Directors' Report, as required.

(d) Following matters and information have been discussed, considered and noted by the Board of Directors

- ◆ Capital Budgets and updates.
- ◆ Review of Quarterly results and annual results and all compliances related thereto.
- ◆ Disclosure of interest in other Companies made by the Directors.
- ◆ Minutes of meetings of audit committees and other committees of the Board.
- ◆ Future Business opportunities.



- ◆ Banking and funding arrangement proposals.
- ◆ Mitigation of risks related to Foreign currency.
- ◆ Internal control efficiencies and effectiveness.
- ◆ Alternate raw material sourcing whether indigenous or imported.
- ◆ Manpower strength and its productivity enhancement.
- ◆ R&D and Quality improvements etc.
- ◆ Progress of projects undertaken by the Company (NMITLI & Capacity Expansion & modernization project).
- ◆ Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- ◆ Show cause, demand, prosecution notices and penalty notices, which are materially important.
- ◆ Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- ◆ Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- ◆ Transactions that involve substantial payment towards goodwill, brand equity or intellectual property rights.
- ◆ Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- ◆ Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of voluntary Retirement Scheme etc.
- ◆ Non-compliance of regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc., if any.

Clutch Auto has established procedures to enable its Board to periodically review compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances.

(e) Directors with materially pecuniary or business relationship with the Company

All disclosures relating to financial and commercial transactions, where Director(s) may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters. We have made sufficient disclosures in respect of related party transactions in the notes on accounts of this annual report.

There was no related party transaction or relationship between Clutch Auto Limited and its non-executive independent Directors during the year 2008-09.

(f) Shares held by non-executive directors

The details of shareholding of the Non-executive Directors as on 31.03.2009 are as under:

| Sl. No. | Name of the Director | No. of Shares |
|---------|--------------------------|---------------|
| 1 | Sh. Kewal Krishan Taneja | 10,000 |

None of the other Non-Executive Directors hold any shares in the Company.

(g) Remuneration of Directors paid or payable to Directors for the year ended 31.03.2009

| Name of Director | Relationship with other Director | Salary & Perquisites (Rs.) | Commission (Rs.) | Total (Rs.) |
|-------------------------|----------------------------------|----------------------------|------------------|-------------|
| Sh. Vijay Krishan Mehta | Father of Sh. Anuj Mehta | 87,08,490 | Nil | 87,08,490 |
| Sh. Anuj Mehta | Son of Sh. Vijay Krishan Mehta | 45,35,684 | Nil | 45,35,684 |

Sitting Fees

During the year 2008-09, the non-executive Directors were paid only sitting fees of Rs.12,500/- (excluding reimbursement of travel and other expenses incurred for the Company's business) for attending each Board Meeting and Committee Meetings of the Company.

(h) Code of Conduct –

The Company has laid down a code of conduct, under clause 49 of the Listing Agreement, for all its Board members and Senior Management Personnel for avoidance of conflict of interest.

The declarations with regard to compliance of code of Conduct have been received for the year 2008 from all the Board members and Senior Management personnel. All Board members and Senior Management personnel have affirmed compliance of the Code of Conduct and the Chairman & Managing Director has confirmed the same. The Code of Conduct is also available on Company's website www.clutchauto.com.

3. COMMITTEES OF THE BOARD

Reconstitution on 27.09.2008 - After the sad demise of Late Sh. K S Bhatnagar, past Chairman, Board members at their meeting held on 27.09.2008, re-constituted the Shares Servicing & Shareholders Grievance (SSSG) Committee and Remuneration committee only, with no change in the Audit Committee as under:

- i. **SSSG Committee** - Sh. Shital K. Jain and Sh. Anuj Mehta were inducted as new members in the Shares Servicing & Shareholders' Grievance Committee; wherein Ms. Pooja Kapur was elected as the Chairperson of this Committee.
- ii. **Remuneration Committee** - Sh. Shital K Jain was inducted as a new member and was also elected as the Chairman of this Committee.



With this, the Board and its Committees then constituted as under –

| Sl. No. | Name of the Director | Board of Directors | Audit Committee | SSSG Committee | Remuneration Committee |
|-------------------|------------------------------|---|-------------------|--------------------|------------------------|
| 1 | Sh. Vijay Krishan Mehta | Chairman & Managing Director | Permanent Invitee | Member | Member |
| 2 | Sh. Kewal Krishan Taneja | Director NEI* | Chairman | - | Member |
| 3 | Sh. Shital Kumar Jain | Director NEI* | Member | Member | Chairman |
| 4 | Sh. Chandra Shekhar Aggarwal | Addl. Director NEI* | - | - | - |
| 5 | Sh. Anuj Mehta | Executive Director | Permanent Invitee | Member | - |
| 6 | Ms. Pooja Kapoor | Director NE** | Member | Chairperson | - |
| TOTAL NOS. | | 6 | 3 | 4 | 3 |

* Non-Executive Independent Director

** Non-Executive Director

Reconstitution on 18.04.2009 - Since Sh. Shital K Jain tendered his resignation effective from 23.03.2009 and Board members co-opted Sh. Avinash P. Gandhi as an “Additional Director” effective from 18.04.2009, Board members elected Sh. Avinash P. Gandhi as a **member of the Audit Committee** and the **Chairman of the Remuneration Committee** and reconstituted the Committees again on 18.04.2009, effective as of now as under –

| Sl. No. | Name of the Director | Board of Directors | Audit Committee | SSSG Committee | Remuneration Committee |
|-----------------------------|------------------------------|---|-------------------|--------------------|------------------------|
| 1 | Sh. Vijay Krishan Mehta | Chairman & Managing Director | Permanent Invitee | Member | Member |
| 2 | Sh. Kewal Krishan Taneja | Director NEI | Chairman | - | Member |
| 3 | Sh. Chandra Shekhar Aggarwal | Director NEI | - | - | - |
| 4 | Sh. Avinash P. Gandhi | Director NEI | Member | - | Chairman |
| 5 | Sh. Anuj Mehta | Executive Director | Permanent Invitee | Member | - |
| 6 | Smt. Pooja Kapoor | Director NE | Member | Chairperson | |
| Total No. of Members | | 6 | 3 | 3 | 3 |

The above composition of the Board Committee fulfills the requisite composition under Clause 49 of the Listing agreement vs-a-vis provision of Section 292A of the Companies Act, 1956.

(a) Audit Committee

As on 31.03.2009, the Audit Committee consisted of two members viz. Sh. Kewal Krishan Taneja (Chairman) and Smt. Pooja Kapoor only due to resignation of Sh. Shital Kumar

Jain, effective from 23.03.2009. Board members reconstituted this Committee at their meeting held on 18.04.2009 and inducted Sh. Avinash P. Gandhi as a member of this Committee.

During the year under review, 4 meetings of the Audit Committee were held on 28.04.2008, 26.07.2008, 31.10.2008 and 31.01.2009. The attendance record of the members at the Audit Committee Meetings was as under –

| Name of Director | No. of Meetings held | No. of Meetings attended |
|-------------------------------|----------------------|--------------------------|
| Shri Kewal Krishan Taneja | 4 | 4 |
| Shri Krishna Sahai Bhatnagar* | 4 | 1 |
| Shri Shital Kumar Jain | 4 | 4 |
| Smt. Pooja Kapur | 4 | 4 |

* Late Sh. K S Bhatnagar was since expired on 17.05.2008, he could attend only first meeting.

The Audit Committee of Clutch Auto performs the following functions:

- ◆ Oversight of the Company’s financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ◆ Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- ◆ Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- ◆ Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors’ Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any Related party transactions
 - Qualifications, if any, in the draft Audit report.
- ◆ Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- ◆ Reviewing, with the management, performance of statutory auditors, adequacy of the internal control systems.
- ◆ Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.



Besides others, the Audit Committee of Clutch Auto reviews the following information:

- ◆ Management discussion and analysis of financial condition and results of operations.
- ◆ Statement of significant related party transactions (as defined by the Audit committee) submitted by management.

The Audit Committee is also presented with the following information on Related party transactions (whenever applicable):

- ◆ A statement in summary form of transactions with related parties in the ordinary course of business.
- ◆ Details of material individual transactions with related parties, which are not in the normal course of business.
- ◆ Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.

The Audit Committee is empowered, pursuant to its terms of reference, to:

- ◆ Investigate any activity within its terms of reference and to seek any information it requires from any employee.
- ◆ Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Chairman of the Audit Committee was present at the last Annual General Meeting to answer shareholders queries raised therein. The Committee was regularly apprised of the various follow up actions taken on the direction of the Audit Committee. The Audit Committee regularly invite such executive/s as it considers appropriate, including the head(s) of the Finance, Production, Marketing, and the representative(s) of the internal audit and the statutory auditors, as and when invited, were present at the meetings of the Committee.

(b) Shares Servicing & Shareholders' Grievance (SSSG) Committee

Board members considered re-constitution of this Committee at their meeting held on 27.09.2008. Sh. Shital K. Jain and Sh. Anuj Mehta were inducted as the members in the SSSG Committee; wherein Ms. Pooja Kapur was elected as the Chairperson of this Committee effective from 27.09.2008. In view of the resignation of Sh. Shital Kumar Jain, Board members inducted Sh. Avinash P. Gandhi as a member of this Committee effective from 18.04.2009.

The Committee looks into redress of Shareholders' and Investors' complaints related to transfer/ transmission of shares, non-receipt of Balance Sheet, non-receipt of declared dividend and ensures expeditious share transfer process. The status of complaints are reported to the Committee, minutes

of Shareholders/Investors Grievance Committee meetings were placed before and discussed by the Board from time to time. Complaints received from shareholders on above mentioned grounds are resolved generally within 10 days, except in deserving cases. There were two complaints pending as on 31.03.2009, which was resolved before 03.04.2009.

Mr. Pritam Paul, GM – Commercial & Company Secretary, is the "Compliance Officer" of this Committee. The status of this Committee meeting held during 2008-09 was as under:

| Name of Director | Position | Meetings held during the year | Meetings attended by the Members |
|------------------------------------|---------------|-------------------------------|----------------------------------|
| Ms. Pooja Kapoor | Chairperson | 3 | 3 |
| Sh. Vijay Krishan Mehta | Member | 3 | 3 |
| Sh. Anuj Mehta | Member | 3 | 3 |
| Sh. Shital K Jain* | Member | 3 | 2 |
| Late Sh. Krishna Sahai Bhatnagar** | Past-Chairman | 3 | Nil, since deceased |

*Sh. Shital K Jain has resigned and ceased to be a Director effective from 23.03.2009

**Sh. Krishna Sahai Bhatnagar, Past Chairman, passed away on 17.05.2008.

(c) Remuneration Committee

Board members re-constituted this Committee at their meeting held on 27.09.2008. Sh. Shital Kumar Jain was inducted as a member and the Chairman of this Committee effective from 27.09.2008. In view of the resignation of Sh. Shital Kumar Jain effective from 23.03.2009, Board members inducted Sh. Avinash P. Gandhi as a member of this Committee effective from 18.04.2009. No meeting of this Committee was held during the year.

4. GENERAL BODY MEETINGS

The last three (3) General Body meetings were held on the following dates and timings:

| Financial Year | Date | Time | Location |
|----------------|------------|------------|---|
| 2005-06 | 25.08.2006 | 11.00 a.m. | Kamani Auditorium, No.1, Copernicus Marg, New Delhi. |
| 2006-07 | 25.09.2007 | 11.00 a.m. | Gandhi Memorial Hall, Pearey Lal Bhawan, 2, Bahadur Shah Zafar Marg, New Delhi. |
| 2007-08 | 27.09.2008 | 11.00 a.m. | Gandhi Memorial Hall, Pearey Lal Bhawan, 2, Bahadur Shah Zafar Marg, New Delhi. |

No Special Resolution was passed by the Shareholders during the last three years, which required voting by Postal Ballot.



Details of Special Resolutions passed by the shareholders in the last three Annual General Meetings:

| Financial Year | Date of Annual General Meeting | Subject matter of Special Resolution |
|----------------|--------------------------------|--|
| 2005-06 | 20.9.2005 | Issuance of 30,00,000 Equity Shares/Warrants on preferential basis to the Relatives of Promoters & Others – U/s. 81(1A) of the Companies Act, 1956 |

No Special Resolution was passed by the Shareholders during the last year, which required voting by Postal Ballot.

5. DISCLOSURES

(i) Disclosure regarding materially significant related party transactions

All disclosures relating to financial and commercial transactions, where Directors may have a potential interest are provided to the Board. Interested Directors, if any, do not participate in the discussion nor do they vote on such matters. The Audit Committee regularly reviews such transactions, if any.

(ii) Details of non-compliance

The Company has complied with all the requirements of regulatory authorities & no penalty or strictures were imposed on the Company by any Stock Exchange or SEBI or any Statutory Authority on any matter related to Capital market during previous three years.

(iii) Code of Conduct for Directors and Senior Management

The Board of Directors of the Company has adopted a Code of Conduct for the Directors and Senior Management personnel and the same is posted in Company's web-site www.clutchauto.com. In terms of Clause 49(D), a declaration by the CEO of the Company is separately annexed with this report.

(iv) CEO/CFO Certification

The CEO and the Finance head of the Company have certified to the Board with regard to the compliance made by them in terms of clause 49(V) of the Listing agreement.

Non-Mandatory requirements

The Company has not adopted the non-mandatory requirements as specified in Annexure ID of the Listing agreement.

6. MEANS OF COMMUNICATION

Quarterly results

The Company published its quarterly results regularly in leading national dailies both in English and Hindi with wide circulation viz. Economic Times (ET), Business Standard

(BS), Navbharat Times (NT), Veer Arjun (VA) & Jansatta (JS). The details of such announcement of result(s) during the year are as under:

| Quarter ended | Date of Announcement | Date of Publication | Name of Newspapers |
|---------------|----------------------|--|--------------------|
| 31.03.2008 | 28.04.2008 | 30.04.2008 01.05.2008 | BS, VA, ET NT |
| 30.06.2008 | 26.07.2008 | 28.07.2008 29.07.2008 30.07.2008 | BS, VA ET NT |
| 30.09.2008 | 31.10.2008 | 02.11.2008 03.11.2008 04.11.2008 | BS, VA ET NT |
| 31.12.2008 | 31.01.2009 | 02.02.2009 03.02.2009 04.02.2009 | BS, VA ET NT |
| 31.03.2009 | 18.04.2009 | 20.04.2009 21.04.2009 22.04.2009 | BS, VA ET NT |

Website

More information about the Company & its financials are available at its Website www.clutchauto.com.

Annual Report

Audited annual accounts along-with Auditors' & Directors' Report (including Corporate Governance Report) are circulated to members and others entitled thereto.

7. GENERAL SHAREHOLDERS INFORMATION

(i) 38th Annual General Meeting

Day & Date : 29th September, 2009.
Time : 10.00 A.M.
Venue : SEBLE CINEMA
Mathura Road,
Badapur, New Delhi-110 044.

(ii) Financial Year : 01.04.2008 to 31.03.2009.

(iii) Book Closure Dates : 23.09.2009 to 29.09.2009
(both days inclusive).

(iv) Listing on Stock Exchanges & Stock Code

The Listing particulars in respective Stock Exchanges are as under:

| Name of the Stock Exchange | Stock Code No. /Symbol |
|--|------------------------|
| Bombay Stock Exchange Limited (BSE) | 505052 |
| National Stock Exchange of India Limited (NSE) | CLUTCHAUTO |
| Demat ISIN Number | INE779 B01019 |

(v) Market Price Data at BSE and NSE

The details of High/Low market price and volume of shares traded at the Bombay Stock Exchange Limited and the Na-



tional Stock Exchange of India Limited during the period ended 31.03.2009 are as under:

| Year & Month 2008-09 | Bombay Stock Exchange Limited | | | National Stock Exchange of India Limited | | |
|-------------------------|----------------------------------|---------------------------|--------|---|---------------------------|--------|
| | High (Rs. per share) | Low (Rs. per share) | Volume | High (Rs. per share) | Low (Rs. per share) | Volume |
| April' 08 | 71.00 | 58.10 | 216588 | 75.90 | 59.00 | 323974 |
| May'08 | 74.10 | 57.05 | 113281 | 69.00 | 59.00 | 333881 |
| June'08 | 60.80 | 35.05 | 223661 | 62.75 | 35.25 | 441041 |
| July'08 | 39.50 | 30.25 | 298013 | 42.95 | 30.25 | 772772 |
| August'08 | 42.80 | 34.20 | 556208 | 42.40 | 33.50 | 784261 |
| September'08 | 43.00 | 30.35 | 417774 | 44.40 | 27.15 | 638804 |
| October'08 | 38.50 | 22.50 | 201116 | 38.60 | 22.95 | 644669 |
| November'08 | 29.40 | 21.50 | 63571 | 31.95 | 21.40 | 377556 |
| December'08 | 25.90 | 21.00 | 149666 | 25.05 | 19.55 | 156653 |
| January'09 | 27.00 | 20.05 | 147524 | 26.10 | 20.30 | 349487 |
| February'09 | 21.20 | 17.00 | 50337 | 21.50 | 16.25 | 244944 |
| March'09 | 17.90 | 14.95 | 92129 | 18.35 | 15.00 | 135348 |

(vi) The performance of the Company's Stock Price vis-à-vis SENSEX:

(vii) Registrar and Share Transfer Agents

M/s. MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi – 110 020. Tel. 91-11-2638 7281-83. Fax 2638 7384, E-Mail: info@masserv.com.

(viii) Shareholding Pattern as on 31.03.2009.

The following table gives the pattern of shareholding:

| Sl. No. | Particulars | No. of Shares | Shareholding % |
|---------|--|--------------------|----------------|
| 1 | Promoters, their relatives, Friends & associates | 38,19,385 | 23.41 |
| 2 | Corporate Bodies | 52,88,507 | 32.42 |
| 3 | Banks & Financial Institutions | 3,525 | 0.02 |
| 4 | Mutual Funds | 5,350 | 0.03 |
| 5 | Foreign Institutional Investors | 5,35,539 | 3.28 |
| 6 | NRIs/OCBs | 3,12,213 | 1.91 |
| 7 | Public | 63,49,361 | 38.93 |
| | Total | 1,63,13,880 | 100.00 |

(viii) Distribution of Shareholding as on 31.03.2009

The following table gives the distribution of shareholding:

| Holdings | Shareholders | | Shares | |
|------------------|---------------|---------------|--------------------|---------------|
| | Number | % to total | Number | % to total |
| 1 - 5,000 | 23,899 | 92.10 | 29,30,533 | 17.96 |
| 5,001-10,000 | 1,204 | 3.91 | 9,41,217 | 5.77 |
| 10,001-20,000 | 487 | 1.88 | 7,20,773 | 4.42 |
| 20,001-30,000 | 144 | 0.55 | 3,70,320 | 2.27 |
| 30,001-40,000 | 50 | 0.19 | 1,76,024 | 1.08 |
| 40,001-50,000 | 46 | 0.18 | 2,17,606 | 1.33 |
| 50,001-1,00,000 | 57 | 0.22 | 4,00,883 | 2.46 |
| 1,00,001 & above | 62 | 0.35 | 105,56,524 | 64.71 |
| Total: | 25,949 | 100.00 | 1,63,13,880 | 100.00 |

(x) Dematerialization of Shares:

Your Company's shares are tradable compulsorily in electronic form and has established connectivity with both the Depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] through its Shares Transfer Agent & Registrar; viz. M/s MAS Services Limited. As on 31.03.2009, 92.56% of Company's paid-up Share Capital stood dematerialized and remaining 7.44% shares were held in Physical form.

(xi) Unclaimed Dividend

The Company is having no money remained unclaimed and liable to be transferred to the **Investor Education and Protection Fund** administered by the Central Government during the year under report.

(xi) Investors' Assistance:

Registered Office:

Secretarial Department
Clutch Auto Limited
2E/14 (First Floor),
Jhandewalan Extn.,
New Delhi – 110 055.
Telefax: (011) 2368 3548

e-mail – cs@clutchauto.com

Plant Location:

Clutch Auto Limited
Plot No.1A, Sector 27D
12/4, Mathura Road,
Faridabad – 121 003
Tel: (0129) 256 5000
Fax: (0129) 227 6039

For and On behalf of the Board

New Delhi,
28th July, 2009

Vijay Krishan Mehta
Chairman & Managing Director



DECLARATION BY THE CEO ON CODE OF CONDUCT UNDER CLAUSE 49 OF THE LISTING AGREEMENT

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the financial year ended 31.03.2009.

For CLUTCH AUTO LIMITED

Place : New Delhi
Date : 28th July, 2009

Vijay Krishan Mehta
Chairman & Managing Director

ANNEXURE – C TO DIRECTORS' REPORT

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Registration Number of the Company : 55-5634
Nominal Capital of the Company : Rs.20 Crores

The Members of
Clutch Auto Limited
New Delhi – 110 055

We have examined all relevant records of Clutch Auto Limited (herein after called the Company) having registered office at 2E/14, First Floor, Jhandewalan Extension, New Delhi-110 055 for the purpose of certifying compliance of the condition of the Corporate Governance under Clause 49 of the Listing Agreement with the Bombay Stock Exchange and National Stock Exchange for the financial year ended 31.03.2009. We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of the certification.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanation provided/furnished, we certify that the Company has complied with the mandatory conditions of the said Clause 49 of the Listing Agreement.

For AMIT KOHLI AND COMPANY
(Practicing Company Secretary)

Place : New Delhi
Date : 28.07.2009.

Amit Kohli
LLB., F.C.S.
C.P.3628



ANNEXURE – D TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED 31ST MARCH, 2009 AND FORMING PART OF THE DIRECTORS' REPORT.

Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs.24,00,000 per annum.

| Name of Employee | Age (Yrs) | Designation/ Nature of Duties | Gross Remuneration (Rs.) | Qualification | Experience (Years) | Date of Commencement of employment | Previous Name of the Company | Employment Position Held |
|-------------------------|-----------|---------------------------------------|--------------------------|---------------|--------------------|------------------------------------|------------------------------|--------------------------|
| Sh. Vijay Krishan Mehta | 68 | *Chairman & Managing Director | 87,08,490 | B.E. (Mech.) | 43 | 26.05.1971 | N.A. | N.A. |
| Sh. Anuj Mehta | 40 | Executive Director (Since 01.07.2007) | 45,35,684 | MBA | 15 | 01.07.1993 | N.A. | N.A. |

* Chairman w.e.f. 26.07.2008.

Note:

- Gross remuneration comprises of Salary, Allowances, Medical reimbursement, Company's contribution to Provident Fund, taxable value of perquisites and Commission.
- Employment of Sh. V. K. Mehta and Sh. Anuj Mehta are contractual.
- Sh. Vijay Krishan Mehta along-with his wife and son (being director of the Company) hold more than 2% of Equity Shares of the Company.

ANNEXURE – E TO DIRECTORS' REPORT

Information pursuant to section 217(1)(e) of the Companies Act, 1956

A. Conservation of Energy:

| Power & Fuel Consumption | 2008-09 | 2007-08 |
|---|-------------|-------------|
| a) Electricity purchased Units (KWH) | 45,22,450 | 35,57,575 |
| Total Amount (Rs.) | 2,06,51,515 | 1,60,55,662 |
| Rate/Unit (Rs. KWH) | 4.56 | 4.51 |
| b) Own Generation through Diesel Generators Units (KWH) | 13,64,913 | 21,08,386 |
| Total Amount (Rs.) | 1,31,27,682 | 2,02,17,254 |
| - Diesel oil per litre (Rs.) | 32.20 | 30.24 |
| - Cost per unit (Rs.) (Diesel Cost only) | 9.61 | 9.59 |
| c) Total Electricity consumed (units) | 58,87,363 | 56,65,961 |
| Total Production (units) | 19,81,632 | 26,32,800 |
| Electricity consumption (per unit) | 2.97 | 2.15 |

B. Technology Development & Absorption

Under the New Millennium Indian Technology Leadership Initiative (NMITLI) Scheme, the Council of Scientific & Industrial Research (CSIR), New Delhi under the aegis of Ministry of Science & Technology, Govt. of India has approved the Company's project titled "Design and development of

Cushion Bonded/Rigid bonded Organic, Cerametallic cookie & single/dual sintered buttons (copper/iron based), ceramic cookies & annular ring Clutch discs and matching cover assemblies" in association with distinguished National Institutes viz. National Chemical Laboratory (NCL), Pune, Central Glass & Ceramic Research Institute (CGCRI), Kolkata, International Advanced Research Centre for Powder Metallurgy and New Materials (ARCI), Hyderabad and Indian Institute of Technology (IIT), Delhi vide its office order no. 5/258/54/2007-NMITLI dated 25th March, 2008.

The project has been undertaken at an estimated cost of Rs. 2164.31 lacs to be spent over a period of three years, while Rs.1503.55 lacs have been sanctioned to the Company as unsecured soft loan @ 3% p.a., the Partnering Institutions have been given sanctioned grant aggregating Rs. 660.76 lacs. These new range of products to be developed under this project will double the longevity of Clutch and will create altogether a different category of product both in domestic and international arena. To achieve this objective, the Company has already entered into contract with National Chemical Laboratory (NCL). The Company has also retained the services of Mr.Ian C Maycock and Mr.John Fitzpatrick-Ellis, Consultants who have vast experience and expertise in this line. The Company is confident to make rapid strides in technology development and absorption area in the coming years.



C. Foreign Exchange Earnings and Outgo

| Particulars | (Amount in Rs.) | |
|------------------------------|-----------------|--------------|
| | 2008-09 | 2007-08 |
| 1. Foreign Exchange Earnings | 3255,81,152 | 18,06,37,509 |
| 2. Foreign Exchange Outgo: | | |
| i) Raw Materials (CIF) | 13,69,88,822 | 10,67,49,956 |
| ii) Travel | 62,41,253 | 53,03,706 |
| iii) Capital | 1,90,07,736 | 7471410 |
| iv) Technical Fees | 36,45,245 | 27,93,046 |
| Total | 16,58,83,056 | 11,48,46,708 |

For and on behalf of the Board

Vijay Krishan Mehta
Chairman & Managing Director

Auditor's Report to the Members of CLUTCH AUTO LIMITED

We have audited the attached Balance Sheet of M/s. **CLUTCH AUTO LIMITED**, (hereinafter referred to as the 'Company') as at March 31, 2009 and also the Profit and Loss Account and Cash Flow Statement of the company for the year ended on that date, annexed there to. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

As required by the Companies (Auditor's Report) Order, 2003 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 paragraphs 4 & 5 of the said Order.

Further to our comments in the Annexure referred to above, and subject to the exceptions in the above paragraphs, 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 Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
- d) In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on 31st March 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 read with the Companies (Disqualification of Directors under Section 274(1) (g) of the Companies Act, 1956) Rules, 2003.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts and Notes of Accounts portrayed in Schedule XIX-B, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with 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, 2009 and;
 - ii) In the case of the Profit & Loss Account of **profit** for the year ended on that date.
 - iii) In case of the cash flow statement of the cash flows for the year ended on that date.

For and on behalf of
B. Aggarwal & Co.
Chartered Accountants

Kapil Aggarwal
M. No. 82908
Partner

New Delhi,
28 July, 2009



Annexure to the Auditors' Report

(Referred to in Paragraph (3) of the Auditors' Report of even date to the members of **CLUTCH AUTO LIMITED** on the financial statements for the year ended 31-03-2009)

- 1) a) The Company has maintained a Fixed Assets Register, showing full particulars, including quantitative details, however the register *does not include* details of situation of fixed assets (other than Plant and Machinery in certain cases). Further, in case of tools and implements quantitative details have not been indicated in most of the cases.
b) On the basis of available records and according to the information and explanations given to us, the fixed assets have been physically verified by the management once during the year, except for furniture and fitting, dyes and fixtures, testing & office equipment including those held by job work parties. No material discrepancies were noticed on such verification.
c) During the year, the Company has not disposed off any major part of the plant and machinery. According to the information and explanations given to us, we are of the opinion that the sale of other fixed assets has not affected the going concern status of the Company.
- 2) a) The stocks of the finished goods, stores and spare parts have been physically verified by the management at the year end. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business. Further we are informed that in regards to stock held by job work parties confirmations have been received by the company in many cases.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
c) As explained to us, there were no material discrepancies noticed on physical verification of stocks, as compared to book records.
- 3) The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, however there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and 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 system. However there is scope for improvement in the internal control procedure in the aforesaid areas.
- 5) a) To the best of our knowledge and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Indian Companies Act, 1956, and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time where such market prices are available.
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the period covered by the audit report, within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975, as applicable.
- 7) A firm of Chartered Accountants has conducted the internal audit for the period up to 31st March 2009. The report points out areas of weakness in various internal control areas, requiring management attention and reviewed by the Audit Committee from time to time. In our opinion, and to the extent of audit done, the Company has an Internal Audit system commensurate with the size and the nature of its business.
- 8) We have broadly reviewed the records maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- 9) 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 *not regular* (in certain cases) in depositing undisputed statutory dues including employees' provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and cess with the appropriate authorities. According to information and explanations given to us there are no arrears of undisputed statutory dues as at 31st March 2009, which were outstanding for a period of more than six months from the date they became payable. However, liability is not ascertainable in the event of penalty/interest on delayed statutory payment.
- b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of excise duty and cess as at 31-03-2009 which have not been deposited on account of a dispute are central Excise Duty amount Rs.421.36 Lakhs appeals were pending in Central excise & Service Tax Appellate Tribunal and income tax amount Rs.28.01 Lakhs appeals were pending in Commissioner of Income Tax Appeals-VI.
- c) According to the information and explanations given to us and the records of the company examined by us, there are no other dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- 10) There are no accumulated losses at the end of the financial year and the company has not incurred any cash losses in the current financial year and preceding financial year.
- 11) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet.
- 12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a Chit Fund, Nidhi or mutual benefit Society. Hence the requirements of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- 14) The company is not a dealer or trader in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 16) According to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- 17) According to the information and explanations given to us, the cash flow statements examined by us and on the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
- 18) According to the information and explanations given to us, no preferential allotment of shares has been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
- 20) The company has not raised any money by public issues during the year.
- 21) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of
B. Aggarwal & Co.
Chartered Accountants

Kapil Aggarwal
M. No. 82908
Partner

New Delhi,
28 July, 2009



BALANCE SHEET AS AT 31ST MARCH, 2009

(Amount in Rupees)

| PARTICULARS | <u>SCHEDULE</u> | <u>AS AT 31.03.09</u> | <u>AS AT 31.3.08</u> |
|--|-----------------|-----------------------------|-----------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | I | 163,154,300 | 163,154,300 |
| Reserves & Surplus | II | <u>1,249,981,371</u> | <u>1,206,357,902</u> |
| Loan Funds | | | |
| Secured | III | 1,081,115,344 | 834,845,710 |
| Unsecured | IV | <u>170,399,056</u> | <u>128,851,212</u> |
| Deferred Tax Liability (Net) | | 35,900,000 | 40,500,000 |
| | TOTAL | <u>2,700,550,071</u> | <u>2,373,709,124</u> |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | V | 1,830,619,766 | 1,151,254,430 |
| Less : Depreciation | | <u>497,310,543</u> | <u>427,457,246</u> |
| Net Block | | 1,333,309,223 | 723,797,184 |
| Capital work-in-progress | | <u>179,602,674</u> | <u>197,858,789</u> |
| Current Assets, Loans & Advances | | | |
| Inventories | VI | 463,105,169 | 446,835,468 |
| Sundry Debtors | VII | 967,435,668 | 1,005,233,382 |
| Cash & Bank Balances | VIII | 125,685,618 | 345,563,290 |
| Loans & Advances | IX | <u>246,008,055</u> | <u>125,516,806</u> |
| | | 1,802,234,510 | 1,923,148,946 |
| Less : | | | |
| Current Liabilities & Provisions | X | <u>615,268,836</u> | <u>472,440,795</u> |
| Net Current Assets | | 1,186,965,674 | 1,450,708,151 |
| Miscellaneous Expenditure (to the extent not written off/adjusted) | XI | 672,500 | 1,345,000 |
| TOTAL | | <u>2,700,550,071</u> | <u>2,373,709,124</u> |
| Significant Accounting Policies | XIX-A | - | - |
| Notes forming part of Accounts | XIX-B | | |

As per our Separate Audit report
of even date attached

for B. AGGARWAL & CO
Chartered Accountants

(KAPIL AGGARWAL)
Partner
M.No. 82908

PLACE : NEW DELHI
DATE : 28.07.2009

For and on behalf of the Board

(V.K.MEHTA)
Chairman &
Managing Director

(ANUJ MEHTA)
Executive Director

(K.K.TANEJA)
Director

(AVINASH P GANDHI)
Director

(POOJA KAPUR)
Director

(PRITAM PAUL)
GM-Commercial &
Company Secretary

(T.N.SINGH)
Manager (Accounts)



SCHEDULES FORMING PART OF THE STATEMENT OF ACCOUNTS

(Amount in Rupees)

| PARTICULARS | AS AT 31.03.09 | AS AT 31.3.08 |
|--|-----------------------------|-----------------------------|
| SCHEDULE - I | | |
| <u>SHARE CAPITAL</u> | | |
| <u>AUTHORISED CAPITAL</u> | | |
| 2,00,00,000 Equity Shares of Rs.10 each | <u>200,000,000</u> | <u>200,000,000</u> |
| <u>ISSUED CAPITAL</u> | | |
| 1,63,20,080 Equity shares of Rs.10 each, (Previous year 1,63,20,080) | <u>163,200,800</u> | <u>163,200,800</u> |
| <u>SUBSCRIBED & PAID UP CAPITAL</u> | | |
| 1,63,13,880 Equity shares of Rs.10 each, fully paid up (Previous year 1,63,13,880) | <u>163,138,800</u> | <u>163,138,800</u> |
| Add:- Shares forfeited (6,200 shares) | <u>15,500</u> | <u>15,500</u> |
| | <u><u>163,154,300</u></u> | <u><u>163,154,300</u></u> |
| SCHEDULE - II | | |
| <u>RESERVES AND SURPLUS</u> | | |
| Capital Reserve | 2,250 | 2,250 |
| Investment Allowance Reserve | 10,731,000 | 10,731,000 |
| Share Premium Account | 427,710,900 | 341,310,900 |
| Add: During the year | <u>-</u> | <u>86,400,000</u> |
| Profit & Loss Account-Surplus | 593,930,416 | 549,335,308 |
| Revaluation Reserve(Land & Building) | 218,578,444 | 219,550,083 |
| Less: Dep for the year adjusted | <u>971,639</u> | <u>971,639</u> |
| | <u><u>1,249,981,371</u></u> | <u><u>1,206,357,902</u></u> |
| SCHEDULE - III | | |
| <u>SECURED LOANS (Refer Sch.XIX-B-1)</u> | | |
| TERM LOANS | | |
| Term loan from bank | 80,648,999 | 117,273,252 |
| Term loans from others | 202,320,000 | - |
| WORKING CAPITAL FROM BANKS | <u>798,146,345</u> | <u>717,572,458</u> |
| | <u><u>1,081,115,344</u></u> | <u><u>834,845,710</u></u> |
| SCHEDULE - IV | | |
| <u>UNSECURED LOANS</u> | | |
| From Banks | 61,260,481 | 68,700,000 |
| India Brand Equity Fund (IBEF) Trust | - | 1,237,333 |
| Council of Science & Indl. Research | 106,000,000 | 50,000,000 |
| Interest accrued but not due | 3,138,575 | - |
| Deferred Sales Tax (interest free) | - | 8,913,879 |
| | <u><u>170,399,056</u></u> | <u><u>128,851,212</u></u> |

| SCHEDULE - V FIXED ASSETS 2008-09 (Amount in Rupees) | | | | | | | | | | | | |
|--|---------------------------------|------------------------|-------------------------|------------------------|--------------------|-------------------|--------------------|----------------------|--------------------|----------------------|--------------------|--|
| SNO | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | |
| | | COST AS AT 01/04/08 | ADDITIONS DEDUCTIONS | COST AS AT 31/03/09 | UPTO 31/3/08 | FOR THE YEAR | WRITTEN BACK | UPTO 31/3/09 | AS ON 31/3/09 | AS ON 31/3/08 | | |
| 1 | LORD GANESH STATUE | 7,403 | - | 7,403 | - | - | - | - | 7,403 | 7,403 | 7,403 | |
| 2 | LAND FREE HOLD | 194,967,280 | - | 194,967,280 | - | - | - | - | 194,967,280 | 194,967,280 | 194,967,280 | |
| 3 | BUILDING | 79,741,098 | 8,632,463 | 88,373,561 | 24,613,035 | 2,795,961 | 27,408,996 | 60,964,565 | 55,128,063 | 60,964,565 | 55,128,063 | |
| 4 | PLANT & MACHINERY | 492,893,159 | 70,130,080 | 563,023,239 | 199,311,515 | 32,446,143 | 231,757,658 | 331,265,581 | 293,581,644 | 331,265,581 | 293,581,644 | |
| 5 | FIXTURES & FITTINGS | 32,539,461 | 1,875,786 | 34,415,247 | 17,984,866 | 2,168,263 | 20,153,129 | 14,262,118 | 14,554,595 | 14,262,118 | 14,554,595 | |
| 6 | TOOLS & IMPLEMENTS | 22,197,841 | 458,760 | 22,656,601 | 11,667,057 | 1,422,083 | 13,089,140 | 9,567,461 | 10,530,784 | 9,567,461 | 10,530,784 | |
| 7 | DIES FOR CLUTCH COVER & DISC | 166,427,222 | 17,097,067 | 174,786,721 | 8,737,568 | 17,931,585 | 8,737,568 | 81,460,195 | 82,294,713 | 81,460,195 | 82,294,713 | |
| 8 | VEHICLES | 2,057,638 | 1,084,024 | 3,141,662 | 785,028 | 297,720 | 1,082,748 | 2,058,914 | 1,272,610 | 2,058,914 | 1,272,610 | |
| 9 | GENERATOR SETS | 14,490,802 | - | 14,490,802 | 9,423,311 | 918,431 | 10,341,742 | 4,149,060 | 5,067,491 | 4,149,060 | 5,067,491 | |
| 10 | OFFICE EQUIPMENT | 4,878,076 | 173,820 | 5,051,896 | 2,616,289 | 445,546 | 3,061,835 | 1,990,061 | 2,261,787 | 1,990,061 | 2,261,787 | |
| 11 | TESTING EQUIPMENT | 4,038,296 | 140,786 | 4,179,082 | 3,043,603 | 173,203 | 3,216,806 | 962,276 | 994,693 | 962,276 | 994,693 | |
| 12 | AIR CONDITIONERS & COOLERS | 2,569,601 | 288,059 | 2,857,660 | 1,139,345 | 172,576 | 1,311,921 | 1,545,739 | 1,430,256 | 1,545,739 | 1,430,256 | |
| 13 | ELECTRICAL INSTALLATIONS | 10,362,854 | 1,058,784 | 11,421,638 | 4,874,025 | 546,751 | 5,420,776 | 6,000,862 | 5,488,829 | 6,000,862 | 5,488,829 | |
| 14 | WATER SUPPLY SYSTEM | 1,739,238 | 62,035 | 1,801,273 | 1,379,109 | 59,359 | 1,438,468 | 362,805 | 360,129 | 362,805 | 360,129 | |
| 15 | FIRE FIGHTING EQUIPMENT | 101,357 | 50,954 | 152,311 | 75,361 | 53,223 | 128,584 | 23,727 | 25,996 | 23,727 | 25,996 | |
| 16 | COMPUTER EQUIPMENTS | 34,854,211 | 2,912,980 | 37,767,191 | 20,358,509 | 3,004,192 | 23,362,701 | 14,404,490 | 14,495,702 | 14,404,490 | 14,495,702 | |
| 17 | EFFLUENT TREATMENT PLANT | 2,411,507 | - | 2,411,507 | 1,236,177 | 127,328 | 1,363,505 | 1,048,002 | 1,175,330 | 1,048,002 | 1,175,330 | |
| 18 | INTANGIBLE ASSETS | 84,977,385 | 584,137,307 | 669,114,692 | 44,817,507 | 16,028,501 | 60,846,008 | 608,268,684 | 40,159,878 | 608,268,684 | 40,159,878 | |
| | TOTAL | 1,151,254,429 | 688,102,905 | 1,830,619,766 | 427,457,246 | 78,590,865 | 497,310,543 | 1,333,309,223 | 723,797,183 | 1,333,309,223 | 723,797,183 | |
| | PREVIOUS YEAR | 946,210,713 | 215,309,261 | 1,151,254,429 | 377,345,443 | 59,589,112 | 427,457,246 | 723,797,183 | 568,865,270 | 723,797,183 | 568,865,270 | |



(Amount in Rupees)

| PARTICULARS | AS AT 31.03.09 | AS AT 31.3.08 |
|--|--------------------|----------------------|
| SCHEDULE - VI | | |
| INVENTORIES | | |
| (See Accounting Policy No. Sch. XIX (A) (3)) | | |
| As taken valued & certified by the management | | |
| Raw Materials & Components | 117,628,772 | 115,649,148 |
| Finished Goods | 42,667,418 | 52,880,718 |
| Stores & spares | 34,049,138 | 27,818,783 |
| Work in Progress | 267,928,463 | 249,729,369 |
| Scrap | 831,378 | 757,450 |
| | <u>463,105,169</u> | <u>446,835,468</u> |
| SCHEDULE - VII | | |
| SUNDRY DEBTORS | | |
| (Unsecured, Considered good unless otherwise stated) | | |
| Debts outstanding for a period exceeding six months | | |
| Considered Good | 152,081,227 | 241,491,983 |
| Considered doubtful | <u>1,802,573</u> | <u>1,948,640</u> |
| | 153,883,800 | 243,440,623 |
| Others | 813,551,868 | 761,792,759 |
| | <u>967,435,668</u> | <u>1,005,233,382</u> |
| SCHEDULE - VIII | | |
| CASH AND BANK BALANCES | | |
| Cash in hand (including cheques/Drafts etc in hand) | 42,423,582 | 302,240,208 |
| Balance with scheduled banks | | |
| - in Current Accounts | 74,263,642 | 34,684,405 |
| - in Deposits Accounts (under bank lien) | 8,578,215 | 8,449,349 |
| Interest accrued on Deposits | 420,179 | 189,328 |
| | <u>125,685,618</u> | <u>345,563,290</u> |
| SCHEDULE - IX | | |
| LOANS & ADVANCES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Advance recoverable in cash or in kind or for value to be received | | |
| - Considered Good | 172,202,551 | 53,442,491 |
| - Considered Doubtful | 4,667,843 | 3,784,698 |
| Security Deposits | 68,844,071 | 67,996,027 |
| TDS Recoverable | 293,590 | 293,590 |
| | <u>246,008,055</u> | <u>125,516,806</u> |



(Amount in Rupees)

| PARTICULARS | AS AT 31.03.09 | AS AT 31.3.08 |
|---|--------------------|--------------------|
| SCHEDULE - X | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors:- | | |
| - Micro and Small Enterprises | 53,926,590 | 43,273,525 |
| - Others | <u>407,541,681</u> | <u>287,971,329</u> |
| Advance from Customers | 3,539,544 | 5,487,294 |
| Deposit from Dealers and Suppliers | 11,792,001 | 11,668,001 |
| Other Liabilities | 55,860,725 | 46,912,875 |
| Interest accrued but not due | 1,898,482 | 740,042 |
| Unclaimed dividend (Less than 7years) | <u>321,528</u> | <u>322,778</u> |
| | <u>534,880,551</u> | <u>396,375,844</u> |
| PROVISIONS | | |
| For Retirement benefits | 58,418,015 | 48,809,377 |
| Excise duty on Unsold Goods | 2,292,000 | 3,699,499 |
| Provision for FBT | 4,330,724 | 1,969,293 |
| Income Tax | 15,491,924 | 21,708,757 |
| Less: Advance tax & tax deducted at source | <u>144,378</u> | <u>121,975</u> |
| | <u>80,388,285</u> | <u>76,064,951</u> |
| | <u>615,268,836</u> | <u>472,440,795</u> |
| SCHEDULE - XI | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| (See Note 4) | | |
| Other Misc Expenses | 1,345,000 | 2,017,500 |
| Less Written off | <u>672,500</u> | <u>672,500</u> |
| | <u>672,500</u> | <u>1,345,000</u> |



XIX. (A) SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONCEPTS:

The accounts are prepared on historical cost convention, on a going concern basis in accordance with the generally accepted accounting principles and accounting standards applicable in India, and conform to the statutory requirements and other relevant provision of the Indian Companies Act, 1956, read with The Companies (Accounting Standard) Rules, 2006, except where otherwise stated.

2. FIXED ASSETS AND DEPRECIATION

- a) Fixed Assets are stated at their original cost (net of MODVAT where applicable) including freight, duties, customs and other incidental expenses relating to acquisition and installation. Interest and other finance charges paid on loans for the acquisition of fixed assets are apportioned to the cost of fixed assets till they are ready for use.
- b) Expenditure incurred during the period of construction is carried forward as capital work-in-progress, and on completion the costs are allocated to the respective fixed assets.
- c) Foreign exchange fluctuation on payment/restatement of long term liabilities related to fixed assets are charged to the profit and loss Account.
- d) Depreciation has been provided on straight-line method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956, except for the following:
 - i) On assets added up to 30th June 1987 on the basis of rates derived from income tax rules at the time of acquisition
 - ii) On assets added after 30th June, 1987 at the rates given (for double shifts) in Schedule XIV of the Companies Act, 1956. It is calculated on pro-rata basis on additions during the year.
 - iii) Assets costing up to Rs.5000 are fully depreciated in the year of purchase.
 - iv) Intangible assets are written off over a period of 10 years.

3. VALUATION OF INVENTORIES

Inventories are valued at cost except for finished goods and scrap. Finished goods are valued at lower of cost or net realizable value and scraps are valued at estimated realizable value. Raw materials and consumables are valued by excluding recoverable taxes and duties. Cost is determined using weighted average method. Cost of in house manufactured Raw material is taken at standard rate.

4. EXCISE DUTY

Excise Duty in respect of goods manufactured by the Company is accounted on accrual basis.

5. EMPLOYEE BENEFITS

In the financial year ended March 31st 2008, the Company has adopted Accounting Standard 15 (Revised 2005) issued by Institute of Chartered Accountants of India (ICAI) on 'Accounting for Retirement Benefits in Financial Statements of Employers'. Accordingly the Company has provided for liability on account of all following employees benefits available to the employees in accordance with the applicable rules, regulations, laws and employee benefit policy of the Company.

- a). The company is a member of a Provident Fund Scheme under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. This is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the government funds are due.
- b). Gratuity liability is defined benefit obligations and provided for on the basis of an actuarial valuation as per projected unit credit method, made at the end of each financial year. The difference between the actuarial valuation of the gratuity liability of the employees at the year end and the balance of provisioning made is provided for as liability in the books.
- c). Employees are entitled for leave encashment which are provided for on the basis of actuarial valuations.

6. MISCELLANEOUS EXPENDITURE

Product development and training expenditure/Brand development /other miscellaneous expenditure are amortized over a period of six years/five years respectively.

7. REVENUE RECOGNITION

- a). Sales are accounted for inclusive of excise duty and exclusive of sales tax.
- b). In respect of exports made under Duty Entitlement Pass Book Scheme (DEPB), the benefit is accounted for on receipt basis. This is subject to realization of export dues, filing and acceptance of claims and/or transfer of license for consideration.

8. BORROWING COST

Borrowing Costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use as part of the cost of that asset. Interest on working capital is charged to revenue account.

9. LEASES

Leases of fixed assets where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period.

Lease rentals in respect of assets taken on "Operating Lease" are charged to the Profit and Loss Account on straight line basis over the lease term.

10. WARRANTY

Provision for warranty is made on trend determined by the Company, as per technical evaluation.

11. RESEARCH AND DEVELOPMENT

Revenue expenditure R&D is charged after as expenses in the year in which it is incurred under the respective nature heads on account. Expenditure results in creation on capital assets are taken to fixed assets and depreciation has been provided on such assets over the estimated useful as determined by the management. Capital expenditure on scientific research product under development is taken as intangible assets (including Patents, Trade Marks, Brands Developments, Specialized software, Technical know-how, etc) subject to amortization in future.

12. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year are recognized in the Profit and Loss Account of the year except that exchange difference related to acquisition of fixed assets from a country outside India are adjusted in the carrying amount of the related fixed assets. Monetary assets and liabilities in foreign currency are translated at the year end at the closing exchange rate and the resultant exchange differences are recognized in the Profit and Loss Account. Non monetary foreign currency items are carried at cost on the transaction date.

The premium or discount on forward exchange contracts is amortized as income or expense over the life of the contract.

13. ACCOUNTING FOR TAXES

- a). Provision for current tax is recognized based on the tax payable for the year under the Income Tax Act, 1961.
- b). Deferred tax on timing differences between taxable income and accounting income is accounted for, using

the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization supported by convincing evidence.

- c). Minimum Alternate Tax is paid in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.
- d). Provision for Fringe Benefit Tax is recognized based on the FBT payable as per requirements of the Income Tax Act, 1961.

14. PROVISIONS

The company makes a provision where there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made.

15. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

16. SEGMENT REPORTING

The accounting policy adopted for Segment Reporting is in line with the accounting policy of the Company with the following additional policy for Segment Reporting:-

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to the segments on a reasonable basis, have been included under "Unallocated Expenses. Inter Segment transfers are at cost.

XIX.(B) NOTES FORMING PART OF ACCOUNTS

1) SECURED LOANS

a) Nature Of Security

i) Term Loan from AXIS BANK

Secured by way of equitable mortgage / hypothecation of fixed assets present & future of the company by pari-passu first charge (in terms of Intercreditor and Security Sharing Agreement



executed with DEG, Germany on 19.12.2008) & guaranteed by Managing Director and secured by pari-passu second charge on current assets present & future.

ii) External Commercial Borrowing (ECB) from DEG, Germany

The Company has executed ECB Loan Agreements viz Loan Agreement - I dt. 18.12.2007 for US \$ 8 Mn. [FC Expenditure] and other Loan Agreement – II dt. 07.07.2008 for US \$ 4 Mn. (stands disbursed on 11.02.2009) [Rupee Expenditure] with M/s. Deutsche Investitions und Entwicklungsgesellschaft mbh, Federal Republic of Germany, for capacity expansion modernisation. The above Loan is secured by first ranking mortgage on the present and future immovable assets and first ranking hypothecation on all present and future movable assets (other than current assets and stocks).

iii) Term Loans from Technology Development Board / ICICI Bank Ltd.

Secured by hypothecation of specific assets purchased there against and guaranteed by Managing Director.

Secured by an exclusive charge by way of hypothecation on all movable properties under the Sponsored Research & Development program of World Bank (SPREAD) under the agreement dated 6th August, 2003.

iv) Working Capital Loans from banks

Secured by hypothecation of stock of finished goods, semi finished goods raw material, consumable stores and book debts of the company. These securities rank pari-passu in favour of various banks viz. Indusind Bank Ltd, Canara Bank and Development Credit Bank, DBS Bank. Secured by second charge by way of equitable mortgage of fixed assets and guaranteed by Managing Director.

b) Non fund based limits

Assets charged with Bank also cover security for these limits.

2) UNSECURED LOANS

a) Ministry of Science and Technology under the aegis of CSIR, has approved a Project under 'NMITLI' scheme on 30.03.2008 and had sanctioned unsecured soft loan of Rs. 1503.55 lacs @ 3% rate of interest out of which Rs. 1060 lacs stands disbursed .

b) Lending from LIC Mutual Fund amounting to Rs. 25 Crores, secured by way of issuance of 250 Nos Unsecured Redeemable Non-Convertible debentures of Rs. 10 Lacs each. This was pronounced surplus on objective, being attained from internal accruals and other sources. In order to save the interest cost to profitability, lending was assigned, who took over the said debt and indemnified repayment along with interest accruing.

3) CAPITAL COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.760.91 lacs (Rs. 414.65 lacs) relating to purchase of machinery.

4) The expenditure on product development & training and sales promotion & brand development carried in the balance sheet as deferred revenue expenditure are being amortized equally over a period of 5 years. Consequently an amount of Rs.6.72 lacs (Rs. 6.72 lacs) have been written off during the current year.

5) EMPLOYEE BENEFITS

| DEFINED BENEFIT PLAN- GRATUITY (Projected Unit Credit Actuarial Method) Expense recognised in the Statement of Profit & Loss for the financial year ended 31 st March '09 | 2009 | 2008 |
|--|------------|------------|
| Current Service Cost | 2392385 | 2270941 |
| Past Service Cost | | |
| Interest Cost | 3047234 | 2958917 |
| Expected Return on plan Assets | | |
| Net Actuarial Gain/Loss recognised during the year | 6811515 | 1315596 |
| Expenses recognised in the statement of profit & loss | 12251134 | 6545454 |
| Net Assets/ Liabilities recognised in the Balance Sheet as at 31st March '09 | | |
| Present Value of obligation as at the end of the period | 52309422 | 43531918 |
| Fair Value of Plan Assets as at the end of the period | | - |
| Funded Status | (52309422) | (43531918) |
| Excess of Actual over estimated | | - |
| Unrecognised Actuarial (Gains)/Losses | (52309442) | (43531918) |
| Net Assets/ (Liability) Recognised in the Balance Sheet | | |
| Changes in the present value of obligation | | |
| Present value of obligation as at the beginning of the period | 43531918 | 36986464 |
| Acquisition Adjustments | | |
| Interest Costs | 3047234 | 2958917 |



| | | | | | |
|---|-------------------|-------------------|--------------------|-------|-------------------------------|
| Past Service Costs | 2392385 | 2270941 | Plan Assets | 0.00% | 0.00% |
| Curtailment Cost/ (Credit) | | | Demographic | | |
| Settlement Costs/ (Credit) | | | Mortality Table | | LIC(1994-96) duly modified |
| Benefit Paid | (3473630) | | Retirement Age | | 58 Years |
| Actuarial (Gain)/ Loss on Obligation | 6811515 | 1315596 | Withdrawal Rates | | |
| Present Value of Obligation as at the end of the period | 52309422 | 43531918 | Upto 30 Years | 3.00% | 3.00% |
| Fair Value of Plan Assets (Funded Status) | (52309422) | (43531918) | Up to 44 Years | 2.00% | 2.00% |
| | | | Above 44 Years | 1.00% | 1.00% |

EARNED LEAVE AND COMPENSATED ABSENCES

Expense recognised in the Statement of Profit & Loss for the financial year ended 31st March '09

| | | |
|---|---------|---------|
| Current Service Cost | 359909 | 280259 |
| Past Service Cost | 369422 | 158372 |
| Interest Cost | | |
| Expected Return on plan Assets | | |
| Net Actuarial Gain/Loss recognised during the year | 476473 | 2859176 |
| Expenses recognised in the statement of profit & loss | 1205804 | 3297807 |

Net Assets/ Liabilities recognised in the Balance Sheet as at 31st March 2009

| | | |
|---|-----------|-----------|
| Present Value of obligation as at the end of the period | 6108593 | 5277459 |
| Fair Value of Plan Assets as at the end of the period | (6108593) | (5277459) |
| Funded Status | | |
| Excess of Actual over estimated | | |
| Unrecognised Actuarial (Gains)/Losses | | |
| Net Assets/ (Liability) Recognised in the Balance Sheet | (6108593) | (5277459) |

Changes in the present value of obligation

| | | |
|---|------------------|------------------|
| Present value of obligation as at the beginning of the period | 5277459 | 1979652 |
| Acquisition Adjustments | | |
| Interest Costs | 369422 | 158372 |
| Past Service Costs | | |
| Current Service Costs | 359909 | 280259 |
| Curtailment Cost/ (Credit) | | |
| Settlement Costs/ (Credit) (Benefit paid) | (374670) | |
| Actuarial (Gain)/ Loss on Obligation | 476473 | 2859126 |
| Present Value of Obligation as at the end of the period | 6108593 | 5277459 |
| Fair Value of Plan Assets (Funded Status) | (6108593) | (5277459) |

ASSUMPTIONS

Economic

| | | |
|----------------------------|--------|-------|
| Discount Rate | 7.00 % | 8.00% |
| Increments | 4.50% | 5.50% |
| Expected Rate of Return on | | |

6) CONTINGENT LIABILITIES

| | 2009 | 2008 |
|---|-------------|-------------|
| | Rs. In lacs | Rs. In lacs |
| i) Claims against the company not acknowledged as debts. | 24.59 | 88.96 |
| ii) Disputed Excise duty (including penalty of Rs. 215.68 lacs), under appeal before Central Excise & Service Tax Appellate Tribunal (Rs.50 lacs paid as deposit and shown under loans and advances Schedule 7 (ix)) | 421.36 | 421.36 |
| iii) Income Tax Demand notice issued by ACIT. Company not acknowledge as debts, appeal pending before the CIT (appeal) – VI | 28.01 | - |
| iv) Cheques discounted with Banks | 79.82 | 47.33 |
| v) The Company may be liable for penalty / interest on delayed payments/arrears of certain statutory dues which are presently not quantifiable. | - | - |
| vi) Guarantees given by Banks (excluding liabilities provided) | 105.22 | 126.06 |
| vii) Technology Development Board (TDB) – unreconciled balance of outstanding interest overdue of short Term Loan from TDB. However the The company has requested waiver for the same on 04.05.2009. | 19.45 | - |
| viii) The company is contingently liable for payment of interest on delayed payments made beyond the appointed day during the financial year as well as on outstanding amount at the year end to Micro, Small, and Medium Enterprises under the provisions of Section 16 of The Micro, Small, and Medium Enterprises Development Act, 2006. | 78.01 | 64.67 |

7) CURRENT ASSETS, LOANS AND ADVANCES

- i) Basis of quantitative particulars given below under item 17 is as under;



- (1) Production figures have been ascertained on the basis of production report summaries. The opening and closing balances of finished goods are based on stock records and physically verified inventories. Sales quantities have been furnished on the basis of sales invoices.
- (2) The quantities of different classes of raw materials and components consumed have been derived by posting in a separate ledger, the opening quantities & purchases and deducting therefrom the closing stock. The quantities for different items have not been ascertained from stock cards. The Company is still to introduce a procedure for correlation of materials consumed with production.
- (3) Stock of semi - finished, raw material and finished goods includes slow moving and non-moving stock of Rs.20.49 lacs (11.23 lacs). In the opinion of the Management, no reduction is considered necessary in the value of the stocks.
- (4) Semi - finished goods have been ascertained on the basis of physical verification.
- (5) Finished Goods comprise of varied specifications and include a number of components. In the absence of a scientific system of costing in vogue, value of closing stock is worked out, as in the past, by reducing from the selling price, an appropriate margin towards profit & selling expenses.
- (6) In the opinion of the Board and to the best of their knowledge and belief, Value of realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they are stated in the balance sheet. Balance of personal accounts are subject to confirmation for the respective parties.

8) MICRO, SMALL & MEDIUM ENTERPRISES

Micro, Small and Medium enterprises have been identified by the Company on the basis of information available. Total outstanding dues of Micro, Small & Medium enterprises, which are outstanding for more that the stipulated period are given below:

| | <i>(figures in Rs. Lacs)</i> | |
|--|------------------------------|---------|
| | 2009 | 2008 |
| a) Dues remaining unpaid as at 31st March | | |
| i) Principal | 365.98 | 206.25 |
| ii) Interest | - | - |
| b) Interest paid in term of Section 16 of the Act | - | - |
| c) Amount of principal payments made beyond the appointed day during the year | 1743.70 | 1542.31 |

- d)** Amount of Interest due and payable for the period of delay on payments made beyond the appointed day during the year - -
- e)** Amount of interest accrued and remaining unpaid as at 31st March 2009 - -

Interest on delayed payments beyond the appointed day has been considered as a contingent liability.

9) PROFIT & LOSS ACCOUNT

| | | |
|--|---------------------|---------------|
| a) Payment to Auditors : | Current year | Previous year |
| | (Rs) | (Rs) |
| i) Audit Fee | 225,000 | 225,000 |
| ii) Reimbursement of expenses | 23,625 | 17,520 |
| iii) Certification of statements | 8,000 | 10,000 |
| iv) Service Tax | 23,175 | 31,211 |
| b) Sales include exchange rate fluctuation of Cr. Rs. 190.56 lacs (Previous year Dr. Rs. 58.26 lacs). | | |
| c) Remuneration to Managing and Whole time Directors: | Current year | Previous year |
| Salary & Allowances | 10,664,516 | 9,044,516 |
| Contribution to Provident Fund | 853,161 | 7,23,561 |
| Perquisites | 1,726,497 | 12,12,353 |
| Commission | - | - |
| d) Computation of commission payable to the Managing Director:- | Current year | Previous year |
| Net Profit before taxes as per Profit & Loss A/c | 56,261,681 | 160,497,107 |
| Add Director fee | 450,000 | 837,500 |
| Commission to Managing Director | - | - |
| Remuneration paid to MD & Directors | 13,244,174 | 10,980,430 |
| Net profit for calculating MD Commission | 69,955,855 | 172,315,037 |
| Commission 1% on above | 699,558 | 1,723,150 |
| Commission provided | - | - |
| e) Export Promotion & Export Expenses include | | |
| (1) ECGC premium | 652,500 | 375,563 |
| (2) Salary & Wages | 1,671,339 | 952,721 |



10) SEGMENT REPORTING

Segment Information for the Year Ended 31st March, 2009
Information about secondary Business Segments

| | 2009 (Rs. in lacs) | 2008 (Rs. in lacs) |
|--------------------------------|-----------------------|-----------------------|
| Revenue by Geographical Market | | |
| 1. India | 16265.81 | 19889.39 |
| 2. Outside India | 3479.07 | 1808.74 |
| Total : | 19744.88 | 21698.13 |

Segment Results Profit/(Loss) before interest and taxes

| | | |
|-------------------------------------|----------------|----------------|
| 1. India | 5908.60 | 6489.29 |
| 2. Outside India | 1263.78 | 643.51 |
| Total : | 7172.38 | 7132.80 |
| Less: Interest | 1346.04 | 1149.00 |
| Less: Other Unallocable Expenditure | 5271.01 | 4385.38 |
| Add: Other Unallocable Income | 7.29 | 6.55 |
| Profit before Tax | 562.62 | 1604.97 |

11. RELATED PARTY DISCLOSURES - AS-18

a. Related parties and their relationship

- i. Key management personnel
 - Mr. V.K. Mehta, Chairman & Managing Director (Promoter)
 - Mr. Anuj Mehta, Executive Director (Relative)
 - Mrs Pooja Kapur Director (Relative)
- ii. Enterprises over which key management personnel are able to exercise significant influence.

(Rs. in lacs)

| | Purchase of goods/Services | Amt O/s |
|--|----------------------------|---------|
| a) Macas Brakes Automotive (P)Ltd. | 169.38 | 2.12 |
| b) Kanav Engineering | 73.18 | 38.63 |
| c) C.A.Ancillary | 17.61 | (12.58) |
| d) Sai Print & Pack. | 454.67 | 151.75 |
| e) Sterling Traders - Sole proprietor Firm of Chairman & Managing Director | | |
| f) Venus Trading Co. Sole proprietary firm of wife of the Chairman & Managing Director | | |

b) Transactions with the above parties in the ordinary course of business.

- i) Transactions with key management personnel mentioned in (i) above.

| | Current Year (Rs.in lacs) | Previous year (Rs.in lacs) |
|--|------------------------------|-------------------------------|
| a) Remuneration (Including Commission) | 132.44 | 109.80 |
| b) Rent paid | 1.08 | 1.08 |

- c) Amounts outstanding at the year end:
 - Payable 2.87 2.32
- ii) Transaction with above parties
 - a) Purchase of Goods/ Services 714.84 812.70
 - b) Amount outstanding at the year end:
 - Payable 179.92 42.54

12. EARNING PER SHARE

| | | |
|--|----------|----------|
| Net Profit after tax attributable to shareholders. | 445.95 | 1346.75 |
| Weighted Average No. of equity shares | | |
| Basic | 16313880 | 16313880 |
| Diluted | - | - |
| EPS | | |
| Basic | 2.73 | 8.26 |
| Diluted | - | - |

13. As per AS -22 Taxes on Income, Cumulative Deferred Tax Liability upto 31.3.2009 is Rs. 359 lacs and for current year is Rs (-)46 lacs. Major components of Deferred Tax arising on account of Timing Difference are as follows:

| | As on 1.4.2008 | For the year 31.3.2009 | As on 31.3.2009 |
|--|-------------------|---------------------------|--------------------|
| Deferred Tax Liabilities | | | |
| Difference between book & tax depreciation | 571 | -14 | 557 |
| Deferred Tax Assets | | | |
| Provision for Gratuity & Leave Encashment | 166 | 32 | 198 |
| Net DTL | 405 | 46 | 359 |

14. Previous year figures have been regrouped, wherever necessary to correspond to current year figures

15. Additional information pursuant to para 4C & 4D of para II of Schedule VI of the Companies Act, 1956.

- a) Particulars of capacity, production, Stocks & Sales - Annexure attached
- b) Particulars of Raw Materials & Components consumed.

| <u>Classes of Goods</u> | <u>Unit</u> | <u>Quantity</u> | <u>Amount(Rs.)</u> |
|-------------------------|-------------|--------------------------|------------------------------|
| Forgings | Nos. | 3,369,970 (3,388,848) | 98,075,831 (67,038,866) |
| Facings | Set | 3,173,967 (2,772,911) | 206,588,562 (175,855,292) |
| Steel Sheets | Kgs. | 5,112,193 (3,740,748) | 194,952,674 (148,011,731) |



| | | | |
|---------------------------|------|-------------------|----------------------|
| Castings | Nos. | 1,103,319 | 374,915,881 |
| | | (1,074,249) | (246,663,712) |
| Spring Steels | Kgs | 1,135,775 | 79,068,682 |
| | | (1,281,736) | (68,284,424) |
| Springs | Nos. | 13,853,880 | 109,495,063 |
| | | (14,462,495) | (73,302,729) |
| Rivets & Other Components | - | | 57,002,910 |
| | | (-) | (570,436,409) |
| Total : | | | 1,120,099,603 |
| | | | (1,349,593,163) |

c) Value of Imported & Indigenous raw material, spares & components consumed.

| | Amount (Rs.) | Percent (Rs.) |
|---------------------------------|------------------------|----------------|
| 1) Raw Material | | |
| Imported | 124,669,841 | 11.13 |
| | (111,426,151) | (8.26) |
| Indigenous | 995,429,762 | 88.87 |
| | <u>(1,238,167,012)</u> | <u>(91.74)</u> |
| Total: | 1,120,099,603 | 100 |
| | <u>(1,349,593,163)</u> | <u>(100)</u> |
| 2) Stores & Spares: | | |
| Imported | Nil | Nil |
| | (Nil) | (Nil) |
| Indigenous | 4,568,0420 | 100 |
| | (39,362,749) | (100) |
| d) Earnings in foreign exchange | | |
| - FOB Value of exports | 325,581,152 | |
| (on accrual basis) | (180,637,509) | |

| | |
|--|--------------------|
| e) Expenditure in Foreign Currency on account of | |
| - Travel | 6,241,253 |
| | (5,303,706) |
| - Technical Fee | 3,645,245 |
| | (2,793,046) |
| - Other | 766 |
| | (-) |
| Total : | 9,887,264 |
| | <u>(8,096,752)</u> |

f) CIF value of imports (on accrual basis)

| | |
|-----------------|--------------------|
| - Raw materials | 136,988,822 |
| | (106,749,956) |
| - Capital | 19007736 |
| | (7471410) |

Note :- Figures in brackets are in respect of previous year
Signature to Schedules 1 to XIX - B

| | | | |
|-------------------------------------|--------------------------------|--------------------|--------------------|
| Annexure to our report of even date | For and on behalf of the Board | | |
| For B. AGGARWAL & CO. | (V.K.MEHTA) | (K.K.TANEJA) | (ANUJ MEHTA) |
| Chartered Accountants | Chairman & Managing Director | Director | Executive Director |
| (KAPIL AGGARWAL) | (POOJA KAPUR) | (AVINASH P GANDHI) | |
| Partner | Director | Director | |
| M.No. 82908 | | | |

| | | |
|-------------------|-----------------------------------|--------------------|
| Place : New Delhi | (PRITAMPAL) | (T.N.SINGH) |
| Dated: 28.7.2009 | GM-Commercial & Company Secretary | Manager (Accounts) |

**PARTICULARS OF INSTALLED CAPACITY ACTUAL PRODUCTION,
SALES AND STOCKS 2008-2009**



| SL. No. | CLASS OF GOODS | INSTALLED CAPACITY * | ACTUAL PRODUCTION | OPENING BALANCE | | CLOSING BALANCE | | S A L E S | |
|---------|---|----------------------|----------------------|-------------------|------------------------|------------------|------------------------|----------------------|----------------------------|
| | | | | QTY | VALUE (RS) | QTY | VALUE (RS) | NOS. | RS. |
| 1 | CLUTCH PLATES/DISCS | 200000 (2000000) | 1072018 (1901810) | 42951 (141988) | 23361086 (24788006) | 40510 (42951) | 18325125 (23361086) | 1074459 (2000847) | 853311697 (1368196608) |
| 2 | CLUTCH COVER ASSEMBLIES | 1500000 (1500000) | 812638 (633875) | 13000 (16823) | 9479566 (18984953) | 20450 (13000) | 15960000 (9479566) | 805188 (637698) | 1057934830 (767450990) |
| 3 | CLUTCH REPAIR KITS | 200000 (200000) | 79038 (78090) | 3276 0 | 812355 0 | 3735 (3276) | 647500 (812355) | 78579 (74814) | 30795414 (24650644) |
| 4 | METALLIC CLUTCH PLATES/DISCS | 30000 (30000) | 17938 (19025) | 7001 (5528) | 10797296 (9175602) | 3146 (7001) | 4167625 (10797296) | 21793 (17552) | 37228220 (10162785) |
| 5 | CERAMIC METALLIC PAD | 200000 (200000) | | | | | | | |
| 6 | OTHERS | | | | 4730916 (2454435) | | 1299375 (4730916) | | 219947376 (209342344) |
| 7 | EXCISE DUTY ON CLOSING | | | | 3699499 (4123787) | | 2292000 (3699499) | | |
| | TOTAL | | | | 52880718 (59526783) | | 42691625 (52880718) | | 2199217537 (2379803371) |
| | *As Certified by Management and not verified by Auditors Figures in brackets are in respect of previous year Licence capacity -Not applicable | | | | | | | | |



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST, MARCH,2009

| | (Amount in Rupees) | |
|---|----------------------|----------------------|
| | 2008-09 | 2007-08 |
| A. From operating activities | | |
| Net Profit before tax | 56,261,681 | 160,497,107 |
| Adjustments for :- | | |
| Depreciation on Fixed Assets | 77,619,226 | 58,617,473 |
| Miscellaneous expenditure written off | 672,500 | 672,500 |
| Interest income | (720,398) | (633,462) |
| Interest expenses | 134,604,111 | 114,900,189 |
| Loss/(Profit) on sale of fixed assets | 0 | 95,689 |
| | <u>212,175,439</u> | <u>173,652,389</u> |
| Operating Profit before working capital changes | 268,437,120 | 334,149,496 |
| Adjustments for :- | | |
| (Increase)/Decrease in Trade and other receivables | (82,693,535) | 39,929,522 |
| (Increase)/Decrease in inventories | (16,269,701) | (66,240,308) |
| Increase/(Decrease) in Current liabilities & Provision | 146,705,846 | 43,477,453 |
| | <u>47,742,610</u> | <u>17,166,667</u> |
| Cash generated from operations | 316,179,730 | 351,316,163 |
| Interest expenses | (134,604,111) | (114,900,189) |
| Direct taxes paid(Net of refund) | (20,144,378) | (267,367) |
| Product Dev & Training expenses | 0 | 0 |
| Net cash from operating activities | 161,431,241 | 236,148,607 |
| B Cash flow from investing activities | | |
| Purchase of fixed assets and change in capital work in progress (including intangible assets) | (669,846,789) | (295,418,735) |
| Interest income | 720,398 | 633,462 |
| Proceeds from sale of Fixed Assets | 0 | 692,547 |
| Net cash used in investing activities | (669,126,391) | (294,092,726) |
| C Cash flow from financing Activities | | |
| Proceeds from Secured loans (Net) | 246,269,634 | 32,099,587 |
| Proceeds from Equity share fund | 0 | 84,422,000 |
| Proceeds from Application money agst warrant | 0 | 0 |
| Proceeds from Unsecured loans(Net) | 41,547,844 | 2,049,264 |
| Net cash from financing activities | 287,817,478 | 118,570,851 |
| Net change in cash and cash equivalents | (219,877,672) | 60,626,732 |
| Net increase in cash and cash equivalents: | | |
| Cash & Cash equivalents as at 1st April | 345,563,290 | 284,936,558 |
| Cash & Cash equivalents as at 31st March | <u>125,685,618</u> | <u>345,563,290</u> |
| | (219,877,672) | 60,626,732 |

Annexure to our report
of even date
for B. AGGARWAL & CO
Chartered Accountants

For and on behalf of the Board

(V.K.MEHTA)
Chairman &
Managing Director

(ANUJ MEHTA)
Executive Director

(K.K.TANEJA)
Director

(KAPIL AGGARWAL)
Partner
M.No. 82908

(AVINASH P GANDHI)
Director

(POOJA KAPUR)
Director

PLACE : NEW DELHI
DATE : 28.07.2009

(PRITAM PAUL)
GM-Commercial &
Company Secretary

(T.N.SINGH)
Manager (Accounts)



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|--|-------------------|---------------|
| I. Registration Details | 0 0 0 0 5 6 3 4 | State Code | 5 5 |
| Balance Sheet Date | 3 1 0 3 2 0 0 9 | | |
| | Date Month Year | | |
| II Capital Raised during the year (Amount in Rs. Thousands) | | | |
| Public Issue | 0 0 0 0 0 0 0 | Right Issue | N I L |
| Bonus Issue | N I L | Private Placement | 0 0 0 0 |
| III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands) | | | |
| Sources of Funds | | Total Assets | 3 3 1 5 8 1 9 |
| Total Liabilities | 3 3 1 5 8 1 9 | Reserve & Surplus | 1 2 4 9 9 8 1 |
| Paid-up Capital | 1 6 3 1 5 4 | Unsecured Loans | 1 7 0 3 9 9 |
| Deferred Tax Liability | 3 5 9 0 0 | Investments | N I L |
| Secured Loans | 1 0 8 1 1 1 5 | Misc. Expenditure | 6 7 2 |
| Application of Funds | | | |
| Net Fixed Assets | 1 5 1 2 9 1 2 | | |
| Net Current Assets | 1 1 8 6 9 6 6 | | |
| Accumulated Losses | N I L | | |
| IV Performance of Company (Amount in Rs. Thousands) | | | |
| Turnover including Other Incomes | 2 1 9 9 9 4 7 | Total Expenditure | 2 1 4 3 6 8 5 |
| Profit Before Tax | 0 5 6 2 6 2 | Profit After Tax | 0 4 4 5 9 5 |
| Earning Per share in Rs. | 0 2 . 7 3 | Dividend Rate % | 0 0 |
| V. Generic Names of Three Principal Product/Services of Company (As per Monetary Terms) | | | |
| Item Code No. (ITC Code) | 8 7 . 0 8 | | |
| Product Description | C L U T C H P L A T E C O V E R A S S E M B L Y | | |
| Item Code No. (ITC Code) | 8 7 . 1 0 | | |
| Product Description | M E T T A L I C D I S C | | |

For and on behalf of the Board

(V.K.MEHTA)
Chairman &
Managing Director

(ANUJ MEHTA)
Executive Director

(K.K.TANEJA)
Director

(AVINASH P GANDHI)
Director

(POOJA KAPUR)
Director

(PRITAM PAUL)
GM-Commercial &
Company Secretary

(T.N.SINGH)
Manager (Accounts)

PLACE : NEW DELHI
DATE : 28.07.2009