

Reliability

Innovation

Competitiveness

Globalization

# 2008

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## 26th ANNUAL REPORT

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# 2009



# RICO Group



**RICO – Dharuhera**  
Aluminium Die Casting & Machining



**FCC RICO (JV) – Manesar**  
Clutch Assembly



**RICO Jinfei (JV) – Manesar**  
Alloy Wheels



**RICO – Gurgaon**  
R&D Center



**Magna RICO Powertrain (JV) – Dharuhera**  
Oil & Water Pumps



**Continental RICO (JV) – Gurgaon**  
Hydraulic Brake System

# About Us

RICO is a dynamic world-class engineering group, supplying a broad range of high-precision fully machined aluminium and ferrous components and assemblies to OEMs across the globe. RICO's integrated services include design, development, tooling, casting, machining, assembly and R&D across aluminium and ferrous products.

We enjoy an excellent reputation for our customer focus, quality and cost competitiveness. Our engineering excellence, advanced design and development capabilities, strong customer relationships and proven scalability have helped us become a preferred supplier to the leading customers in automotive industry.

We have developed strategic relationships and set up Joint Ventures with leading global automotive suppliers namely FCC for Clutch System, Continental Automotive for Hydraulic Brake System, Magna Powertrain for Oil & Water Pump System and Jinfei for Alloy Wheels.

We see significant opportunities ahead. We have been building on our core strength for sustained profitable growth that will consistently enhance value for all our stakeholders.

# Our Vision

To be the preferred supplier to Original Equipment Manufacturers across the globe.

# Our Strategies

## **World Class Quality**

ISO TS 16949 , ISO 14001, OHSAS 18001

Total Productive Maintenance (TPM) & 6 Sigma

## **Integrated Service – Concept to Delivery**

Design, Development & Engineering Services, R&D, Testing & Validation, Tooling & Prototyping, Casting (Aluminium & Ferrous), Machining & Assembly, Packaging & Logistics

## **Preferred Supplier**

Customer Focussed Enterprise

Efficient Account, Program & Launch Management

## **People**

Regular Training & Skill Building

Empowerment & Leadership

## **Globalization**

Global Teams, Global Presence & Scale

## **Shareholder Value**

Focus on Return on Capital Employed

Consistent Dividend Distribution

# RICO Highlights 2008-09

**RICO Started Production of High Pressure Die Cast Aluminium Cylinder Block for TATA NANO**



**RICO won Vendor Recognition Awards from Maruti Suzuki for Yield Improvement & Quality**

**RICO won Caterpillar Supplier Quality Excellence Award**



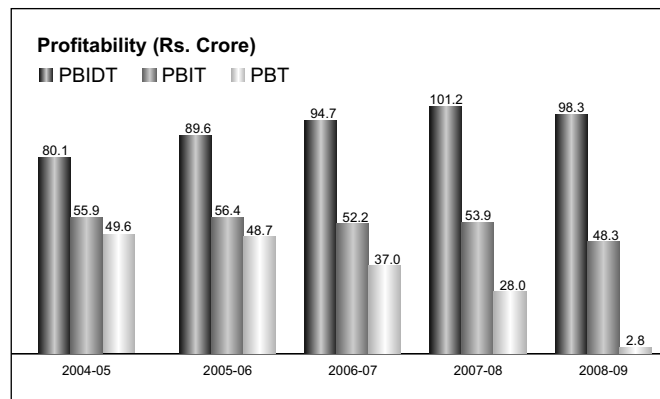
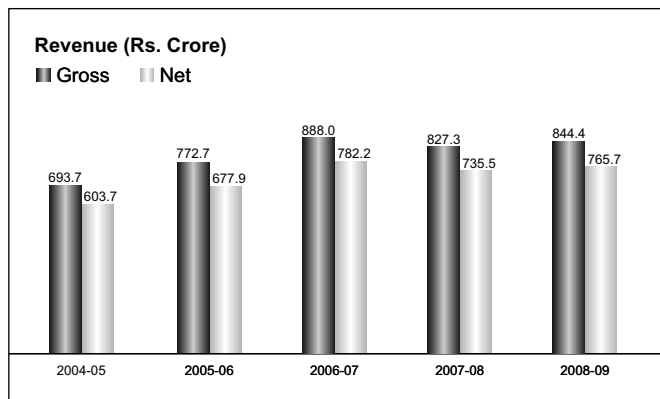
# Financial Highlights

Rico Auto Industries Limited

(Rs in Crores)

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Gross Revenue</b>	<b>844.4</b>	<b>827.3</b>	<b>888.0</b>	<b>772.7</b>	<b>693.7</b>
<b>Net Revenue</b>	<b>765.7</b>	<b>735.5</b>	<b>782.2</b>	<b>677.9</b>	<b>603.7</b>
<b>PBIDT</b>	<b>98.3</b>	<b>101.2</b>	<b>94.7</b>	<b>89.6</b>	<b>80.1</b>
Depreciation	50.0	47.3	42.5	33.2	24.2
<b>PBIT</b>	<b>48.3</b>	<b>53.9</b>	<b>52.2</b>	<b>56.4</b>	<b>55.9</b>
Interest	45.5	25.9	15.2	7.7	6.3
<b>PBT</b>	<b>2.8</b>	<b>28.0</b>	<b>37.0</b>	<b>48.7</b>	<b>49.6</b>
Fringe Benefit Tax	0.6	0.7	0.7	0.7	—
Income Tax	0.1	2.2	3.5	9.5	5.9
Deferred Tax	(2.6)	2.9	7.0	4.0	8.5
<b>PAT</b>	<b>4.7</b>	<b>22.2</b>	<b>25.8</b>	<b>34.5</b>	<b>35.2</b>
Dividend (Including Tax)	2.2	8.8	10.7	14.0	12.2
Gross Fixed Assets (Incl. CWIP)	750.2	684.3	599.8	463.7	336.9
Net Fixed Assets (Incl. CWIP)	485.7	468.2	429.6	331.6	236.2
Net Current Assets	167.4	190.1	93.1	48.7	24.5
Equity Share Capital	12.6	12.6	12.6	12.3	10.7
Reserves & Surplus	260.1	256.9	243.4	208.5	86.3
Deferred Tax Liabilities	36.9	37.6	34.8	27.8	23.8
Loan Funds	370.3	372.6	237.8	136.0	144.5
<b>Key Ratios (%)</b>					
Operating Margin (PBIDT/Net Revenue)	12.8	13.8	12.1	13.2	13.3
ROCE (PBIT/Avg. Capital Employed)	7.1	8.9	11.5	17.4	25.8
RONW (PAT/Avg. Net Worth)	1.7	8.5	10.9	21.7	40.3
Dividend Payout Ratio	46.4	39.6	41.6	40.6	34.7
<b>Per Share Data (Rs)#</b>					
EPS	0.4	1.8	2.1	2.9	3.3
Cash EPS	4.4	5.6	5.5	5.7	5.5
Book Value	21.7	21.5	20.4	18.0	9.0
Dividend (%)	15	60	75	100	100

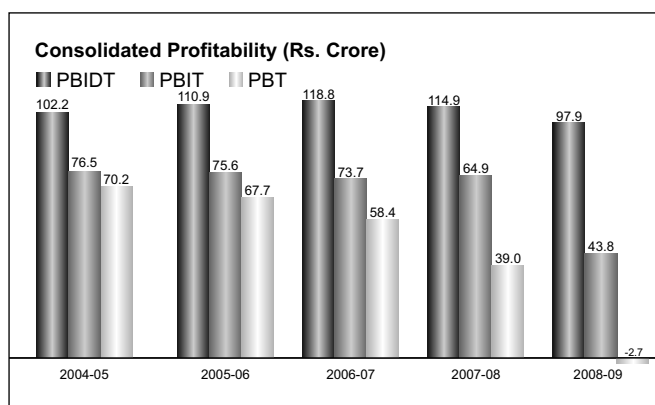
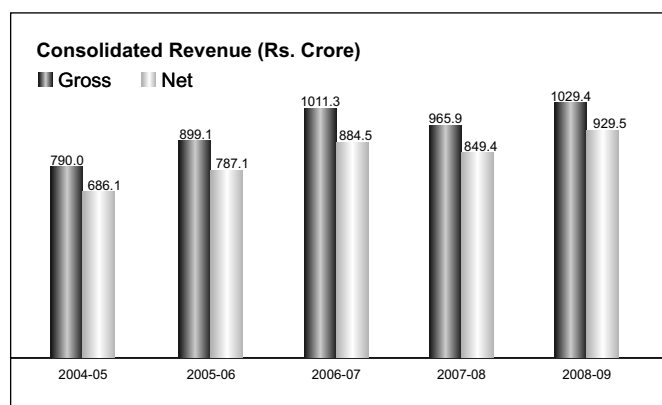
# Figures have been recast on present face value of Re.1/- after Share Split in ratio of 10:1 in year 2004-05



(Rs in Crores)

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Gross Revenue</b>	<b>1029.4</b>	<b>965.9</b>	<b>1011.3</b>	<b>899.1</b>	<b>790.0</b>
<b>Net Revenue</b>					
Rico Auto Industries Limited	765.7	735.5	782.2	677.9	603.7
Rico Auto Industries Inc., USA	106.1	89.2	60.1	45.0	19.1
Rico Auto Industries (UK) Limited, UK	39.6	9.2	1.8	1.7	—
FCC Rico Limited	180.5	158.2	140.1	122.8	98.3
Continental Rico Hydraulic Brakes India Private Limited	1.4	—	—	—	—
Magna Rico Powertrain Private Limited	0.2	—	—	—	—
Less: Inter Company Sales	(164.0)	(142.7)	(99.7)	(60.3)	(35.0)
<b>Rico Group Consolidated</b>	<b>929.5</b>	<b>849.4</b>	<b>884.5</b>	<b>787.1</b>	<b>686.1</b>
PBIDT	97.9	114.9	118.8	110.9	102.2
PBIT	43.8	64.9	73.7	75.6	76.5
PBT	(2.7)	39.0	58.4	67.7	70.2
PAT	(5.4)	23.4	37.8	45.4	48.3
Gross Fixed Assets (Incl. CWIP)	841.4	725.3	621.7	483.8	351.5
Net Fixed Assets (Incl. CWIP)	560.2	496.2	440.7	343.4	244.5
Net Current Assets	164.0	219.2	119.7	67.0	38.1
Equity Share Capital	12.6	12.6	12.6	12.3	10.7
Reserves & Surplus	284.6	289.7	276.6	233.6	102.7
Deferred Tax Liabilities	35.9	37.6	35.0	28.0	24.0
Loan Funds	391.1	376.8	237.8	136.5	145.4
<b>Key Ratios (%)</b>					
Operating Margin (PBIDT / Net Revenue)	10.5	13.5	13.4	14.1	14.9
ROCE (PBIT/Avg. Capital Employed)	6.1	10.2	15.2	21.8	33.5
RONW (PAT/Avg. Net Worth)	(1.8)	7.9	14.2	25.3	49.4
EPS (Rs)#	3.8	1.9	3.1	3.8	4.5

# Figures have been recast on present face value of Re. 1/- after Share Split in ratio of 10:1 in year 2004-05

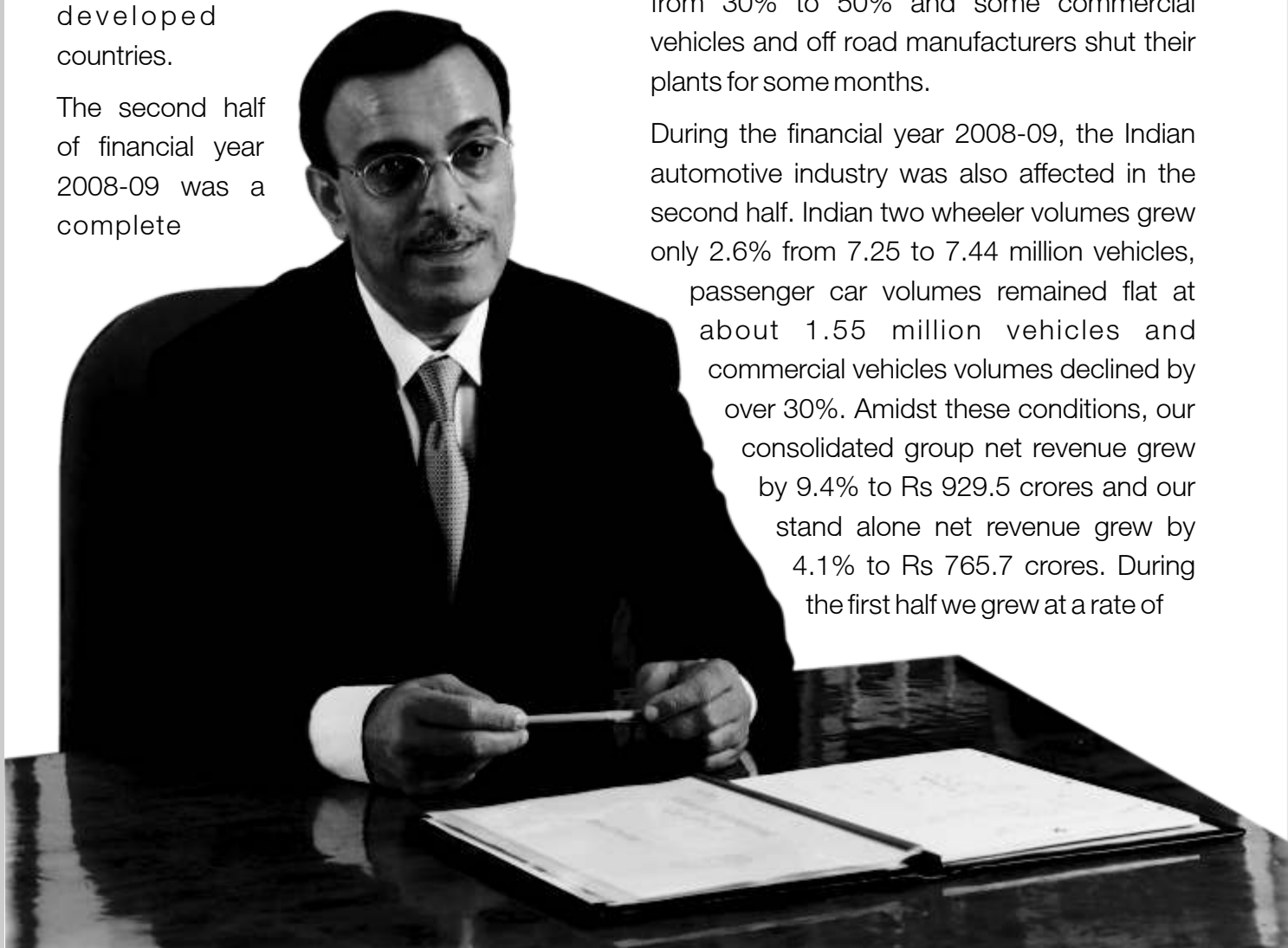


The year 2008-09 has been one of the most difficult years for the Global Economy since the Great Depression of 1929. I recall, last year around the same time in my letter, I had mentioned that rising commodity prices and uncertainty around the financial situation in USA would impact suppliers globally. But none of us knew that during the year we would see the collapse of iconic companies like Lehman Brothers leading to an unprecedented period of lack of trust in the global financial system resulting in freezing of credit markets, crash of global equity markets and recession hitting all markets across the world specially the developed countries.

The second half of financial year 2008-09 was a complete

contrast to the first half. The period of April to August, 2008 witnessed rising commodity prices across crude oil, gas, coal, steel, aluminum and other metals. Steel prices increased over 70% and crude oil touched US \$ 145 per barrel in July. During the same period the sub prime crisis of USA and foreign exchange derivatives issues in India were the dark clouds surrounding our economy. But the crash of September, 2008 in USA plunged all economies in a period of uncertainty and gloom for the period of November, 2008 to February, 2009. The automotive industry was one of the hardest hit. Almost all automotive OEMs in the world reduced their production from 30% to 50% and some commercial vehicles and off road manufacturers shut their plants for some months.

During the financial year 2008-09, the Indian automotive industry was also affected in the second half. Indian two wheeler volumes grew only 2.6% from 7.25 to 7.44 million vehicles, passenger car volumes remained flat at about 1.55 million vehicles and commercial vehicles volumes declined by over 30%. Amidst these conditions, our consolidated group net revenue grew by 9.4% to Rs 929.5 crores and our stand alone net revenue grew by 4.1% to Rs 765.7 crores. During the first half we grew at a rate of





over 15% but the downturn in the second half brought our annual growth rate to single digits.

On exports front, at the beginning of 2008-09 we had set a target to achieve 25% growth in exports over our previous year exports of Rs 142 crores. Exports during the first half were Rs 83 crores, but in the second half exports dipped to Rs 43 crores, thus closing the year with an annual figure of Rs 126 crores.

While the scale of the crash was unprecedented, so was the coordinated response by Governments and Central Banks in providing bail outs and stimulus packages to get the financial markets working again. We too at Rico got all our teams together in November, 2008 and took immediate steps to face the slow down. We took quick decisions to re-adjust our production resources and implemented various cost reduction and efficiency improvement initiatives across all our plants. While the last five months of the year were very painful and difficult for all of us, we did our best to use them as opportunities to create a stronger and more competitive company for the future. On account of these cost reduction efforts we were able to maintain our EBITDA margin at 12.8%.

While we achieved an EBITDA of Rs 98 crores, our interest costs during the year almost doubled from Rs 25.9 crores to Rs 45.5 crores on account of significant hike in interest rates across banks from around 7.5% to almost 12%. After accounting for depreciation of Rs 50 crores our standalone PAT was Rs 4.7 crores resulting in a lower dividend payout rate of 15%.

On the Joint Ventures side, FCC Rico sales grew by over 14% to Rs 360 crores but their profitability was hit because of significant appreciation in Japanese Yen. Our new Joint Ventures Continental Rico, Magna Rico Powertrain and Rico Jinfei also re-adjusted their business plans based on changed automotive volumes. They have been on track in terms of their starting plans and are working aggressively in developing business with new customers.

In the current year 2009-10 we are seeing signs of recovery and stability from across the world. Indian Government's fiscal stimulus and monetary policies lead to increase in liquidity and availability of credit. Reduction in excise duties also created a positive impact. Finally with the return of a stable government there is optimism across the industry and a significant change in the sentiment of customers, investors and equity markets. Our key customers Hero Honda, Maruti Suzuki and Honda Motorcycles and Scooters India, are doing very well and we are looking forward to growing aggressively with them. We have started our supplies for Tata Nano and Fiat India and demand from our only commercial vehicles customer Tata Cummins is also looking positive.

On Exports, schedules have started increasing in the passenger car segment since April, 2009 from both USA and Europe. While the stimulus and incentive packages by European and American governments have worked, our strategy of focusing on new programs for small to mid sized fuel efficient vehicles in our global

# From MD's Desk

customer base, have resulted in a positive demand for our components. While the off take of commercial vehicles and off road segment where we supply to Cummins and Caterpillar is still down. We are seeing schedule increases from customers like GM, Ford, Volvo, Honeywell and Nissan. In addition, our new business launches with Jatco for Japan and BMW for Europe are moving on track. We are targeting to grow our exports by over 30% and our stand alone net revenues by over 20% in the current year 2009-10.

In addition to our strategies on the market side our teams' collective endeavors helped us win prestigious awards from our customers. Hero Honda recognized us for Green Vendor Development Program. Maruti Suzuki awarded us for improvements in Yield Improvement and New Product Development. Caterpillar awarded us with bronze shield in their Global Supplier Quality Excellence Program and Cummins recognized us for 100% Defect Free Supplies.

During the current year in addition to improving quality and yield, we will continue to focus on becoming more competitive. While the last year has made every one cautious, we have not let the events dampen the enthusiasm and vision of Rico. We continue to remain committed and focused on following strategies:

- Focusing on profitable growth, increasing our market penetration and share of business with leading automotive OEMs
- Developing non automotive business

- Changing our product mix towards complex high value adding products
- Improving the manufacturing yield of all our products through innovation, engineering and R&D
- Aggressively reducing all costs across our enterprise and reducing inventories
- Increasing manpower productivity and automation
- Investing in our people and their training
- Releasing capacity on our equipments through technical innovation so that we can launch new business without significant capital expenditure

While the Indian economy and Global markets will continue to face challenges this year, our colleagues at Rico have resolved to meet the same with increased determination to succeed. We are proud of our professional management team and our dedicated skilled work force that shares our vision and are committed to enhancing value through Reliability, Innovation, Continuous Improvement and Globalization.

In closing, I would like to thank all our customers, suppliers, business partners, bankers and our shareholders for their unwavering support and confidence in our company and look forward to a bright year ahead.

**Arvind Kapur**  
**Vice Chairman, CEO &**  
**Managing Director**

# Joint Venture Highlights 2008-09

## Continental RICO Hydraulic Brakes Assembly Lines at Gurgaon Plant



## Magna RICO Powertrain Water Pump Assembly Line at Dharuhera Plant



Design Office at Gurgaon



## RICO Jinfei Aluminium Alloy Wheels Line at Manesar Plant

# In Conversation with MD

**Q. The year 2008-09 has been one of the worst years for global economy. What strategies did RICO adopt to sail through this global downturn and how would you rate RICO's performance.**

**A.** Yes, 2008-09 has gone down in history as one of the worst years in the world economy since the great depression of 1929. While we experienced growth in the first six months of 2008-09 there was significant slowdown in the second half of the year which affected all industries especially automotive industry.

I recall, our major concern in the first half was rising inflation and commodity prices. Our government and central banks adopted the policy of increasing interest rates to tackle inflation and thus we started witnessing the initial signs of contraction in demand for automotives in both two wheelers and passenger cars. Coupled with this we were witnessing the increasing uncertainty around the financial situation in USA and were thus closely monitoring schedules of our various customers. Like the rest of world, we were hoping that in case of any corrections, it would be a soft landing and not a crash as we witnessed in September to October, 2008 period. Also while there was uncertainty in USA, the experts were confident that things are not bad in Europe or Japan and India was expected to have decoupled with the rest of the world!

But when the crash happened, not just USA but global financial institutions froze. World economy went into a downturn spiral and signs of recession were evident. We at Rico, did not

waste time in extra analysis but re-energized our teams across operations, sales, purchase and finance into action. The first strategy we adopted was to communicate extensively. We communicated openly with all our colleagues' right down to the shop floor level and explained them what was happening and together we developed our joint goal of using this period to become more competitive.

We took quick decision to adjust our production plans and resources and started a company wide cost reduction program. We went down to every cost line item and created action plans for reduction of power and fuel costs, material costs and cost of stores and spares. We improved manpower productivity and overheads costs were reduced across the company.

In addition to the above we maintained close contact with our existing and new customers and started working more aggressively on our new programs. While new request for quotes were put on hold by most of our customers we remained in touch and used the time to share what we were doing and understand from them the best practices they were adopting to face the downturn.

The above actions helped us to increase our consolidated group net revenue by 9.4% to Rs 929.5 crores and our stand alone net revenue by 4.1% to Rs 765.7 crores. Under the circumstances, in a year of downturn, I consider these achievements as good.

On the profitability side we were able to achieve an EBITDA of 12.8% which was a per cent lower than last years 13.8%. The huge inflation

and significant increases in metal and energy prices during the first six months coupled with impact of downturn in the last six months were the primary reasons for this.

Finally, at the Net Profit (PAT) level our performance was not good as the EBITDA of approximately Rs 98 crores got absorbed in depreciation of Rs 50 crores and interest costs of Rs 45.5 crores. Our interest costs almost doubled from Rs 25.9 crores to Rs 45.5 crores. While our overall loan funds remained the same at about Rs 370 crores the increase in interest cost was due to significant hike in interest rates from around 7.5% to almost 12%. While we have witnessed marginal softening of interest rates in the current year 2009-10 we have resolved to maintain a tight working capital and capex plan so that we are able to reduce our loan funds and get the dual advantage of lower debt level and lower interest costs in the coming years.

**Q. Over the last 26 years, RICO has grown its business with leading Automotive OEMs. What are your plans in the market place and with your customer base now.**

**A.** We are committed to growing with all our existing customers and developing business with new customers.

We are fortunate that our key customers in India – Hero Honda, Maruti Suzuki, Honda Motors and Scooters India (HMSI) are all market leaders in their respective segments and continue to grow successfully. In the two wheeler segment, we are growing with both

Hero Honda and HMSI. In addition, our joint venture FCC Rico is growing with all the two wheelers manufacturers. If you recall, in 2007-08 we had lost almost Rs 120 crores of business from Hero Honda on account of change of wheel hubs to alloy wheels. We have been able to source new components from Hero Honda and would be able to make up for this business loss fully by 2010-11. In addition, we are moving on track in Rico Jinfei to produce Alloy Wheels for two wheelers which will start giving us positive results from 2010-11.

In the passenger car segment in India, we are pursuing aggressive growth with Maruti Suzuki both in terms of volume growth of existing products and adding new products. During the year we launched several new parts with Maruti Suzuki and received their award for the same. Our Joint Ventures – Continental Rico Hydraulic Brakes and Magna Rico Powertrain are also working closely with Maruti Suzuki.

We have started supplies of aluminum high pressure die cast cylinder blocks for Tata Motors Nano. Ours is the first company in India outside OEMs to manufacture aluminum cylinder blocks using high pressure die cast process. We are also developing the aluminum cylinder block for Tata Nano and Ace diesel engine and are also working on aluminum cylinder head. During the current year 2009-10 we have also started component supplies to Fiat India.

In the commercial vehicles segment and system suppliers segment in India, we continue to

# In Conversation with MD

grow with Tata Cummins and are working aggressively with Honeywell. In addition, we see potential to supply parts to our new joint venture companies with Continental and Magna Powertrain.

On the global side, we have grown slowly but steadily with passenger car programs with GM, Ford, Volvo and Renault Nissan. While the commercial vehicles and off road segment is down we continue to work aggressively with Cummins, Caterpillar and Perkins. During the year 2009-10 we have launched new business with Jatco in Japan, BMW in Europe and Renault in Turkey and Spain. We will continue to position ourselves as a supplier of critical automotive parts and assemblies and focus on new developments programs. We hope to keep adding new customers and grow with our existing customers' year on year.

## **Q. Please tell us about the progress of your Joint Ventures**

**A.** We have always believed in the long term potential of strategic alliances and relationships. Today, we have four joint ventures.

**FCC Rico Limited**, our 50:50 joint venture with FCC of Japan is focussed on Clutch system. FCC Japan is the world's leading manufacturer of clutches for motorcycles and automobiles. Our relationship with FCC started in the year 1985 and we are proud of our successful relationship with them over two decades. This company has been growing at a healthy pace and its net revenues in the year 2008-09 grew

by 14% to Rs 360 crores. Its profitability was affected this year due to significant strengthening in Japanese Yen for which the company has initiated actions. Going forward, we intend to profitably grow FCC Rico's business and enhance our competitiveness and market standing.

**Continental Rico Hydraulic Brakes India Private Limited**, our 50:50 joint venture with Continental Automotive Systems Germany. The joint venture company has won businesses from Fiat, Maruti Suzuki and General Motors. The production lines are installed and supplies are starting in the current year 2009-10. The joint venture is aggressively working with all OEMs in India and has set up testing and validation center. The market for Hydraulic Brake Systems is extremely competitive and our Joint Venture is working aggressively on developing competitive solutions for the Indian market place.

**Magna Rico Powertrain Private Limited**, our 50:50 joint venture with Magna Powertrain for oil pumps and water pumps for automotive applications for Indian and European market. The joint venture has won business from Suzuki Powertrain, Nissan, Renault and General Motors. The company will start production and supplies in the current year. The company is also in the process of establishing in house design development and product validation capabilities for which it is investing resources to train manpower and build infrastructure.

**Rico Jinfei Wheels Limited**, our collaboration with Jinfei of China for Alloy wheels, in which

Rico has 92.5% equity and Jinfei has 7.5%. Jinfei is one of the three largest aluminum alloy wheel producers in China. They are an approved supplier to Honda. We have installed Alloy wheel manufacturing plant and have run production trials. We are working closely with our target customer on development and validation. This company will be starting initial supplies in fiscal 2009-10 and will see significant ramp up in 2010-11.

Our investments in these joint ventures will lead to growth and profitability in the years to come and Rico would also gain the opportunity to be supplier to these joint ventures.

**Q. How is your Company addressing its corporate social responsibility**

**A.** Rico is very conscious of its responsibility towards its environment and society in which it operates. Environment protection and preservation is part of our corporate objectives. All our plants are ISO 14001 and OHSAS 18001 certified and we have a full fledged plant engineering team which is working towards our goal of “zero discharge”. We are using latest membrane bio reactor technology for effluent

and sewage treatment and using treated water for in house horticulture and other low end processes in plant. We are using efficient air scrubbers to ensure clean air surroundings. In addition we are actively pursuing rain harvesting and tree plantation across our plants.

On the corporate social responsibility, Rico has adopted a village named Begampur Khatola in Gurgaon district for its all round socio-economic development. One of our primary initiatives in the village is to upgrade the school and its facilities. We have improved the infrastructure and are creating a hygienic environment for the education of children. In addition we have provided drinking water and drainage facilities in this village. We have also adopted an ITI in Rewari as part of our social responsibility initiative. We are undertaking this under the public-private partnership model working with Ministry of Labour and Employment. The main objective of the scheme is to improve the quality of vocational training in the country and make it demand driven so as to ensure better employability of the graduates. We are committed as an enterprise to both these initiatives.

# RICO Highlights 2008-09



**RICO Team wins 1st Trophy  
in ACMA 6 Sigma Competition**

**RICO Cricket Team  
Wins Puma Cup 2008**



**RICO Kho Kho Team  
wins 20 Team  
Tournament in Haryana**



# RICO Highlights 2008-09

## Corporate Social Responsibility



**RICO is Working Towards Overall  
Development of a Small Village in  
Begampur, Khatola**

## Corporate Social Responsibility



**RICO Conducting Training at  
ITI, West Rewari**

# RICO Highlights 2008-09



## ACMA National Quality Circle

3rd Position

## ACMA Northern Region Quality Circle

2nd Position



## Hero Honda

Quality Circle Award



## Cummins USA

100% Defect Free Supply Award



## Hero Honda

Green Vendor Development

# Contents

Team & Corporate Information	2
Notice	3
Directors' Report	10
Management Discussion and Analysis Report	15
Corporate Governance Report	17
Auditors' Report	30
Balance Sheet	34
Profit and Loss Account	35
Schedules to Balance Sheet	36
Schedules to Profit and Loss Account	42
Additional Information	51
Balance Sheet Abstract	54
Cash Flow Statement	55
Statement and Financial Summary of Subsidiaries	57
Consolidated Financial Statements	59

# Team & Corporate Information

## Board of Directors

Chandra Mohan

*Chairman*

Anup Singh

Prof. Vinod Kumar Bhalla

Kanwal Monga

Amarjit Chopra

Dr. Ashok Seth

Rakesh Kapur

Arun Kapur

*Joint Managing Director*

Arvind Kapur

*Vice Chairman, CEO & Managing Director*

## Senior Executives

O P Aggarwal

R S Kundi

N K Sethi

Ms Shikha Kapur

G S Bisht

Rajiv Bajaj

Surendra Singh

Vivek Hazari

S K Jain

Anuj Singhal

Rajiv Miglani

Rakesh Nagpal

M K Jain

Manjit Singh

## Company Secretary

B M Jhamb

## Auditors

Gupta Vigg & Co.

Chartered Accountants

New Delhi (India)

## Audit Committee

Anup Singh

*Chairman*

Prof. Vinod Kumar Bhalla

Amarjit Chopra

## Shareholders' Grievance Committee

Anup Singh

*Chairman*

Prof. Vinod Kumar Bhalla

Amarjit Chopra

Rakesh Kapur

## Bankers

State Bank of India

Standard Chartered Bank

Citibank, N.A.

IDBI Bank Limited

AXIS Bank Limited

HDFC Bank Limited

The Hongkong & Shanghai Banking Corporation Limited

DBS Bank Limited

The Bank of Nova Scotia

Kotak Mahindra Bank Limited

Barclays Bank PLC

Yes Bank Limited

Oriental Bank of Commerce

## Registered Office & Dharuhera Plant

69 KM Stone, Delhi-Jaipur Highway,  
Dharuhera – 122 106, District Rewari  
Haryana (India)

## Corporate Office & Gurgaon Plant

38 KM Stone, Delhi-Jaipur Highway,  
Gurgaon – 122 001  
Haryana (India)

## Share Transfer Agent

MCS Limited

F-65, Okhla Industrial Area, Phase I

New Delhi – 110 020 (India)



iv) Club Fees: Fees of clubs subject to a maximum of two clubs.

v) Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.10,000/-.

NOTE: For the purpose of perquisites stated hereinabove, 'family' means the spouse, the dependent children and dependent parents of the appointee.

#### **PART-B**

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

ii) Gratuity, if payable under the Company's Rules shall not exceed half a month's salary for each completed year of service.

iii) Earned Leave and its Encashment: On full pay and allowances as per the rules of the Company, but not exceeding one month's leave for every eleven months of service.

#### **PART-C**

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

Ceiling on Remuneration: The aggregate remuneration shall not exceed the limits provided in Section 198 and 309 of the Act except with the approval of the Central Government.

Pursuant to Sub-paragraph C of Section II of Part II of the Schedule XIII and other applicable provisions of the Act, if any, and subject to such approvals as may be necessary, wherein, in any financial year during the tenure of his service, the Company has no profits or its profits are inadequate, the Company may pay to Shri Arvind Kapur, Vice Chairman, CEO & Managing Director remuneration by way of salary, perquisites and other benefits as mentioned above as minimum remuneration or such other limits as may be approved by the Government from time to time in this regard."

### **10. AS A SPECIAL RESOLUTION**

"Resolved that pursuant to the provisions of Section 198, 269, 309, 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of the Central Government and other statutory approvals, the consent of the Company be and is hereby accorded to the re-appointment of Shri Arun Kapur as Joint Managing Director of the Company for a further period of five years with effect from 2<sup>nd</sup> May, 2010."

"Resolved further that subject to the approval of the Central Government, Shri Arun Kapur, Joint Managing Director be paid remuneration effective 1<sup>st</sup> April, 2009 for a period of three years (01/04/2009 to 31/03/2012) on the following terms and conditions:

1. Salary: (Rs./Month) – 6,00,000 - 1,00,000 - 8,00,000
2. Commission: Commission shall be paid over and above the total remuneration based on net profits of the Company in a particular year, which put together with salary and perquisites shall be subject to the overall ceiling specified in Section 198, 309 and Section I of Part II of Schedule XIII of the Companies Act, 1956.
3. Perquisites: To spend such sums not exceeding the amount of Basic Salary on the perquisites, which are classified into the following three categories:

#### **PART-A**

i) Housing:

a) The expenditure by the Company, on hiring furnished accommodation shall be subject to the following ceilings:

Sixty per cent of the Basic Salary, over and above ten per cent payable by him.

b) If the Company does not provide accommodation, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the Salary.

ii) Medical Expenses: Reimbursement of expenses incurred for self and family in accordance with the rules of the Company for the time being in force and as amended from time to time.

iii) Leave Travel Concession: Leave travel concession for self and family once in a year incurred in accordance with the rules of the Company.

iv) Club Fees: Fees of clubs subject to a maximum of two clubs.

v) Personal Accident Insurance: Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.10,000/-.

NOTE: For the purpose of perquisites stated hereinabove, 'family' means the spouse, the dependent children and dependent parents of the appointee.

#### **PART-B**

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

ii) Gratuity, if payable under the Company's Rules shall not exceed half a month's salary for each completed year of service.

iii) Earned Leave and its Encashment: On full pay and allowances as per the rules of the Company, but not exceeding one month's leave for every eleven months of service.

**PART-C**

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

**Ceiling on Remuneration:** The aggregate remuneration shall not exceed the limits provided in Section 198 and 309 of the Act except with the approval of the Central Government.

Pursuant to Sub-paragraph C of Section II of Part II of the Schedule XIII and other applicable provisions of the Act, if any, and subject to such approvals as may be necessary, wherein, in any financial year during the tenure of his service, the Company has no profits or its profits are inadequate, the Company may pay to Shri Arun Kapur, Joint Managing Director remuneration by way of salary, perquisites and other benefits as mentioned above as minimum remuneration or such other limits as may be approved by the Government from time to time in this regard."

By Order of the Board  
for **Rico Auto Industries Limited**

Place : Gurgaon  
Dated : 30<sup>th</sup> July, 2009

**B.M. Jhamb**  
Company Secretary

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 19/09/2009 to 30/09/2009 (both days inclusive).

3. Dividend to Shareholders as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2009, when declared at the meeting, will be paid:

- to those members whose name appear in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company or its Registrar on or before 18<sup>th</sup> September, 2009; and
- in respect of shares held in electronic form, to those "beneficiaries" whose name appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), at the end of business hours on 18<sup>th</sup> September, 2009.

The Company will dispatch the dividend warrants on or after 6<sup>th</sup> October, 2009 onwards.

- Members are requested to notify change in their address.
- Members are requested to intimate their queries, if any, on the Annual Report so as to reach at least seven days before

the date of the meeting to enable replies at the Annual General Meeting.

- Members holding shares in physical form, who have not yet forwarded details either of their Bank Account or Electronic Clearing Service (ECS) mandates are requested to furnish the same to the Company.
- Members holding shares in dematerialized mode are requested to intimate all changes with respect to their Bank details, ECS mandates, nomination, change of address to their Depository Participant (DP).
- The amount of unclaimed dividend for and upto the financial year ended 31<sup>st</sup> March, 1994 has already been transferred to the General Revenue Account of the Central Government. Shareholders who have so far not claimed dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, NCT of Delhi and Haryana by submitting an application in the prescribed form.
  - Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years is transferred to the "Investor Education and Protection Fund" (IEPF), constituted by the Central Government and member(s) would not be able to claim any amount of dividend so transferred to IEPF. As such, member(s) who have not yet encashed his/their dividend warrant(s) is/are requested in his/their own interest to write to the Company for claiming outstanding dividend declared by the Company during the years 2002 and onwards.

The amount of unpaid or unclaimed dividend relating to the financial year ended 31<sup>st</sup> March, 1995 to 31<sup>st</sup> March, 2001 have already been transferred to the IEPF.

- Shareholders of erstwhile Rico Agroils Limited who have not yet exchanged their Share Certificates may surrender the same at the Corporate Office of the Company.
  - The Equity Shares of the Company of face value of Rs. 10/- (Rupees Ten only) each has been sub-divided into 10 Equity Shares of face value of Re.1/- (Rupee One only) each w.e.f. 18<sup>th</sup> March, 2005 being the Record Date for the same. Members holding shares in physical form and who have not yet surrendered the physical share certificate(s) for sub-division may send the share certificate(s) to the Corporate Office of the Company.
- Members must quote their Folio Number/DP ID No. and contact details such as email address, telephone number etc. in all correspondence with the Company/Registrar and Share Transfer Agent.
- As per the Circular No. MRD/Dop/Cir-05/2009 dated 20<sup>th</sup> May, 2009 issued by Securities and Exchange Board of India (SEBI) it is mandatory to quote PAN for transfer of shares in physical form. Therefore, the transferee(s) are requested to furnish a copy of their PAN to the Company/Registrar & Share Transfer Agent of the Company.
- All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Sundays and Public Holidays between 10.00 a.m. to 12.30 p.m. upto the date of the Annual General Meeting.
- The information as required by the Clause 49 of the Listing Agreement regarding re-appointment of Directors is given below:

### Item No. 3

#### Shri Anup Singh

Shri Anup Singh, born on 9<sup>th</sup> November, 1931 was appointed as Director by the Board of Directors on 28<sup>th</sup> June, 1996 is a Graduate from the Indian Railway Institution for Mechanical Engineering and Electrical Engineering and Fellow of IME (London, UK). He is retired Secretary, Government of India and Member of Indian Railway Board. He also held the position of Chairman, Institute of Mechanical Engineers (London) - Indian Centre.

He has also been honored with Gold Medal by Indian Railway Board and Steward-Dyer Award by the Institution of Mechanical Engineers (London). Presently he is on the Board of various well known Companies. He has 55 years vast experience to his credit. His professional guidance on technical and other fields has contributed a lot in the progress of the Company. He is also Director of the following Companies:

1. Karam Chand Thapar & Bros. (Coal Sales) Limited
2. United Van Der Horst Limited

He is member of the following Committees of Rico Auto Industries Limited:

- |                                      |   |          |
|--------------------------------------|---|----------|
| i) Audit Committee                   | – | Chairman |
| ii) Shareholders Grievance Committee | – | Chairman |
| iii) Remuneration Committee          | – | Chairman |

He does not hold any Equity Shares of the Company.

### Item No. 4

#### Prof. Vinod Kumar Bhalla

Prof. Vinod Kumar Bhalla, born on 15<sup>th</sup> November, 1948 was appointed as Director by the Board of Directors on 19<sup>th</sup> March, 1998 is an eminent Academician and Scholar with Ph.D. in Finance. Presently he is Professor, Faculty of Management Studies, University of Delhi. He has written many books on financial matters and his specialized area is Security Analysis & Portfolio Management, International Finance and Financial Decision Analysis. He has also contributed innumerable articles on financial matters. He has more than 36 years vast and rich experience. His guidance and advice has contributed in the progress of the Company. He is also Director of the following Companies:

1. IFCI Financial Services Limited
2. Northern Coalfields Limited

He is member of the Committees of following Companies:

- |                                      |   |          |
|--------------------------------------|---|----------|
| 1. Rico Auto Industries Limited      |   |          |
| i) Audit Committee                   | – | Member   |
| ii) Shareholders Grievance Committee | – | Member   |
| iii) Share Transfer Committee        | – | Member   |
| iv) Investment Committee             | – | Member   |
| v) Finance Committee                 | – | Member   |
| 2. IFCI Financial Services Limited   |   |          |
| i) Audit Committee                   | – | Chairman |
| ii) Remuneration Committee           | – | Chairman |
| 3. Northern Coalfields Limited       |   |          |
| i) Audit Committee                   | – | Member   |

He is holding 1500 Equity Shares of the Company.

### Item No. 5

#### Shri Rakesh Kapur

Shri Rakesh Kapur, born on 9<sup>th</sup> February, 1955 was appointed as Director by the Board of Directors on 30<sup>th</sup> January, 1985 is a Commerce Graduate. He has about 32 years of Industrial and

Administrative experience to his credit. His vast and rich experience has enabled the Company to achieve the good progress. He is also Director of the following Companies:

1. Rico Castings Limited
2. Rico Auto Industries Inc., USA
3. Uttarakhand Automotives Limited
4. Rasa Autocom Limited
5. RAA Autocom Limited
6. Rico Jinfei Wheels Limited
7. Kapsons Associates Investments Private Limited
8. Higain Investments Private Limited
9. Magpie Properties Private Limited
10. Octan Media Private Limited

He is member of the following Committees of Rico Auto Industries Limited:

- |                                     |   |        |
|-------------------------------------|---|--------|
| i) Shareholders Grievance Committee | – | Member |
| ii) Share Transfer Committee        | – | Member |
| iii) Finance Committee              | – | Member |

He is holding 2159020 (1.72%) Equity Shares of the Company.

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

#### Item No. 7 & 9

Due to unforeseen severe economic slowdown, the financial year 2008-09 was a difficult year for Indian Industry which has been badly hit by the unprecedented downturn in the global economy. Business and consumer sentiments across the globe were severely affected. The severe volatility in the forex markets has also adversely impacted the financial performance of the Company. Consequently, there has been inadequate profits during financial year 2008-09. As a result the remuneration paid to Shri Arvind Kapur has exceeded the limits laid down under Schedule XIII to the Companies Act, 1956. Therefore, the Company seek the shareholders approval by way of Special Resolution for the payment and waiver of recovery of excess remuneration paid to him as stated in the Special Resolution at Item No.7 which is subject to the approval of the Central Government. The Company is in the process of filing an application with the Central Government for its approval.

Shri Arvind Kapur is the Managing Director of the Company since December, 1984. The present terms of appointment of Shri Arvind Kapur, Vice Chairman, CEO & Managing Director as approved by the Shareholders in their meeting held on 5<sup>th</sup> August, 2004 will expire on 16<sup>th</sup> December, 2009. The Board felt that for the sake of efficient running of the Company the services of Shri Arvind Kapur, Vice Chairman, CEO & Managing Director should be available to the Company for a further period of five years with effect from the expiry date of his present tenure.

Considering the increase in responsibilities being shouldered by the Managing Director in the context of increased volume of business of the Company, your Board of Directors felt it appropriate subject to shareholders approval to re-appoint Shri Arvind Kapur, Vice Chairman, CEO & Managing Director on remuneration as detailed in the resolutions, which commensurate with the responsibilities undertaken by him. The remuneration payable to him is for three years effective 1<sup>st</sup> April, 2009 upto 31<sup>st</sup> March, 2012. The Remuneration Committee has approved the proposed re-appointment and remuneration payable to him which is subject to your approval and approval of the Central Government.

The Board recommends the Special Resolutions at Item Nos.7 & 9 of the Notice for your approval.



The Explanatory Statement together with the accompanying Notice should be treated as an Abstract of the Terms and Memorandum of Interest of the Director under section 302 of the Companies Act, 1956.

None of Directors except Shri Arvind Kapur, Shri Arun Kapur and Shri Rakesh Kapur being brothers are interested or concerned in the proposed resolutions.

The particulars required to be disclosed in the Explanatory Statement in accordance with the provisions of Sub-paragraph (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956 are given below:

## I. GENERAL INFORMATION

Refer Annexure A

## II. INFORMATION ABOUT THE APPOINTEE

### 1. Background Details

Shri Arvind Kapur born on 5<sup>th</sup> July, 1950 is a Science Graduate from St. Stephen's College, University of Delhi and done President Management Program from Harvard Business School, USA. He is the co-promoter of the Company and is presently the Vice Chairman, CEO & Managing Director of the Company.

Shri Arvind Kapur has an enriched and vast experience of more than three decades in the industry to his credit and has been instrumental in bringing your Company to its present state. Turnover has increased to Rs.844.41 crores from Rs.0.87 crore in 1986.

### 2. Past Remuneration

The remuneration drawn by Shri Arvind Kapur during the past five years is as under:

Financial Year Ended		Amount (Rs. in Crores)
31 <sup>st</sup> March, 2005	–	2.84
31 <sup>st</sup> March, 2006	–	2.72
31 <sup>st</sup> March, 2007	–	2.07
31 <sup>st</sup> March, 2008	–	1.57
31 <sup>st</sup> March, 2009	–	0.78

### 3. Recognition and Awards

He is also Director of the following Companies:

1. FCC RICO Limited
2. Unitech Machines Limited
3. RicoAuto Industries Inc. USA
4. RicoAuto Industries (UK) Limited, U.K.
5. S. T. Limited
6. Rico Jinfei Wheels Limited
7. Kapsons Associates Investments Private Limited
8. Higain Investments Private Limited
9. KDB Investments Private Limited
10. Magpie Properties Private Limited
11. Haridwar Estates Private Limited
12. Octan Media Private Limited
13. Continental Rico Hydraulic Brakes India Private Limited
14. Contech Infosystems Private Limited

He is member of the following Organisations/Concerns:

1. – Automotive Components Manufacturers Association of India (ACMA) – EC Member
- ACMA Center of Technology (ACT) – Chairman
2. Policy and Planning Group (Society) – Member
3. CII Haryana State Council (Northern Region) – Member & Past Chairman

He is member of the Committees of following Companies:

### 1. Rico Auto Industries Limited

- i) Share Transfer Committee – Chairman
- ii) Finance Committee – Chairman
- iii) Investment Committee – Member

### 2. Unitech Machines Limited

- i) Remuneration Committee – Member

### 4. Job Profile & Suitability

Shri Arvind Kapur, Vice Chairman, CEO & Managing Director is vested with substantial powers of the Company under the superintendence, control and directions of the Board of Directors. His planning, vision, strategies and long term development activities under his leadership, your Company has reached to its present position. Your Company has plants at Dharuhera and Gurgaon both Aluminium High Pressure Die Casting (HPDC) and the Ferrous Foundry, third plant (HPDC) is coming up at Haridwar which is expected to commence production in the last quarter of the financial year 2009-10. The other projects are in pipe line. Four Joint Ventures have been entered into by the Company. By all these expansion plans, the Company is expected to register a growth in the years to come. He is devoting his full time in managing the business of the Company. Therefore, he is best suitable for the job.

### 5. Remuneration proposed

As set out in the proposed Special Resolution at Item No.9.

### 6. Comparative Remuneration Profile with respect to Industry, size of the Company, profile of the position and person

The remuneration proposed to be paid to the Appointee is in line with the remuneration paid to the Managing Director of the well known Companies in the Industry, at present the Company is having two working plants at Dharuhera and Gurgaon and other at Haridwar is in advance stage of completion and expected to start the commercial production in the last quarter of the current financial year. Besides this, he is also looking after our four Joint Venture Companies and six Subsidiary Companies.

All these plants and offices are working under his leadership. Keeping in view his job profile and position and responsibilities being shouldered by Shri Arvind Kapur, remuneration being given is even below par. The Remuneration Committee while recommending the proposed resolution has taken into account all these factors.

### 7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any

Besides the remuneration proposed herein, Shri Arvind Kapur has no other pecuniary relationship with the Company. He is related to Shri Arun Kapur, Joint Managing Director and Shri Rakesh Kapur, Director of the Company.

## III. OTHER INFORMATION

Refer Annexure B

### Item No. 8 & 10

Due to unforeseen severe economic slowdown, the financial year 2008-09 was a difficult year for Indian Industry which has been badly hit by the unprecedented downturn in the global economy. Business

and consumer sentiments across the globe were severely affected. The severe volatility in the forex markets has also adversely impacted the financial performance of the Company. Consequently, there has been inadequate profits during financial year 2008-09. As a result the remuneration paid to Shri Arun Kapur has exceeded the limits laid down under Schedule XIII to the Companies Act, 1956. Therefore, the Company seek the shareholders approval by way of Special Resolution for the payment and waiver of recovery of excess remuneration paid to him as stated in the Special Resolution at Item No.8 which is subject to the approval of the Central Government. The Company is in the process of filing an application with the Central Government for its approval.

Shri Arun Kapur is the Joint Managing Director of the Company since May, 1985. The present terms of appointment of Shri Arun Kapur, Joint Managing Director as approved by the Shareholders in their meeting held on 5<sup>th</sup> August, 2004 will expire on 1<sup>st</sup> May, 2010. The Board felt that for the sake of efficient running of the Company the services of Shri Arun Kapur, Joint Managing Director should be available to the Company for a further period of five years with effect from the expiry date of his present tenure.

Considering the increase in responsibilities being shouldered by the Joint Managing Director in the context of increased volume of business of the Company, your Board of Directors felt it appropriate subject to shareholders approval to re-appoint Shri Arun Kapur, Joint Managing Director on remuneration as detailed in the resolutions, which commensurate with the responsibilities undertaken by him. The remuneration payable to him is for three years effective 1<sup>st</sup> April, 2009 upto 31<sup>st</sup> March, 2012. The Remuneration Committee has approved the proposed re-appointment and remuneration payable to him which is subject to your approval and approval of the Central Government.

The Board recommends the Special Resolutions at Item Nos.8 & 10 of the Notice for your approval.

The Explanatory Statement together with the accompanying Notice should be treated as an Abstract of the Terms and Memorandum of Interest of the Directors under section 302 of the Companies Act, 1956.

None of Directors except Shri Arun Kapur, Shri Arvind Kapur and Shri Rakesh Kapur being brothers are interested or concerned in the proposed resolutions.

The particulars required to be disclosed in the Explanatory Statement in accordance with the provisions of Sub-paragraph (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956 are given below:

## I. GENERAL INFORMATION

Refer Annexure A

## II. INFORMATION ABOUT THE APPOINTEE

### 1. Background Details

Shri Arun Kapur born on 14<sup>th</sup> February, 1954 is an Arts Graduate from Punjab University. He is the co-promoter of the Company and is presently the Joint Managing Director of the Company.

Shri Arun Kapur has vast experience of about three decades in the industry. He has been instrumental in the growth of the Company.

### 2. Past Remuneration

The remuneration drawn by Shri Arun Kapur during the past five years is as under:

Financial Year Ended		Amount (Rs. in Crores)
31 <sup>st</sup> March, 2005	–	2.84
31 <sup>st</sup> March, 2006	–	2.72
31 <sup>st</sup> March, 2007	–	2.07
31 <sup>st</sup> March, 2008	–	1.57
31 <sup>st</sup> March, 2009	–	0.62

## 3. Recognition and Awards

He is also Director of the following Companies:

1. Rico Castings Limited
2. Uttarakhand Automotives Limited
3. Rasa Autocom Limited
4. RAA Autocom Limited
5. Kapsons Associates Investments Private Limited
6. Higain Investments Private Limited
7. Magpie Properties Private Limited
8. Octan Media Private Limited

He is member of the following Committee of Rico Auto Industries Limited:

- i) Share Transfer Committee – Member

## 4. Job Profile & Suitability

Shri Arun Kapur, Joint Managing Director is vested with substantial powers of the Company under the superintendence, control and directions of the Board of Directors. His planning, vision, strategies and long term development activities under his leadership, your Company has reached to its present position. Your Company has plants at Dharuhera and Gurgaon both Aluminium High Pressure Die Casting (HPDC) and the Ferrous Foundry, third plant (HPDC) is coming up at Haridwar which is expected to commence production in the last quarter of the financial year 2009-10. The other projects are in pipe line. Four Joint Ventures have been entered into by the Company. By all these expansion plans, the Company is expected to register a growth in the years to come. He is devoting his full time in managing the business of the Company. Therefore, he is best suitable for the job.

## 5. Remuneration proposed

As set out in the proposed Special Resolution at Item No.10.

## 6. Comparative Remuneration Profile with respect to Industry, size of the Company, profile of the position and person

The remuneration proposed to be paid to the Appointee is in line with the remuneration paid to the Managing Director of the well known Companies in the Industry, at present the Company is having two working plants at Dharuhera and Gurgaon and other at Haridwar is in advance stage of completion and expected to start the commercial production in the last quarter of the current financial year. Besides this, he is also looking after our four Joint Venture Companies and six Subsidiary Companies.

All these plants and offices are working under his leadership. Keeping in view his job profile and position and responsibilities being shouldered by Shri Arun Kapur, remuneration being given is even below par. The Remuneration Committee while recommending the proposed resolution has taken into account all these factors.

**7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any**

Besides the remuneration proposed herein, Shri Arun Kapur has no other pecuniary relationship with the Company. He is related to Shri Arvind Kapur, Vice Chairman, CEO & Managing Director and Shri Rakesh Kapur, Director of the Company.

**III. OTHER INFORMATION**

Refer Annexure B

**ANNEXURE A**

**GENERAL INFORMATION**

**1. Nature of the Industry**

The Company is a part of Indian Auto Components Manufacturing Industry and is engaged in the business of manufacturing high precision fully Machined Aluminium and Ferrous Components and Assemblies for Original Equipment Manufacturers (OEMs) across the globe.

**2. Date of Commercial Production**

Commercial production has already commenced.

**3. Financial Performance**

The financial performance of the Company (Audited) during the last five years is as under:

(Rs. in crores)

Financial Parameters	Year ended 31/03/05	Year ended 31/03/06	Year ended 31/03/07	Year ended 31/03/08	Year ended 31/03/09
Turnover	693.70	772.70	888.00	827.30	844.40
Net Profit (As computed under Sec.198)	56.93	54.50	41.34	31.36	4.31
Net Profit as per Profit & Loss Account	35.23	34.47	25.84	22.25	4.75
Amount of dividend paid including tax	12.22	13.98	10.74	8.80	2.20 (Proposed)
Rate of dividend declared	100% (Rupee One per share)	100% (Rupee One per share)	75% (Paise Seventy five per share)	60% (Paise Sixty per share)	15% (Paise Fifteen per share) (Proposed)

**4. Financial Performance based on given Indicators**

The Company's sales are affected corresponding to growth of Indian Auto Component Industry.

**5. Export Performance and Net Foreign Exchange Collaborations**

The exports and earning in foreign currency, during the previous five years are as under:

Financial Year Ended		Amount (Rs. in Crores)
31 <sup>st</sup> March, 2005	—	40.54
31 <sup>st</sup> March, 2006	—	85.92
31 <sup>st</sup> March, 2007	—	119.09
31 <sup>st</sup> March, 2008	—	142.94
31 <sup>st</sup> March, 2009	—	141.65

**6. Foreign Investment or Collaborators, if any**

Holding of FIIs/NRIs/OCBs/Foreign Companies in the Company as on 30<sup>th</sup> June, 2009 is 7.20%. The Company has no foreign collaboration as on date. The Company has two Foreign Wholly Owned Subsidiaries namely:

- Rico Auto Industries Inc., USA
- Rico Auto Industries (UK) Limited, U.K.

**ANNEXURE B**

**OTHER INFORMATION**

**1. Reasons of Loss or Inadequate Profits**

The Company during the financial year 2008-09 could not earn the profits as was earning in the past. The financial performance of the Company was impacted due to the global economic slowdown, increase in interest rate, the severe volatility in the forex markets and increase in input cost. Due to these main reasons profits earned are inadequate.

**2. Steps taken or proposed to be taken for improvement**

The Company is taking series of strategic and operational measures to improve the profitability. Steps are being taken to reduce cost of inputs and increase the productivity and profits.

**3. Expected increase in Productivity and Profits in Measurable Terms**

The aforesaid steps being taken by the Company would increase the productivity and profits of the Company. The Company would continue its endeavour to increase the revenues to improve the profitability in the coming years.

**4. Disclosures**

The requisite disclosures of remuneration package etc. have been mentioned in the Corporate Governance Report which forms part of this Report.

By Order of the Board  
for **Rico Auto Industries Limited**

Place : Gurgaon  
Dated : 30<sup>th</sup> July, 2009

**B.M. Jhamb**  
Company Secretary

## DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting the 26<sup>th</sup> Annual Report of your Company, together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2009.

(Rs. in Crores)

	Current Year 31/03/2009	Previous Year 31/03/2008
Gross Sales and other Income	844.41	827.34
Net Sales and other Income	765.67	735.48
Profit before Interest & Depreciation	98.36	101.25
Less : Interest & Financial charges	45.47	25.89
Profit before Depreciation and Tax	52.89	75.36
Depreciation	50.02	47.32
Fringe Benefit Tax	0.62	0.75
Provision for Income Tax	0.05	2.16
Provision for Deferred Tax	(2.55)	2.86
Previous year Income Tax	—	0.02
Net Profit	4.75	22.25
Appropriations:		
Proposed Dividend on		
Equity Shares @15%	1.88	—
Dividend on Equity Shares @60%	—	7.53
Corporate Dividend Tax	0.32	1.27
Transferred to General Reserve	0.24	2.22
Balance carried to Balance Sheet	2.31	11.23
	4.75	22.25

The turnover of your Company increased by two per cent from Rs.827.34 crores in the previous year to Rs.844.41 crores in the year under report. Your Company has earned a Profit before Interest, Depreciation and Tax (PBITD) of Rs.98.36 crores over the previous year's PBITD of Rs.101.25 crores.

### OUTLOOK FOR CURRENT YEAR

The Unaudited Financial Results for the quarter ended 30<sup>th</sup> June, 2009, already announced, show a turnover of Rs.197.21 crores and PBITD of Rs.24.75 crores for the first quarter of the current year against a turnover of Rs.215.36 crores and PBITD of Rs.22.93 crores of the corresponding quarter of the previous year, results have recorded decline in turnover by 8.43 per cent and growth in PBITD by 7.94 per cent respectively. Your Directors are taking steps to improve the turnover and margin during the remaining part of the year.

### RESERVES

The reserves of your Company after proposed appropriations shall stand at Rs.260.13 crores as against Rs.256.85 crores in the previous year.

### EXPORT

The export turnover of your Company during the period under review was Rs.125.68 crores against Rs.142.23 crores in the previous year. The export turnover includes sale to Wholly Owned Subsidiaries amounting to Rs.120.80 crores as against Rs.102.95 crores in the previous year.

During the quarter ended 30<sup>th</sup> June, 2009 of current year export turnover was Rs.29.02 crores as against Rs.34.59 crores in the corresponding quarter of the previous year. Further details as regards efforts of your Company on this front have been dealt with in the Management Discussion and Analysis section of this report.

### DIVIDEND

Your Directors have recommended a Dividend @15 per cent i.e. Re.0.15 per Equity Share of Re.1/- each for the financial year 2008-09, amounting to Rs.2.20 crores including dividend tax of Rs.0.32 crore on the Equity Share Capital of Rs.12.56 crores as against the dividend of 60 per cent i.e. Re.0.60 per Equity Share of Re.1/- each aggregating to Rs.8.80 crores including dividend tax of Rs.1.27 crores in the previous year on the same Equity Share Capital.

### SHARE CAPITAL

The Company has made preferential allotment of 97,00,000 Warrants convertible in one or more tranches within 18 months from the date of allotment date i.e. 11<sup>th</sup> July, 2009 into equal number of Equity Shares of Rupee One each at a premium of Rs.16.50 per Share to the Promoter Group Company. An upfront payment has been received @Rs.4.40 per warrant aggregating to Rs.4.27 crores and balance amount will be received at the time of conversion of the warrants. The amount collected has been utilized for the purpose it was raised.

### FINANCE

Your Company has been affirmed "A2+" and "LA-" Ratings for Line of Credit (Basel-II) for its Short Term and Long Term Bank Facilities respectively by ICRA Limited and has also been affirmed "AA-(ind)" by Fitch Ratings for Long Term Debt Programme of Rs.20.00 crores. Your Company uses long/short term facilities from the Banks on most favourable terms. The existing "A1" rating by ICRA Limited for Commercial Paper/Short Term Debt Programme of Rs.30.00 crores has been withdrawn by us.

### NEW PLANTS

Your Company is undertaking continuous endeavours for expansion of its domestic and overseas customers by implementing new facilities. For establishing manufacturing facilities, your Company has started work for its:

- Haridwar Plant: This plant is expected to commence commercial production in the last quarter of current financial year 2009-10 and will cater to the needs of Hero Honda Motors for its plant at Haridwar, Uttarakhand.
- Singur Plant, which was to be established for supplies to TATA Motors for its Nano Car, could not start the production because of shifting of the customer from Singur, West Bengal to Sanand in Gujarat. This was due to certain unfavourable developments in the area pertaining to industries. Your Company has invested Rs.7.90 crores in the said project. Your Company has now been allotted land at Sanand by TATA Motors against deferred payments. At present, the required components for Nano Car project are being supplied from the Gurgaon Plant.

### SUBSIDIARY COMPANIES

Your Company has Unlisted Wholly Owned Subsidiaries:

#### A. Rico Auto Industries Inc. USA

This Company is engaged in the business of trading of Auto Components in the North American and Brazil Markets.

The Company earned a total revenue of Rs.106.13 crores during the financial year ended 31<sup>st</sup> March, 2009 as against Rs.89.19 crores in the previous year, an increase of 19 per cent. The net profit of Rs.3.04 crores as against Rs.1.64 crores in the previous year, recorded a growth of 85.37 per cent. This Company has not declared any dividend for the financial year ended 31<sup>st</sup> March, 2009.



- iv) the annual accounts for the financial year ended 31<sup>st</sup> March, 2009 have been prepared on a going concern basis.

#### AUDIT COMMITTEE

Your Company has an Audit Committee to meet the requirement of the Companies Act, 1956 as well as of Listing Agreement with the Stock Exchanges. The details of the Audit Committee are given under the Corporate Governance Report.

#### LISTING OF EQUITY SHARES

The Equity Shares of your Company are presently listed on Bombay Stock Exchange Limited & The National Stock Exchange of India Limited. The Annual Listing Fees have been paid for the financial year 2009-10.

#### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Shri Anup Singh, Prof. Vinod Kumar Bhalla and Shri Rakesh Kapur, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board has re-appointed Shri Arvind Kapur as Vice Chairman, CEO & Managing Director and Shri Arun Kapur as Joint Managing Director for a further period of five years commencing from 17<sup>th</sup> December, 2009 and 2<sup>nd</sup> May, 2010 respectively. Resolutions for their re-appointment and remuneration are being placed for your approval in the forthcoming Annual General Meeting.

Brief resume relating to Directors who are being re-appointed are given in the Notice of the Annual General Meeting.

#### AUDITORS

M/s. Gupta Vigg & Co., Chartered Accountants, Statutory Auditors of the Company hold office till the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. They have given a certificate under section 224(1B) of the Companies Act, 1956 to the effect that their re-appointment as Auditors of the Company, if made, would be in accordance with the said section. The Board recommends their re-appointment.

The Auditors have made certain comments in their Audit Report, concerning the Accounts of the Company for the financial year 2008-09. The management explanation is given below:

The Company has paid managerial remuneration to Managing Director and Joint Managing Director which is in excess of the limit under the Companies Act, 1956 by Rs.91.00 lacs. Had the Company accounted for the managerial remuneration in accordance with the Act, the profit after tax would have been higher by Rs.60.00 lacs and loans and advances would have been higher by Rs.91.00 lacs.

Your Directors wish to state that the Company has been continuously making adequate profits for the last so many years and thus had been paying remuneration to its managerial personnel within overall limits as specified under the Companies Act, 1956. The said managerial personnel were given the remuneration on the basis that the Company has adequate profits to remunerate them as per the previous trends upto September, 2008. The half year ended September, 2008 earned a profit of Rs.9.96 crores, but due to unforeseen global economic slow down the financial performance was impacted in third quarter ended December, 2008 where in loss of Rs.1.54 crores was recorded and profit has gone down to Rs.8.42 crores for the nine months period ended 31<sup>st</sup> December, 2008. In the Board Meeting held in January, 2009 while discussing the profit for the aforesaid period, the Board felt that the remuneration being paid to managerial personnel is in excess of the permissible limits

prescribed in Section 309 read with Schedule XIII to the Companies Act, 1956, hence, they refixed the remuneration of aforesaid managerial personnel to the minimum level as stated in Clause A of Section II of the Schedule XIII to the Companies Act, 1956. Therefore, due to shortfall of the profit in the financial year 2008-09 the above sum became the excess remuneration. The Company is seeking your approval in the forthcoming Annual General Meeting and also is in the process of obtaining approval of the Central Government for waiver of recovery of the excess managerial remuneration paid during 2008-09.

The other observations in the Auditors' Report are dealt within the notes to accounts at appropriate places and, being self-explanatory, need no further comments. The Directors' Report should be read in conjunction with the Auditors' Report and notes to Accounts annexed hereinafter.

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

As required by the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information is given in the annexure forming part of this report.

#### TRANSFER OF UNPAID/UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained unpaid/unclaimed for a period of 7 years have been transferred by the Company to the IEPF established by the Central Government pursuant to Section 205C of the said Act.

#### PERSONNEL

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company Secretary at the Corporate Office of the Company.

The said information is also available for inspection at the Corporate Office and Registered Office during working hours upto the date of the Annual General Meeting.

During the year under report the Industrial relations with personnel remained cordial, at all Plants. Your Directors wish to place on record their appreciation of the sincere and unstinted support provided to the Company by its employees at all levels.

#### ACKNOWLEDGEMENTS

The Board wishes to place on record its sincere appreciation for the continued assistance and support extended to the Company by Financial Institutions, Banks and various departments of Central and State Governments. Your Directors acknowledge with gratitude the encouragement and support extended by our valued customers.

On behalf of the Board of Directors

**Anup Singh**  
Director-in-Chair

**Arvind Kapur**  
Vice Chairman,  
CEO &  
Managing Director

Place : Gurgaon  
Dated : 30<sup>th</sup> July, 2009

## ANNEXURE TO DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009.

### A. CONSERVATION OF ENERGY

#### a) Energy Conservation measures taken:

Energy Conservation is an ongoing process with us taken as a challenge. The various measures taken by your Company are:

- i) Using water temperature sensors to control water pumps operation in cooling towers.
- ii) Installation of pressure controller system for supply of air at constant pressure optimizing the loading/unloading of compressors and reducing the compressed air generation pressure.
- iii) Installation of UPS for critical load application.
- iv) Reduce energy consumption through
  - Installation of lighting energy saver.
  - Recycling of ETP/STP treated water for cooling towers/toilet flushing.
  - Use of radiators for DGs in place of cooling tower for water conservation.

#### b) Additional Investment and Proposals for reduction of consumption of energy and green environment:

- i) Use of Natural Gas for power generation and other manufacturing processes such as melting, painting, heating etc.
- ii) Installation of UPS for further identified critical load.
- iii) Waste Heat recovery from DG Exhaust Gas
  - Process Water Heating.
  - Comfort Air Conditioning in Office.
- iv) Waste water recycling for use in manufacturing process.

#### c) Impact of the above measures:

With the implementation of the various energy conservation measures, the energy cost is expected to be reduced and consequently will result in cost saving.

#### d) Total Energy Consumption and Energy Consumption per unit of production:

Being not applicable to auto components sector, the Form A is not furnished.

### B. TECHNOLOGY ABSORPTION

#### e) Efforts made in technology absorption as per Form B:

The details in this regard are set out in Form B attached hereto.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

#### f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans are mentioned below:

- i) Activities relating to exports: The first half of 2008-09 saw growth in export to North America and Europe. New programs with customers were launched during this period. However, due to world wide recession that engulfed the global economy and significantly impacted the automotive industry, the second half numbers were muted and your Company's exports declined by 11%. In the first quarter of the current financial year, the global markets have shown stability and early signs of recovery.
  - ii) Initiatives taken to increase exports: Initially, the exports of our products were centered to a few customers in United Kingdom and North America. However, in the past few years we have been able to add premium customer in Europe with likes of BMW, Renault, Nissan, Honeywell, Mann + Hummel, and Magna Powertrain. In the Asian markets of Japan, Thailand and China, the Company has been able to launch our products to JATCO, Nissan and Perkins respectively, where we see a significant growth potential.
  - iii) Development of new export markets for products and services: We feel that there will be a measured recovery of the automotive industry over the next few years. Due to the cost and capacity pressure in the North American and European markets, there will be additional opportunities that will present themselves and our teams are working towards exploring new business opportunities and customers.
- Your Company is also exploring the opportunities to make inroads in the non automotive business segments.

- iv) Export plans: The export market is showing signs of revival and your Company is confident that it will be able to achieve double digit growth of its sales to its export customers. This will also be on the back of new product launches that have been done last two quarters.

#### g) Total foreign exchange used and earned:

(Rs. in Crores)

Particulars	2008-2009	2007-2008
i) CIF value of imports	42.37	54.21
ii) Expenditure in foreign currency	2.70	4.11
iii) Foreign Exchange earned	141.65	142.94

**FORM – B**

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

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

1. Specific areas in which R&D carried out by the Company:
  - a) Optimum heat treatment cycle for TMC (Tandem Master Cylinder): Extensive work was carried out in R&D's furnace with different combination of solutionising and aging cycle and optimum cycle for hardness & elongation was arrived at.
  - b) Establishment of testing procedure for VCI oil & film: To take care of rusting while the material is transported via high sea, the essential quality parameters of VCI was found out and the testing procedure was established.
  - c) Micro-structure analysis of Aluminium was established, using R&D's SEM-EDS. Thus the dependency on external laboratory has been removed.
  - d) Co-relation of co-efficient of thermal expansion of different grades of Cast Iron was established, using R&D's dilatometer.
  - e) Checking of contaminant's size and composition, on the residue collected on the Millipore paper has been carried out in SEM-EDS.
  - f) The measurement of porosity size & distribution on Aluminium Components as per customer's standard was established in R&D's SEM.
  - g) Data collected and analysed for optimum Magnesium treatment in Foundry.
2. Benefits derived as a result of R&D:
  - a) Increase in customer confidence in Rico's R&D capabilities.
  - b) Design and material data bases are continuously improved and enhanced.
  - c) Confidence built-up amongst R&D personnel for the multiple usages of the testing equipments.
  - d) Team working and cross-functional activities improved.
3. Future plan of action:
  - a) To establish 'Innovation' function of R&D.
  - b) Projects undertaken with Foundry & HPDC to be completed.
4. Expenditure on R&D:

a) Capital Expenditure (Net of Sale/Disposal)	:	Rs.8.63 crores
including Capital Work-in-Progress as on 31/03/2009		
b) Capital Expenditure during the year 2008-09	:	Rs.0.06 crores
c) Capital Work-in-Progress during the year 2008-09 (decrease)	:	(-) Rs.0.04 crores
d) Recurring Expenditure	:	Rs.0.54 crores
e) Depreciation	:	Rs.0.57 crores
f) Total (b to e)	:	Rs.1.13 crores
g) Total R&D expenditure as percentage to total turnover	:	0.13%

## B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation & innovation:
  - Vibration durability test techniques have been learnt and absorbed.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
  - Prediction of probable failure during cyclic use of products and consequent improvement in their design.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:  
Technology Imported:
  - i) The Company has signed a licensing and technological agreement with Teksid Aluminium of Italy to develop Aluminium Engine Blocks and Heads to be produced with High and Low Pressure Die Cast, gravity and lost foam process.
    - a) Year of import 2006
    - b) Has technology been fully absorbed Yes
    - c) If not fully absorbed, areas where this has not taken place, reasons & future course of action N.A.



## ANNEXURE TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS

Rico Auto Industries Limited (RICO) is amongst the leading players in the Indian auto components industry. RICO supplies Aluminium and Ferrous Machined Components and Assemblies to Original Equipment Manufacturers (OEMs) across the globe.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Government of India in consultation with SIAM and ACMA, published the Automotive Mission Plan 2016 which envisions India:

"To emerge as the destination of choice in the world for design & manufacture of automobiles and auto components with output reaching a level of US\$ 145 billion, accounting for more than 10 per cent of the GDP and providing additional employment to 25 million people by 2016".

ACMA in its Vision 20:20:1 forecasts that the Indian auto component industry will achieve domestic turnover of US\$ 20 billion, export turnover of US\$ 20 billion and in the process create additional 1 million jobs by 2016.

These figures reflected significant potential of growth in auto components industry both for the domestic market and exports from India.

Fiscal 2008-09, however, witnessed lower GDP growth trend compared to preceding years due to weak economy of developed nations. India recorded GDP at 6.7 per cent in 2008-09. The year witnessed steep increase in price of commodities like Oil, Steel and Aluminium among others and our economy entered into a period of rising inflation and thus increasing interest rates.

As recession deepened, Companies in India also took a hit. Production plans were curtailed and expansion plans postponed as demand fell globally.

The Automotive Industry as a whole remained sluggish and has marginal growth in the financial year 2008-09 as compared to the previous year. Although the passenger car segment has recorded growth at 3.44 per cent in comparison to the 12 per cent growth in the previous year. The two wheeler segment increased by 4.88 per cent.

Despite of the above, Automotive Components Industry in India is growing. Indian auto components industry's turnover increased from Rs.72000.00 crores in 2007-08 to Rs.76320.00 crores in 2008-09 (growth of 6 per cent) within which auto component exports grew from Rs.14132.00 crores in 2007-08 to Rs.16750.00 crores in 2008-09 (growth of 18.52 per cent).

### OPPORTUNITIES, THREATS AND OUTLOOK

Economic revival in India is faster as compared to the other developed nations. India has gained momentum, as a result of the government's stimulus package to revive the economy.

Opportunities are available both in the domestic and overseas markets. Your Company, to explore opportunities with existing and new customers, has developed dedicated account teams to focus on each customer. Your Company's expansion plans are very much afoot.

To cater the needs of Hero Honda Motors Limited for its plant at Haridwar, Uttarakhand, your Company has taken steps to establish a plant near to their location in Haridwar. This plant is expected to

commence commercial production in the last quarter of the current financial year 2009-10.

RICO's Singur Plant to be established for supplies to TATA Motors for its Nano Car, could not start the production because of shifting of the customer from Singur, West Bengal to Sanand in Gujarat. This was due to certain unfavourable developments in the area pertaining to industries. Your Company has invested Rs.7.90 crores in the said project. Your Company has now been allotted land at Sanand by TATA Motors against deferred payments. At present, the required components for Nano Car project are being supplied from the Gurgaon Plant.

Your Company to address the concerns relating to rising interest rate, material cost, energy cost, availability of power and volatility in foreign exchange is taking steps to reduce the adverse impact on the profitability.

Your Company is meeting the challenge at a global level by focusing on complex higher value adding products, design & development capabilities and entering into alliances and partnerships with leading global players. At present, your Company has four Joint Ventures to manufacture auto components for Indian and European markets, which would contribute towards growth and profitability of your Company in the coming years.

To address future commitments, your Company is implementing a strategic plan to build global scale and capabilities to meet the requirements of its existing as well as new customers. Both our customers namely Hero Honda and Maruti Suzuki are dominant players in their respective industry i.e. Motor cycles and passenger car. Your Company is not entirely export dependent which has worked to its advantage and its large domestic demand has helped prop up the turnover and has helped your Company to record net profits.

During the year 2008-09 the Company's exports were impacted by the global downturn.

On export front your Company has taken initiatives to develop new export markets for its products and services.

### SEGMENT WISE PERFORMANCE

The Company is operating mainly in the Auto Components business. Non-Auto Components business is BPM Division of the Company which has emerged out of the merger of the Wholly Owned Subsidiary namely Rico Softech Limited. This business contributes less than 1 per cent of the total turnover of the Company.

### FINANCIAL PERFORMANCE

#### 1. Revenue

The gross revenue of Rs.844.41 crores was recorded in the financial year ended 31<sup>st</sup> March, 2009 as compared to Rs.827.34 crores in the previous year. The total revenue for the financial year ended 31<sup>st</sup> March, 2009 includes export revenue of Rs.125.68 crores as against Rs.142.23 crores.

#### 2. Profits

The Company has earned Profit before Interest, Depreciation and Tax of Rs.98.36 crores during the financial year ended 31<sup>st</sup> March, 2009 over the previous year's profit of Rs.101.25 crores. Because of increase in interest cost and depreciation the Profit before Tax of Rs.2.87 crores and Profit after Tax of Rs.4.75 crores respectively recorded no growth over the previous year Profit before Tax of Rs.28.04 crores and Profit after Tax of Rs.22.25 crores.

### 3. **Earning Per Share (EPS)**

The Basic and Diluted EPS of Re. 1/- paid up share is Re.0.38 and Re.0.38 for the financial year ended 31<sup>st</sup> March, 2009 over the previous year's Basic and Diluted EPS of Rs.1.77 and Rs.1.77 respectively on Re. 1/- paid up share.

### 4. **Dividend**

The Board has recommended a dividend @ 15 per cent i.e. Re.0.15 per Equity Share of Re.1/- each for the financial year ended 31<sup>st</sup> March, 2009 as compared to Re.0.60 per share paid in the previous year.

### 5. **Dividend Payout**

The Dividend payout of Rs.2.20 crores amounts to 46.36 per cent of Profit after Tax in the financial year ended 31<sup>st</sup> March, 2009 as compared to 39.55 per cent in the previous year.

### 6. **Investment**

During the year, your Company has made investment in Equity Share Capital of the following Subsidiary/Joint Venture Companies:

- |  |                  |
|--|------------------|
| 1. Rico Jinfei Wheels Limited            | – Rs.1.85 crores |
| 2. Magna Rico Powertrain Private Limited | – Rs.4.62 crores |
| 3. RAA Autocom Limited                   | – Rs.0.05 crore  |

Investments made above are expected to contribute towards the growth and profitability of the Company in the coming years.

### 7. **Reserve & Surplus**

The Reserve and Surplus stood at Rs.260.13 crores in the financial year ended 31<sup>st</sup> March, 2009 as compared to Rs.256.85 crores in the previous year, which shows an increase of 1.28 per cent year on year.

### 8. **Loan Funds**

Total debt outstanding as on 31<sup>st</sup> March, 2009 has decreased to Rs.370.33 crores from Rs.372.62 crores over the previous year. The ratio of total debts to net worth now stands at 1.36 compared to 1.38 in the previous year.

### 9. **Fixed Assets**

Net Addition to gross block has been Rs.63.22 crores during the financial year ended 31<sup>st</sup> March, 2009, which has increased the total gross block to Rs.720.59 crores (Refer Schedule 4 to Balance Sheet for additional details). Net Addition to Plant & Machinery of Rs.56.86 crores comprises 90 per cent of the total additions made during the year. Ratio of net sales to net block has decreased from 1.61 times to 1.60 times in the financial year 2008-09. The impact of these additions would be reflected by increase in turnover in the coming financial years. These additions besides raising the plant's production capabilities & capacities to meet the increased demand of the customers will help us to reduce delivery time for customers as well.

## **RISKS AND CONCERNS**

The Company is exposed to external and internal risks associated with the business.

The operations of the Company are directly dependent on the Indian automotive industry. The cyclical nature of the industry affects us. General economic conditions impact the automotive industry, and, in turn, the operations as well. To counter these risks, we continue to broaden our product portfolio, increase our customer profile and geographic reach.

The Company is exposed to strong competitive pressures both domestic and overseas. Our established reputation, close customer relationships, ability to provide higher level of engineering, design support and relentless drive for improvement gives us a competitive edge. The Company is also exposed to financial risk from changes in interest rates, foreign exchange rates, and commodity prices.

We are fully aware of other risks and are implementing structured risk management system. The Company is taking steps to ensure the effective risk management including risk identification and its mitigation through proper insurance covers and other strategies.

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has effective and adequate internal control systems covering all areas of operations. These are being periodically reviewed by the Auditors of the Company and continuous improvements are being made.

## **HUMAN RESOURCES**

At RICO, our people have always been our most valuable resource. We support our people with continuous training and education facilities both in house and outside. Our relations with employees are cordial at all the plants.

There are 3755 employees including 1257 contractual employees in the Company as on 31<sup>st</sup> March, 2009.

## **ENVIRONMENT MANAGEMENT**

The Company is not involved in any type of operation that is hazardous to the environment. The Company adheres to the provisions of environmental laws. Environment Management Certificate ISO 14001 and Safety Certificate OHSAS 18001 are in place and are being reviewed by Underwriters Laboratories Inc. USA on regular basis.

## **INFORMATION TECHNOLOGY**

RICO is already on world class ERP infrastructure SAP. Thin Clients Virtualization Architecture and Bio Metric Systems are in place for controls and security. R&D lab with Engineering and Simulation software, working on Redundant Offsite Storage of information, for seamless backup support. RICO made Enterprise Licensing Agreements with Microsoft for office automation needs of the organization.

## **CAUTIONARY NOTE**

This report contains certain forward looking statements. All such statements are subject to risks and uncertainties. Actual results could differ materially from those expressed or implied.

## ANNEXURE TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT (AS PER CLAUSE 49 OF LISTING AGREEMENT)

Corporate Governance aims to maximize long-term stakeholders value. It is a combination of many factors to achieve the objectives of transparency, full disclosure, a system of checks and balances between the shareholders, directors, auditors and the management. Your Company's Board comprises of not only promoter Directors, but professionally competent non-executive and independent Directors who have effective control over the affairs of the Company. The Board on a continuous basis monitors implementation of decisions taken and at the same time provides management and employees a stable environment to plan and execute strategy.

The compliance report on the Corporate Governance is given below:

#### 1. COMPOSITION OF BOARD

Rico Auto's Board meets the requirement of code of Corporate Governance as stipulated in the Listing Agreement in respect of composition of the Board of Directors. It consists of Nine Directors - Two Executive and Seven Non-Executive Directors and of which Six are Independent. They all have with them considerable experience in their respective fields. The Chairman of the Board is a Non-Executive Independent Director.

Particulars of Directors of the Company and their directorship in other Companies, Membership/Chairmanship in committees across all Companies in which they are Directors and shareholding in the Company:

Name of the Director	Category	Number of Committees		Number of other Directorship	Shareholding as on 31/03/2009
		Membership held #	Chairmanship held #		
Shri Chandra Mohan	Independent – Non Executive Chairman	5	–	7	Nil
Shri Anup Singh	Independent – Non Executive	–	2	2	Nil
Prof. Vinod Kumar Bhalla	Independent – Non Executive	4	1	3	1500
Shri Kanwal Monga	Independent – Non Executive	1	–	3	Nil
Shri Amarjit Chopra	Independent – Non Executive	2	1	3	Nil
Dr. Ashok Seth	Independent – Non Executive	–	–	1	25000
Shri Rakesh Kapur	Non-Executive	1	–	5	2159020
Shri Arun Kapur	Executive – Jt. Managing Director	–	–	5	8651160
Shri Arvind Kapur	Executive – Vice Chairman, CEO & Managing Director	–	–	9	12652460

# Excluding Private Limited Companies

Shri Arvind Kapur, Shri Arun Kapur and Shri Rakesh Kapur are related to each other as brothers.

There are no pecuniary relationship or transactions of independent directors vis-a-vis the Company. Only two Committees viz. the Audit Committee and Shareholders/Investors Grievance Committee are considered for the purpose. None of the Director is a member of more than ten aforesaid Board Committees or Chairman of more than five such Committees.

#### A. Managing Director and Joint Managing Director

The Company has one Managing Director and one Joint Managing Director who are responsible for overall management, planning, policy, strategy, operations, marketing, production, sales subject to the superintendence, control and direction of the Board of Directors. The Managing Director & Joint Managing Director are being paid remuneration within the overall limits prescribed under Schedule XIII to the Companies Act, 1956. The remuneration being paid is recommended by the Remuneration Committee followed by the Board and the Shareholders approval.

#### B. Retirement of Directors

Managing Director and Joint Managing Director are not subject to retirement by rotation, but hold office for five years and are eligible for re-appointment. The Non-Executive/Independent Directors are liable to retire by rotation in accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company.

The particulars of Directors being re-appointed are given in the Explanatory Statement attached to the Notice of the ensuing Annual General Meeting of the Company.

#### C. Board Meetings, Shareholder Meetings and Attendance Record of the Directors

The details of the Meetings as well as attendance record of all Directors during the year 2008-09 is as under and the maximum interval between any two meetings was not more than four months:

**Details of Board Meetings held**

Date of the Board Meeting	Place of the Meeting	Directors	
		Number	Present
24/05/2008	Corporate Office	9	9
30/07/2008	– do –	9	5
23/10/2008	– do –	9	7
30/01/2009	– do –	9	6

**Attendance at Meetings**

Name of the Director	No. of Board Meetings		Attended Last AGM*
	Held	Attended	
Shri Chandra Mohan	4	3	No
Shri Anup Singh	4	3	Yes
Prof. Vinod Kumar Bhalla	4	4	No
Shri Kanwal Monga	4	2	No
Shri Amarjit Chopra	4	2	No
Dr. Ashok Seth	4	1	No
Shri Rakesh Kapur	4	4	Yes
Shri Arun Kapur	4	4	Yes
Shri Arvind Kapur	4	4	Yes

\* 25<sup>th</sup> Annual General Meeting (AGM) held on 30<sup>th</sup> September, 2008 at the Registered Office of the Company.

**D. Post Meeting Follow-up**

The Board has an effective post meeting follow-up procedures. At every Board Meeting a status statement pertaining to the decisions taken by the previous Board Meetings is discussed keeping in view the action taken or action to be taken.

**2. REMUNERATION COMMITTEE**

The "Remuneration Committee" as per revised Clause 49 of Listing Agreement is a non-mandatory requirement. Remuneration Committee of the Company consisting of the three Independent and Non-Executive Directors met once during the year 2004-05 for considering re-appointment and payment of remuneration to Managing Director and Joint Managing Director for further period of five years w.e.f. 17<sup>th</sup> December, 2004 and 2<sup>nd</sup> May, 2005 respectively:

Name of the Director	Position held	Meeting held on	Members Present
Shri Anup Singh	Chairman	13/05/2004	3
Shri Kanwal Monga	Member		
Shri Amarjit Chopra	Member		

The Minutes of Remuneration Committee Meeting are placed before the Meeting of the Board. The Company Secretary acts as Secretary to the Committee.

**A. Remuneration paid to Directors**

The Non-Executive Directors are entitled to sitting fee and commission based on Net Profit of the Company.

The sitting fee being paid to Non-Executive Directors is Rs.10000/- for attending each of the Board and the Audit Committee Meetings. The sitting fee for attending each of the Shareholders/Investors Grievance Committee Meeting is Rs.1000/-.

The Non-Executive Directors are also entitled to remuneration by way of 1% Commission on net profits calculated as per the Companies Act, 1956, subject to a maximum of Rs.18.00 lacs in each financial year collectively to be divided among them as may be determined by the Board. The Shareholders and Central Government approvals for payment of Commission of Rs.18.00 lacs were obtained on 30<sup>th</sup> September, 2005 and 24<sup>th</sup> February, 2006 respectively for a period of five years w.e.f. 1<sup>st</sup> April, 2005.

After obtaining the Shareholders approval in their meeting held on 30<sup>th</sup> September, 2008, an application has been filed with the Central Government for seeking its approval for an increase in payment of commission from Rs.18.00 lacs to Rs.24.00 lacs within the overall limit of one per cent for the remaining financial years upto 31<sup>st</sup> March, 2010.

Remuneration to Managing Director and Joint Managing Director is governed by resolutions passed by the Remuneration Committee, Board of Directors and Shareholders of the Company which covers the terms of appointment and payment of remuneration. The remuneration is by way of salary, perquisites and allowances (fixed components) and commission (variable components) on net profits of the Company subject to overall ceiling stipulated in Section 198 & 309 of the Companies Act, 1956. There is no separate provision for service contracts, notice period and payment of severance fees. The details and terms of appointment and remuneration are as covered under the resolutions passed by the Shareholders.

There is no other pecuniary relationships of transactions with the Company.

Details of the Remuneration paid during 2008-09 are given below:

(Rupees' 000)

Name of the Director	Sitting Fees	Salary	Perks	Commission*	Total
Shri Chandra Mohan	30	N.A.	N.A.	257	287
Shri Anup Singh	84	N.A.	N.A.	257	341
Prof. Vinod Kumar Bhalla	94	N.A.	N.A.	257	351
Shri Kanwal Monga	20	N.A.	N.A.	257	277
Shri Amarjit Chopra	64	N.A.	N.A.	257	321
Dr. Ashok Seth	10	N.A.	N.A.	257	267
Shri Rakesh Kapur	44	N.A.	N.A.	257	301
Shri Arun Kapur	N.A.	4979	1218	8578	14775
Shri Arvind Kapur	N.A.	6137	1615	6564	14316

\* Commission paid for the year 2007-08

#### B. Stock Option

At present the Company has no stock option plans.

### 3. AUDIT COMMITTEE

Your Company has an Audit Committee since 1996 and is fully operational. The Committee consists of three Non-Executive and Independent Directors. One of them is a Chartered Accountant and other being well qualified and experienced in the field of finance and management. The Committee deals with accounting matters, financial reporting and internal controls. The power and role of the Audit Committee is as per guidelines set out in the listing agreement and as prescribed under section 292A of the Companies Act, 1956. The composition and attendance in the Committee is as under:

Name of the Director	Position held	Meetings held on	Members Present
Shri Anup Singh	Chairman	24/05/2008	3
Prof. Vinod Kumar Bhalla	Member	26/07/2008	3
Shri Amarjit Chopra	Member	15/10/2008	3
		23/10/2008	3
		24/01/2009	3
		21/02/2009	2

Besides the Chief Financial Officer Shri O.P. Aggarwal, both Statutory Auditors and Internal Auditors regularly attend the Audit Committee Meetings and the Audit Committee discuss with them various issues.

The Minutes of each Audit Committee Meeting are placed before the Meetings of the Board. The Company Secretary acts as Secretary to the Committee.

### 4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The "Shareholders/Investors Grievance Committee" as required under Clause 49 of the Listing Agreement consisting of the three Independent and one Non-Executive Director met four times during the year 2008-09:

Name of the Director	Position held	Meetings held on	Members Present
Shri Anup Singh	Chairman	24/05/2008	4
Prof. Vinod Kumar Bhalla	Member	26/07/2008	4
Shri Amarjit Chopra	Member	23/10/2008	4
Shri Rakesh Kapur	Member	24/01/2009	4

The Minutes of each Shareholders/Investors Grievance Committee meeting are placed before the meetings of the Board. The Company Secretary acts as Secretary to the Committee.

### 5. SHARE TRANSFER COMMITTEE

The Share Transfer Committee met 13 (Thirteen) times in the last financial year (01/04/2008 to 31/03/2009). The Minutes of each Share Transfer Committee meeting are placed before the meetings of the Board.

Share Transfer Committee consists of the following four members:

Name of the Director	Position held
i) Shri Arvind Kapur	– Chairman
ii) Shri Arun Kapur	– Member
iii) Prof. Vinod Kumar Bhalla	– Member
iv) Shri Rakesh Kapur	– Member

**Name and Designation of Compliance Officer:**

Shri B.M. Jhamb – Company Secretary

**6. DETAILS OF GENERAL BODY MEETINGS**

Financial Year	Type of the Meeting	Location of Meeting	Date	Time
2005 – 2006	23 <sup>rd</sup> Annual General Meeting	Registered Office	30/09/2006	10.30 AM
2006 – 2007	24 <sup>th</sup> Annual General Meeting	– do –	28/09/2007	10.30 AM
2007 – 2008	25 <sup>th</sup> Annual General Meeting	– do –	30/09/2008	10.30 AM

**Postal Ballot**

No Special/Ordinary Resolutions were put through Postal Ballot last year. At the ensuing AGM also there is no Resolution proposed to be passed through postal ballot.

**Extra Ordinary General Meeting (EGM)**

No EGM was held by the Company during the financial year ended 31<sup>st</sup> March, 2009.

The following Special Resolutions were taken up in the AGMs held during the last three financial years and were passed with requisite majority on show of hands:

**23<sup>rd</sup> AGM (30/09/2006)**

- To enhance the Borrowing Powers of the Board of Directors from Rs.300.00 crores to Rs.600.00 crores and also to secure the loan amount by creation of mortgage/charge over the movable and immovable properties of the Company.
- To accord approval to raise fund upto US Dollar 60 Million or its equivalent Indian Rupees for any acquisition and/or any new projects.

**24<sup>th</sup> AGM (28/09/2007)**

No Special Resolution was passed.

**25<sup>th</sup> AGM (30/09/2008)**

- To approve the increase in commission of Non-wholetime Directors to Rs.24.00 lacs (Rupees Twenty four lacs only) from Rs.18.00 lacs (Rupees Eighteen lacs only) within the overall limit of one per cent subject to the approval of the Central Government, for each financial year w.e.f 1<sup>st</sup> April, 2008 for the remaining two years upto the financial year ending 31<sup>st</sup> March, 2010 on the existing terms and conditions as already approved.

**7. DISCLOSURES****i) Related Party Transactions:**

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

- A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee.
- There are no material individual transactions with related parties, which are not in the normal course of business, and which are not on an arm's length basis.

**ii) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:**

None of the transactions with any of the related parties were in conflict with the interests of the Company. The related party's disclosure is annexed to and forms part of the accounts for the year ended 31<sup>st</sup> March, 2009 (Refer Schedule 15 at Sl. No.14).

**iii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to the capital markets, during the last three years:**

No penalties have been imposed or strictures passed by any regulatory authority on any matter related to capital markets during the last three years.

**iv) Risk Management:**

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are subject to review to ensure that management controls risks through means of a properly defined framework. The compliance statements regarding the insurance policy, coverage and settlement of claims thereof is presented to the Audit Committee on quarterly basis.

**v) Disclosure of Accounting Treatment:**

The financial statement are prepared under the historical cost convention in accordance with applicable Accounting Standards and other requirements of the Companies Act, 1956.

**vi) Preferential Issue:**

During the financial year 2008-09, no Preferential Issue was made.



## 12. CODE OF CONDUCT

The Company has adopted a Code of Conduct for its Board Members and Senior Management. The Code of Conduct has also been posted on the website of the Company at [www.ricoauto.com](http://www.ricoauto.com). The code has been circulated to all the Directors and Senior Management.

The Declaration by the Chief Executive Officer (CEO) of the Company concerning compliance with the Code of Conduct for Board Members and Senior Management is given below:

I hereby confirm that:

The Company has obtained from all the Board Members and Senior Management personnel, affirmation that they have complied with the Code of Conduct for Board Members and Senior Management in respect of the financial year ended 31<sup>st</sup> March, 2009.

Arvind Kapur  
Vice Chairman,  
Chief Executive Officer &  
Managing Director

## 13. CEO AND CFO CERTIFICATION

To  
The Board of Directors  
Rico Auto Industries Limited  
38 KM Stone, Delhi-Jaipur Highway  
Gurgaon-122001 (Haryana)

We, Arvind Kapur, Vice Chairman, Chief Executive Officer & Managing Director and O.P. Aggarwal, Chief Financial Officer & Executive Director (Finance) of Rico Auto Industries Limited, responsible for the finance function, to the best of our knowledge and belief, certify that:

- a) We have reviewed the Balance Sheet and Profit and Loss Account (Consolidated and Unconsolidated) for the financial year ended 31<sup>st</sup> March, 2009 and all its schedules and notes on accounts, as well as the Cash Flow Statements and that to the best of our knowledge and belief:
  - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) These financial statements, and other financial information included in the report, present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended 31<sup>st</sup> March, 2009 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Company's Auditors and the Audit Committee that there are no deficiencies in the design or operation of internal controls.
- d) We have indicated to the Auditors and the Audit Committee:
  - i) that there has not been any significant changes in internal control over financial reporting during the year under report;
  - ii) that there has not been any significant changes in accounting policies during the year which required disclosure in the notes to the financial statements; and
  - iii) that we are not aware of any instances during the year under report of any fraud with involvement therein, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Arvind Kapur  
Vice Chairman,  
Chief Executive Officer &  
Managing Director

O.P. Aggarwal  
Chief Financial Officer &  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009



## GENERAL SHAREHOLDERS' INFORMATION

### 1. Annual General Meeting

Date and Time	: 30 <sup>th</sup> September, 2009 at 10.30 AM
Venue	: Registered Office 69 KM Stone, Delhi-Jaipur Highway, Dharuhera, Distt. Rewari -122 106 (Haryana) India

### 2. Financial Calendar

<b>Financial Year</b>	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
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#### **For the year 2008-2009, Results were announced on**

First quarter ended June 30, 2008	: July 30, 2008
Second quarter and half year ended September 30, 2008	: October 23, 2008
Third quarter ended December 31, 2008	: January 30, 2009
Fourth quarter and year ended March 31, 2009	: June 24, 2009

#### **For the year 2009-2010, Results will be announced on (Tentative)**

First quarter ending June 30, 2009	: July, 2009
Second quarter and half year ending September 30, 2009	: October, 2009
Third quarter ending December 31, 2009	: January, 2010
Fourth quarter and year ending March 31, 2010	: April, 2010

3. <b>Dates of Book Closure</b>	: 19 <sup>th</sup> September, 2009 to 30 <sup>th</sup> September, 2009 (both days inclusive)
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4. <b>Dividend Payment Date</b>	: Dividend @Re.0.15 per share would be paid within 30 days of declaration by the shareholders in the Annual General Meeting.
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5. <b>Registered Office</b>	: 69 KM Stone, Delhi-Jaipur Highway Dharuhera, Distt. Rewari -122106 (Haryana) India
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6. <b>Registrar and Transfer Agent</b> (Common for Physical Transfer as well as Dematerialisation of Shares)	: M/s. MCS Limited F- 65, Okhla Industrial Area, Phase I New Delhi - 110 020
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7. <b>Share Transfer System</b>	: <b>Physical</b> The transfer, transmission, remat, split of share certificate and issue of duplicate share certificate are approved by the Share Transfer Committee. This Committee normally meets as and when required to complete the transfer related works within the stipulated period. The shares have been transferred and returned within a period of 30 days from the date of receipt, provided that the documents are clear in all respects. In Compliance with the Listing Agreement, a Certificate from Shri Sooraj Kapoor, Practicing Company Secretary is being obtained half yearly that all the shares received by the Company for transfer, split and replacement have been duly transferred, splitted and replaced and issued by the Company within the period stipulated under the Listing Agreement.
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#### **Demat**

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) directly by the Registrar and Share Transfer Agent.

## 8. Dematerialisation of Shares and Liquidity

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28<sup>th</sup> August, 2000 for all investors. The ISIN Number on both NSDL and CDSL is INE209B01025.

The Equity Shares of the Company are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### Break-up of Shares in Physical and Demat segment as on March 31, 2009

Segment	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Physical	8460	16.54	10920951	8.70
Demat	42697	83.46	114664049	91.30
<b>Total</b>	<b>51157</b>	<b>100.00</b>	<b>125585000</b>	<b>100.00</b>

## 9. Investors' Services – Complaints received during the year upto March 31, 2009

Complaints from	Opening	Received	Resolved	Pending
Stock Exchanges, SEBI/Depository	Nil	20	20	Nil
Shareholders	Nil	1	1	Nil
<b>Total</b>	<b>Nil</b>	<b>21</b>	<b>21</b>	<b>Nil</b>

The Company has attended most of the investors' grievances/correspondence within a period of 30 days from the date of the receipt of the same during the year 2008-09.

## 10. Listing and Stock Codes

Shares of the Company are listed on the following Stock Exchanges and the Company has paid the Listing Fee due to them.

Name of Stock Exchanges	Stock Codes
Bombay Stock Exchange Limited	– 520008
National Stock Exchange of India Limited	– RICOAUTO

## 11. Stock Market Data

Monthly high & low quotations and volume of Shares of Re.1/- each traded at Bombay and National Stock Exchanges for 2008-09 are as under:

Month/Year	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume of Shares Traded	High (Rs.)	Low (Rs.)	Volume of Shares Traded
April, 2008	29.80	24.45	2827964	29.70	24.45	5347340
May, 2008	26.60	23.60	2877270	26.40	24.10	4114130
June, 2008	25.15	18.70	1347223	25.10	18.60	1573026
July, 2008	20.40	16.55	1288299	20.40	16.45	1888310
August, 2008	19.90	16.90	2150789	19.90	16.90	4001387
September, 2008	20.10	14.05	1126667	20.00	14.05	2161194
October, 2008	16.50	9.50	881052	16.50	9.30	1897616
November, 2008	12.70	8.01	1049947	12.85	8.35	1099255
December, 2008	13.90	7.10	666468	13.80	7.70	1303209
January, 2009	12.88	7.50	394700	12.90	7.40	1481287
February, 2009	9.75	8.10	302532	9.70	8.05	4941981
March, 2009	10.15	7.55	874768	10.20	7.55	2675311



### 13. Distribution of Shareholding as on March 31, 2009

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 – 5000	50229	98.19	20531529	16.35
5001 – 10000	555	1.08	3948180	3.14
10001 – 20000	184	0.36	2589378	2.06
20001 – 30000	46	0.09	1127619	0.90
30001 – 40000	34	0.07	1202273	0.96
40001 – 50000	25	0.05	1113496	0.89
50001 – 100000	27	0.05	1953077	1.55
100001 & above	57	0.11	93119448	74.15
<b>Total</b>	<b>51157</b>	<b>100.00</b>	<b>125585000</b>	<b>100.00</b>

### 14. Shareholding Pattern as on March 31, 2009

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a Percentage of Total Number of Shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a percentage
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>							
(1)	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	23	27501188	21641428	21.90	21.90	–	–
(b)	Central Government/ State Government(s)	–	–	–	–	–	–	–
(c)	Bodies Corporate	5	30499790	28339050	24.29	24.29	–	–
(d)	Financial Institutions/ Banks	–	–	–	–	–	–	–
(e)	Any Other (Specify)	–	–	–	–	–	–	–
	<b>Sub-Total (A)(1)</b>	<b>28</b>	<b>58000978</b>	<b>49980478</b>	<b>46.19</b>	<b>46.19</b>	<b>0.00</b>	<b>0.00</b>
(2)	<b>Foreign</b>							
(a)	Individuals (Non - Resident Individuals/ Foreign Individuals)	1	79000	79000	0.06	0.06	–	–
(b)	Bodies Corporate	–	–	–	–	–	–	–
(c)	Institutions	–	–	–	–	–	–	–
(d)	Any Other (Specify)	–	–	–	–	–	–	–
	<b>Sub-Total (A)(2)</b>	<b>1</b>	<b>79000</b>	<b>79000</b>	<b>0.06</b>	<b>0.06</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)</b>	<b>29</b>	<b>58079978</b>	<b>50059478</b>	<b>46.25</b>	<b>46.25</b>	<b>0.00</b>	<b>0.00</b>

## Shareholding Pattern contd.

<b>(B)</b>	<b>Public Shareholding</b>						<b>NA</b>	<b>NA</b>
<b>(1)</b>	<b>Institutions</b>						<b>NA</b>	<b>NA</b>
(a)	Mutual Funds/UTI	3	9729742	9729742	7.75	7.75		
(b)	Financial Institutions/Banks	4	8350	4000	0.00	0.00		
(c)	Central Government/ State Governments	—	—	—	—	—		
(d)	Venture Capital Funds	—	—	—	—	—		
(e)	Insurance Companies	—	—	—	—	—		
(f)	Foreign Institutional Investors	4	5373343	5373343	4.28	4.28		
(g)	Foreign Venture Capital Investors	—	—	—	—	—		
(h)	Any Other (Specify)	—	—	—	—	—		
	<b>Sub-Total (B)(1)</b>	<b>11</b>	<b>15111435</b>	<b>15107085</b>	<b>12.03</b>	<b>12.03</b>		
<b>(2)</b>	<b>Non-Institutions</b>						<b>NA</b>	<b>NA</b>
(a)	Bodies Corporate	913	6763089	6705989	5.39	5.39		
(b)	Individuals:							
	i) Individual Shareholders holding nominal share capital upto Rs.1 lac	49857	27877404	25038403	22.20	22.20		
	ii) Individual Shareholders holding nominal share capital in excess of Rs.1 lac	14	14382732	14382732	11.45	11.45		
(c)	Any Other (Specify)							
	i) NRI	329	870572	870572	0.69	0.69		
	ii) Foreign Companies	1	1970000	1970000	1.57	1.57		
	iii) OCBs	1	528790	528790	0.42	0.42		
	iv) Trusts & Foundations	2	1000	1000	0.00	0.00		
	<b>Sub-Total (B)(2)</b>	<b>51117</b>	<b>52393587</b>	<b>49497486</b>	<b>41.72</b>	<b>41.72</b>		
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>51128</b>	<b>67505022</b>	<b>64604571</b>	<b>53.75</b>	<b>53.75</b>		
	<b>Total (A) + (B)</b>	<b>51157</b>	<b>125585000</b>	<b>114664049</b>	<b>100.00</b>	<b>100.00</b>		
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>NA</b>	<b>NA</b>
	<b>Grand Total (A) + (B) + (C)</b>	<b>51157</b>	<b>125585000</b>	<b>114664049</b>	<b>100.00</b>	<b>100.00</b>		

**15. The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.**

**16. Investors/Shareholders Correspondence**

- |      |   |   |  |
|------|---|---|--|
| i)   | Transfer/dematerialisation of Shares and any other queries relating to Shares | : | M/s. MCS Limited<br>F-65, Okhla Industrial Area, Phase I<br>New Delhi - 110 020, India<br>Tel : (011)41406149 Fax : (011)41709881<br>E-mail : admin@mcsdel.com   |
| ii)  | Any queries relating to the Financial Statements of the Company               | : | Shri O.P. Aggarwal<br>Executive Director (Finance)<br>E-mail : opaggarwal@ricoauto.com   |
| iii) | Payment of dividend on Shares and any other queries relating to Annual Report | : | Shri B.M. Jhamb<br>Company Secretary<br>Rico Auto Industries Limited<br>38 KM Stone, Delhi-Jaipur Highway<br>Gurgaon - 122001 (Haryana) India<br>Tel : (91)(0124) 2824221, 2824000<br>Fax: (91)(0124) 2824200<br>E-mail : bmjhamb@ricoauto.com & cs@ricoauto.com |

**17. Plant Locations**

**Dharuhera Plant**  
69 KM Stone, Delhi-Jaipur Highway  
Dharuhera, Distt. Rewari - 122106  
(Haryana) India

**Gurgaon Plant**  
38 KM Stone, Delhi-Jaipur Highway  
Gurgaon - 122001 (Haryana) India

**18. Unclaimed Dividends**

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 the amount of dividend which remains unpaid/unclaimed for a period of 7 years is transferred to the "Investor Education and Protection Fund" (IEPF), constituted by the Central Government and member(s) would not be able to claim any amount of dividend so transferred to IEPF. As such, member(s) who have not yet encashed his/their dividend warrant(s) is/are requested in his/their own interest to write to the Company for claiming outstanding dividend declared by the Company. The amount of unpaid or unclaimed dividend relating to the financial year ended 31<sup>st</sup> March, 1995 to 31<sup>st</sup> March, 2001 have already been transferred to the Investor Education and Protection Fund (IEPF).

**Date of Transferring unclaimed Dividend to the Central Government**

Year	Rate of Dividend (%)	Date of Declaration	Due date for transfer to IEPF
2002	Final – 60	30/09/2002	30/10/2009
2003	Final – 65	15/09/2003	15/10/2010
2004	Final – 90	05/08/2004	05/09/2011
2005	Interim – 100	01/06/2005	01/07/2012
2006	Final – 100	30/09/2006	30/10/2013
2007	Interim – 75	16/03/2007	16/04/2014
2008	Final – 60	30/09/2008	30/10/2015

**Unclaimed Dividend as on March 31, 2009**

Year	Rate of Dividend (%)	No. of Warrants Issued	Amount of Dividend (Rs.)	Amount of Unclaimed Dividend (Rs.)	Unclaimed Dividend (%)
2002	Final – 60	16537	57727176.00	296806.00	0.51
2003	Final – 65	15783	69660500.00	359385.00	0.52
2004	Final – 90	15177	96453000.00	533124.00	0.55
2005	Interim – 100	17115	107170000.00	613985.00	0.57
2006	Final – 100	23452	122585000.00	638544.00	0.52
2007	Interim – 75	24037	94188750.00	521043.75	0.55
2008	Final – 60	51888	75351000.00	955270.20	1.27



# AUDITORS' REPORT

To the Members of  
Rico Auto Industries Limited

1. We have audited the attached Balance Sheet of Rico Auto Industries Limited as at 31<sup>st</sup> March, 2009 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 [as amended by the Companies (Auditors' Report) Amendment Order, 2004], issued by the Central Government of India in terms of sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure "A" referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books.
  - iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v) On the basis of the written representations received from the Directors, as on 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi) During the financial year under audit, the Company has opted and changed its accounting policy for exchange difference arising on reporting of long term Foreign Currency monetary items in line with the notification of the Companies (Accounting Standards)(AS-11) Amendment Rules, 2009 on 31<sup>st</sup> March, 2009. Accordingly Profits/ Losses arising from the effect of changes in Foreign Exchange Rates on Foreign Currency Loans relating to acquisition of depreciable capital assets amounting to Rs.6.27 crores for the year ended 31<sup>st</sup> March, 2009 are added to the cost of such assets. Consequent to the change, the depreciation for the year is higher by Rs.0.03 crore and the profit for the year is higher by Rs.6.24 crores. The corresponding Foreign Exchange loss of Rs.5.38

crores (net of depreciation) for the year ended 31<sup>st</sup> March, 2008 has been added to the cost of such assets and Rs.1.83 crores has been transferred to Deferred Tax Liability and Balance of Rs.3.55 crores has been credited in General Reserves.

- vii) *As stated in Note No. 18 of Schedule 15 to the Notes on Accounts, we report that the Company has paid Rs.1.39 crores as managerial remuneration to the Managing Director & Joint Managing Director, which is in excess of the limit under the Act by Rs.0.91 crore. Had the Company accounted for the managerial remuneration in accordance with the Act, the profit after tax would have been higher by Rs.0.60 crore and Loans and Advances would have been higher by Rs.0.91 crore.*
- viii) *Subject to our comments in Para (vii) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies, Para (vi) above and notes appearing thereon as contained in Schedule 15 give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009.
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **GUPTA VIGG & CO.**  
Chartered Accountants

**CA. KAWAL JAIN**  
PARTNER

Membership No. 89214

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

## ANNEXURE "A" REFERRED TO IN PARAGRAPH '4' OF THE AUDITORS' REPORT ON THE ACCOUNTS OF RICO AUTO INDUSTRIES LIMITED FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

1. The Company has maintained proper records to show full particulars, including quantitative details and situation of all fixed assets.
2. All the fixed assets have been physically verified by the management during the year except for furniture and fixture and office equipments which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
3. No substantial part of fixed asset has been disposed off during the year.
4. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
5. The procedures of physical verification of inventories followed by the management, are reasonable and adequate in relation to the size of the Company and its nature of business.
6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.





25. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
26. According to the information and explanation given to us, the Company has raised the following Term Loans and applied the same as follows:

(Rs. in Crores)

Name of the Banks	Term Loan	Purpose	Application
IDBI Bank Limited	50.00	Capital expenditure	For reimbursement of capital expenditure
Standard Chartered Bank	7.50	Capital expenditure	Partly for reimbursement of capital expenditure & partly for repayment of Short Term Loan
Yes Bank Limited	25.00	General Corporate purpose	For repayment of Short Term Loan

27. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long- term investment.
28. During the period covered by our audit report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained u/s 301 of the Act.
29. During the period covered by our audit report, the Company has not issued any debentures.
30. The Company has not raised any money by way of public issue.
31. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **GUPTA VIGG & CO.**  
Chartered Accountants

**CA. KAWAL JAIN**  
PARTNER

Membership No. 89214

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

# Accounts

## BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>SOURCE OF FUNDS</b>			
1. SHAREHOLDERS' FUNDS			
Share Capital	1	12.56	12.56
Reserves & Surplus	2	260.13	256.85
		272.69	269.41
2. LOAN FUNDS	3	370.33	372.62
3. DEFERRED TAX LIABILITY	3A	36.91	37.63
TOTAL		679.93	679.66
<b>APPLICATION OF FUNDS</b>			
1. FIXED ASSETS			
Gross Block	4	720.59	657.37
Less: Depreciation		264.46	216.05
Net Block		456.13	441.32
Capital Work-in-Progress		29.58	26.89
2. INVESTMENTS	5	26.83	20.31
3. CURRENT ASSETS, LOANS & ADVANCES			
A) Inventories	6	77.18	71.58
B) Sundry Debtors	7	106.17	133.21
C) Cash & Bank Balances	8	3.11	27.59
D) Loans & Advances	9	95.85	59.98
		282.31	292.36
Less: Current Liabilities & Provisions	10	114.92	102.26
Net Current Assets		167.39	190.10
4. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	11	—	1.04
TOTAL		679.93	679.66
NOTES ON ACCOUNTS	15		

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>INCOME</b>			
Sales	12	806.65	800.57
Less : Excise Duty		78.74	91.86
		727.91	708.71
Other Income		37.76	26.77
		<u>765.67</u>	<u>735.48</u>
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	13	667.31	633.71
Financial Charges	14	45.47	25.89
Miscellaneous Expenditure Written Off		—	0.52
		<u>712.78</u>	<u>660.12</u>
Profit before Depreciation		52.89	75.36
Depreciation		50.02	47.32
Profit after Depreciation		2.87	28.04
Fringe Benefit Tax		0.62	0.75
Provision for Taxation		0.05	2.16
Provision for Deferred Tax		(2.55)	2.86
Profit after Tax		4.75	22.27
Previous Year Income Tax		—	0.02
Amount available for Appropriations		<u>4.75</u>	<u>22.25</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares @15% (Previous Year @60%)		1.88	7.53
Corporate Dividend Tax		0.32	1.27
Transferred to General Reserve		0.24	2.22
Balance carried over to Balance Sheet		2.31	11.23
		<u>4.75</u>	<u>22.25</u>
<b>EARNING PER SHARE (Equity Shares, par value Re.1/- each)</b>			
Basic (Rupees)		0.38	1.77
Diluted (Rupees)		0.38	1.77
<b>Number of Shares considered for computing Earning Per Share</b>			
Basic		125585000	125585000
Diluted		125585000	125585000
<b>NOTES ON ACCOUNTS</b>			
	15		

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

## SCHEDULES TO BALANCE SHEET

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 1 – SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
25,00,00,000 Equity Shares of Re.1/- each (Previous year 25,00,00,000 Equity Shares of Re.1/- each)	25.00	25.00
50,00,000 Redeemable Preference Shares of Rs.10/- each (Previous year 50,00,000 Shares of Rs.10/- each)	5.00	5.00
	<u>30.00</u>	<u>30.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
12,55,85,000 Equity Shares of Re.1/- each fully paid up (Previous year 12,55,85,000 Equity Shares of Re.1/- each) (Out of above Shares 53,58,500 Equity Shares of Rs.10/- each were allotted as fully paid-up by way of Bonus Shares)	12.56	12.56
	<u>12.56</u>	<u>12.56</u>
<b>Schedule 2 – RESERVES AND SURPLUS</b>		
CAPITAL RESERVE	#	#
# On Forfeited Shares & NCDs - Rs.34785/-		
STATE CAPITAL SUBSIDY	0.20	0.20
SHARE PREMIUM ACCOUNT	129.03	129.03
CAPITAL REDEMPTION RESERVE	2.00	2.00
HEDGING RESERVE	(2.82)	—
GENERAL RESERVES		
As per last Balance Sheet	72.86	70.64
Add : Transferred from Profit & Loss Account	0.24	2.22
Add : Previous year's Foreign Exchange capitalization of Fixed Assets	<u>3.55</u>	<u>—</u>
	76.65	72.86
SURPLUS		
As per last Balance Sheet	52.76	41.53
Add: Transferred from Profit & Loss Account	<u>2.31</u>	<u>11.23</u>
	55.07	52.76
	<u>260.13</u>	<u>256.85</u>

## SCHEDULES TO BALANCE SHEET (CONTD.)

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 3 – LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
A. i) Term Loans from Financial Institutions and Banks:		
The Hongkong & Shanghai Banking Corporation Limited:		
– Foreign Currency Loan (CHF 42,36,909 Previous year CHF 1,15,05,729)	19.07	46.57
Citibank N.A. – ECB Loan (CHF 33,75,000 Previous year CHF 48,75,000)	15.19	19.73
Barclays Bank PLC	5.00	20.00
Axis Bank Limited	43.75	50.00
Standard Chartered Bank	12.00	4.50
Yes Bank Limited	25.00	—
IDBI Bank Limited	50.00	—
B. ii) Loans and Advances from Banks:		
State Bank of India	8.30	13.65
IDBI Bank Limited	23.44	20.63
Standard Chartered Bank:		
– Cash Credits	16.20	18.48
– Buyers' Credits (US\$ 32,64,277 Previous year US\$ 9,16,581)	16.71	3.67
– Export Packing Credits (US\$ 2,00,000 Previous year US\$ Nil)	1.02	—
Citibank N.A.:		
– Cash Credits	2.32	5.51
– Export Packing Credits (US\$ 11,00,000 Previous year US\$ 15,11,335)	5.63	6.05
The Hongkong & Shanghai Banking Corporation Limited	12.33	19.11
Oriental Bank of Commerce	2.07	—
HDFC Bank Limited	2.78	—
C. Other Loans:		
iii) From Banks	0.03	0.06
iv) From Companies	1.40	1.65
<b>UNSECURED LOANS</b>		
v) Short Term:		
Deutsche Bank AG:		
– Export Packing Credits	—	14.92
– Export Bills Discounting (US\$ Nil Previous year US\$ 10,00,000)	—	4.00
The Bank of Nova Scotia	26.00	45.00
Kotak Mahindra Bank Limited	5.00	10.00
Barclays Bank PLC	20.00	30.00
DBS Bank Limited:		
– Short Term Loans	29.89	25.00
– Buyers' Credits (US\$ 30,00,000 Previous year JPY 32,55,00,000)	15.36	12.25
IDBI Bank Limited	10.00	—
vi) Deferred Sales Tax	1.84	1.84
	<b>370.33</b>	<b>372.62</b>

## SCHEDULES TO BALANCE SHEET (CONTD.)

### Schedule 3 – LOAN FUNDS ( Contd.)

i) Term Loans:

Foreign Currency CHF loan from the Hongkong & Shanghai Banking Corporation Limited is secured by way of first pari-passu charge by way of hypothecation on moveable assets and mortgage by way of deposit of title deeds of immoveable properties.

External Commercial Borrowings from Citibank N.A. is secured by way of exclusive charge on the plant & machinery / fixed and moveable assets purchased out of that facility.

Rupee Term Loan from Barclays Bank PLC is secured by way of first pari-passu charge on the moveable assets including moveable plant & machinery / inventory / book debts, both present and future, and mortgage by way of deposit of title deeds of immoveable properties.

Rupee Term Loan from Axis Bank Limited is secured by way of first pari-passu charge on the moveable plant & machinery, furniture & fixtures and mortgage by way of deposit of title deeds of immoveable properties.

Rupee Term loan, with inner limits of Letter of Credits and Buyers' Credits, from Standard Chartered Bank is secured by way of first pari-passu charge on the machineries and immoveable properties of the Company.

Rupee Term Loan from Yes Bank Limited is secured by way of first pari-passu charge on the moveable plant & machinery and further secured by first pari-passu charge on immoveable properties, both present & future. Additionally secured by a corporate guarantee of an associate company and personal guarantees of Managing Director, Jt. Managing Director & a Director of the Company. Charge yet to be created on immoveable properties.

Rupee Term Loan from IDBI Bank Limited is secured by way of first pari-pasu charge on the moveable plant & machinery and further secured by first pari-passu charge on immoveable properties, both present & future. Charge yet to be created on immoveable properties.

ii) Loans and Advances from Banks are secured by hypothecation of receivables & inventories. Facilities from IDBI Bank Limited upto Rs.20.00 crores was further secured by way of second pari-passu charge on the immoveable property of the Company. Second charge released on 16.02.2009. Facilities from State Bank of India upto Rs. 15.00 crores was further secured by second pari-passu charge over immovable properties of the Company. Second charge released on 24.03.2009.

iii & iv) Other Loans from Banks and Companies are secured against hypothecation of the vehicles financed.

v) Unsecured loans from DBS Bank Limited are personally guaranteed by the Managing Director of the Company.

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 3 A – DEFERRED TAX LIABILITY</b>		
As per last Balance Sheet	37.63	34.77
Add : Previous year's Foreign Exchange Capitalisation on Fixed Assets	1.83	—
Add : Provision for the year	(2.55)	2.86
	<u>36.91</u>	<u>37.63</u>



## (Rs. in Crores)

39

## SCHEDULES TO BALANCE SHEET (CONTD.)

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 5 – INVESTMENTS</b>		
<b>(AT COST OR REALISABLE VALUE WHICHEVER IS LESS) – Unquoted</b>		
<b>Trade – (Fully Paid-up) – Under the same Management</b>		
FCC Rico Limited	3.95	3.95
39,49,994 Equity Shares of Rs.10/- each (Previous year 39,49,994 Equity Shares of Rs.10/- each)		
Rico Auto Industries Inc., USA (100% Subsidiary of the Company) 2,500 Equity Shares of US\$ 10/- each (Previous year 2,500 Equity Shares of US\$ 10/- each)	0.12	0.12
Rico Auto Industries (UK) Limited, U.K. (100% Subsidiary of the Company) 20,000 Equity Shares of GBP 1/- each (Previous year 20,000 Equity Shares of GBP 1/- each)	0.17	0.17
Rico Jinfei Wheels Limited 64,28,750 Equity Shares of Rs.10/- each (Previous year 45,78,750 Equity Shares of Rs.10/- each)	6.43	4.58
Rasa Autocom Limited (100% Subsidiary of the Company) 75,000 Equity Shares of Rs.10/- each (Previous year 75,000 Equity Shares of Rs.10/- each)	0.08	0.08
Uttarakhand Automotives Limited (100% Subsidiary of the Company) 4,10,000 Equity Shares of Rs.10/- each (Previous year 4,10,000 Equity Shares of Rs.10/- each)	0.41	0.41
Continental Rico Hydraulic Brakes (India) Private Limited 1,10,00,000 Equity Shares of Rs.10/- each (Previous year 1,10,00,000 Equity Shares of Rs.10/- each)	11.00	11.00
Raa Autocom Limited 50,000 Equity Shares of Rs.10/- each (Previous year Nil)	0.05	—
Magna Rico Powertrain Private Limited 46,20,000 Equity Shares of Rs.10/- each (Previous year Nil)	4.62	—
	<b>26.83</b>	<b>20.31</b>
Aggregate Value:		
1. Cost of Quoted Investments	—	—
2. Market Value of Quoted Investments	—	—
3. Cost of Unquoted Investments	26.83	20.31
<b>Schedule 6 – INVENTORIES</b>		
<b>(As valued and certified by the Management – Cost or Realisable Value whichever is less)</b>		
Goods in Transit	0.06	0.16
Stores & Spares	34.88	34.35
Raw Material & Components	14.03	9.10
Work-in-Process	27.83	27.84
Finished Goods	0.38	0.13
	<b>77.18</b>	<b>71.58</b>

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 7 – SUNDRY DEBTORS</b> (unsecured considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months	11.46	8.43
Less : Provision for Doubtful Debts	(1.04)	(1.04)
	10.42	7.39
Other Debts	95.75	125.82
	106.17	133.21
<b>Schedule 8 – CASH AND BANK BALANCES</b>		
1. Cash in hand	0.04	0.04
2. Cheques in hand	0.00	25.13
3. Balances with Scheduled Banks:		
a) In Current Accounts	2.68	1.93
b) In Margin Money Accounts		
– against discounting	0.00	0.16
c) In Dividend Accounts	0.39	0.33
	3.11	27.59
<b>Schedule 9 – LOANS AND ADVANCES</b> (unsecured considered good unless otherwise stated)		
a) Advances recoverable in cash or in kind or for value to be received	84.14	50.38
Less : Provision for doubtful advances	(0.17)	(0.17)
	83.97	50.21
b) Security Deposits	3.28	2.15
c) Advance Income Tax (Net)	8.60	7.62
	95.85	59.98
<b>Schedule 10 – CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
a) Sundry Creditors:		
1) Due to Micro, Small & Medium Enterprises	2.32	1.95
2) Others	69.93	68.92
b) Other Liabilities:		
1) Expenses payable	29.60	16.59
2) Income Tax deducted at source payable	0.77	0.84
3) Interest accrued but not due	2.86	0.39
4) Other statutory Liabilities	3.84	4.44
5) Unclaimed Dividends	0.39	0.33
<b>PROVISIONS</b>		
c) Dividend	1.88	7.53
d) Provision for Fringe Benefit Tax	0.19	—
e) Provision for Corporate Dividend Tax	0.32	1.27
f) Fair Valuation of Forward Contracts/ Derivative Liabilities	2.82	—
	114.92	102.26

## SCHEDULES TO BALANCE SHEET (CONTD.)

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>Schedule 11 – MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Share Issue & Deferred Revenue Expenses	1.04	1.56
Less : Expenses written off during the year	(1.04)	(0.52)
	<u>0.00</u>	<u>1.04</u>

## SCHEDULES TO PROFIT & LOSS ACCOUNT

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>Schedule 12 – SALES &amp; OTHER INCOME</b>		
Sales	802.15	797.62
Miscellaneous Sales	3.95	2.50
Job Work (TDS Rs.10,952/- Previous year Rs.9,538/-)	<u>0.55</u>	<u>0.45</u>
	806.65	800.57
Interest Received (TDS Rs.1,03,11,576/- Previous year Rs.30,78,962/-)	5.08	1.68
Miscellaneous Income (TDS Rs.1,33,99,531/- Previous year Rs.29,868/-)	13.57	16.20
Dividend Received	8.69	8.69
Foreign Exchange Fluctuation	10.38	0.20
Profit on Sale of Assets	<u>0.04</u>	<u>—</u>
	37.76	26.77
	<u>844.41</u>	<u>827.34</u>

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>Schedule 13 – MANUFACTURING &amp; OTHER EXPENSES</b>		
Raw Material & Components Consumed	436.91	423.69
Add : Opening Stock		
Work-in-Process	27.84	20.96
Finished Goods	0.13	0.15
	<u>27.97</u>	<u>21.11</u>
	464.88	444.80
Less : Closing Stock		
Work-in-Process	27.83	27.84
Finished Goods	0.38	0.13
	<u>28.21</u>	<u>27.97</u>
	436.67	416.83
Stores & Spares Consumed	44.50	36.21
Power & Fuel	63.90	57.42
Personnel Expenses	78.37	71.24
Contribution to Provident & other Funds	3.67	3.43
Labour & Staff Welfare	1.87	1.97
Rent	0.23	0.22
Rates & Taxes	0.81	0.27
Directors' Sitting Fees	0.03	0.04
Commission to Directors	0.04	1.70
Insurance	1.49	2.27
Travelling & Conveyance	2.63	3.12
Auditors' Remuneration*	0.15	0.14
Advertisement & Publicity	0.16	0.15
Sales Promotion	0.20	0.71
Repair & Maintenance (Machineries)	2.83	2.46
Repair & Maintenance (Buildings)	0.91	1.12
Repair & Maintenance (Others)	1.70	1.74
Charity & Donation	0.24	0.18
Other Expenses	25.46	32.28
Previous year Expenses (Net)	1.45	0.21
	<u>667.31</u>	<u>633.71</u>
Note: * Auditors' Remuneration includes payments/provisions for :		
Audit Fee	0.09	0.09
Tax Audit Fee	0.02	0.02
Income Tax Matters	0.02	0.01
Other Capacity	0.01	0.02
Expenses Reimbursed	0.01	—
	<u>0.15</u>	<u>0.14</u>
<b>Schedule 14 – FINANCIAL CHARGES</b>		
Term Loan Interest	15.72	11.45
Interest to Bank & Others	29.75	14.44
	<u>45.47</u>	<u>25.89</u>

## Schedule 15 – NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### i) Accounting Convention:

The financial statements are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued under the Companies (Accounting Standards) Amended Rules, 2009 and provisions of the Companies Act, 1956.

#### ii) Fixed Assets and Depreciation:

Fixed assets are stated at cost less accumulated depreciation. Depreciation on Building and Plant & Machinery is charged on pro-rata basis at the straight line method rates as prescribed in schedule XIV of the Companies Act, 1956 except on plant and machinery costing less than Rs.5000/- each in value, which are depreciated at the rate of 100% in the year of purchase. Depreciation on rest of the fixed assets is provided on pro-rata basis at the WDV method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

#### iii) Investments:

Long Term Investments are carried at cost less provision for diminution in value other than temporary, if any.

#### iv) Inventories:

Raw Materials, Components, Stores and Spares, Loose Tools, and Work-in-Process are valued at cost. Finished goods are valued at cost or realizable value whichever is less. By-products and Scrap are valued at realizable value. The basis of determining cost for various categories of inventories are as follows:

Raw Material, Components, Stores & Spares and Loose Tools	: At cost (Weighted Average)
Material in transit	: At cost
Work-in-Process	: At Material cost plus Conversion cost on the basis of absorption costing
Finished Goods	: At Material cost plus conversion cost on the basis of absorption costing (inclusive of Excise Duty payable)

Inventory of finished goods includes closing stock of scrap.

#### v) Inter-unit transfers of finished goods are made at market price. Closing stock of such material at Balance Sheet date is evaluated at cost.

#### vi) Impairment of Assets:

At each Balance Sheet date, the Company reviews, whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Profit & Loss Account to the extent the carrying amount exceeds the recoverable amount.

#### vii) Retirement Benefits:

The Company has various Schemes of retirement benefits such as Provident Fund, Gratuity and Earned Leaves.

##### a) Post Employment Benefit Plans:

Payments to defined contribution retirement benefit schemes is charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using Projected Unit Credit Method, with actuarial valuation being carried out at each Balance Sheet date. Actual gain & losses are recognized in full in the Profit & Loss account for the period in which they occur.

The retirement benefit obligations recognised in the Balance Sheet represent the present value of the defined benefit obligations as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

##### b) Defined Benefit Plan:

###### I) Gratuity Plan

The Company makes annual contribution to the Employee's Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

###### II) Leave Encashment Plan

The Company is maintaining a Fund called "Rico Auto Industries Limited Employee Group Leave Encashment Assurance Scheme" for leave encashment benefits of the employees by paying contribution to Life Insurance Corporation of India. The contribution paid to the Fund is charged to revenue.

- c) The following tables set out the fund status of the gratuity plan and leave encashment amounts recognised in the Company's financial statements as at 31<sup>st</sup> March, 2009:

Particulars	Current Year Gratuity Plan (Rs.)	Previous Year Gratuity Plan (Rs.)	Current Year Leave Encashment Plan (Rs.)	Previous Year Leave Encashment Plan (Rs.)
<b>I) Change in Benefit Obligations</b>				
A. Present Value of Obligation, as on 01.04.08	43856222	26268189	3882533	17695158
B. Current Service Cost	6081000	5416133	7016000	3882533
C. Interest Cost	3316000	1970114	220000	1327137
D. Actuarial (Gain)/Loss	5136000	12723522	14290000	(16232764)
E. Benefits Paid	(4822185)	(2521736)	(2255189)	(2789531)
F. Present Value of Obligation as on 31.03.09 (A+B+C+D-E)	53567037	43856222	23153344	3882533
<b>II) Change in Plan Assets</b>				
A. Fair Value of Plan Assets as on 01.04.08	30387304	24661450	9851593	9327367
B. Expected return on Plan Assets	2839000	2440635	985000	911062
C. Employers' Contributions	5420685	5806955	3857143	2402695
D. Benefits Paid	(4822185)	(2521736)	(2255189)	(2789531)
E. Actuarial Gain	224000	0	106000	0
F. Fair Value of Plan Assets as on 31.03.09 (A+B+C-D+E)	34048804	30387304	12544547	9851593
<b>III) Net Liability/ (Assets) (I-II)</b>	19518233	13468918	10608797	(5969060)
<b>IV) Net Gratuity/Leave Cost for the year ended March 31, 2009</b>				
A. Current Service Cost	6081000	5416133	7016000	3882533
B. Interest cost	3316000	1970114	220000	1327137
C. Expected return on Plan Assets	(2839000)	(2440635)	(985000)	(911062)
D. Actuarial gain recognised in the year	5136000	12723522	14290000	(16232764)
E. Net Gratuity/Leave Cost (A+B+C+D)	11694000	17669134	20541000	(11934156)
<b>V) Category of Assets as at March 31, 2009</b>				
Insurer Managed Funds	34048804	30387304	12544547	9851593
<b>VI) Principal Actuarial Assumptions</b>				
Particulars	Current Year Gratuity Plan Rate (%)	Previous Year Gratuity Plan Rate (%)	Current Year Leave Encashment Plan Rate (%)	Previous Year Leave Encashment Plan Rate (%)
A. Discount Rate	8.10	8.00	8.10	8.00
B. Salary Escalation Rate	5.00	5.00	5.00	5.00
C. Expected Rate of return on Plan Assets	9.25	—	9.25	—

viii) Sales:

Sales of Goods is recognized at the point of dispatch of goods to the customers. Sale value is inclusive of Excise Duty paid on the clearance of goods. Export Sale/Income is accounted for at exchange rate prevailing at the time of sale. Effect of foreign exchange fluctuation on the export sales realized is booked in Miscellaneous Income/Miscellaneous Expenses Account under the head Exchange Rate Fluctuation Account.





7. Loans & Advances, interest bearing (Schedule 9) includes the following balances outstanding in names of the Companies in which any Director of the Company is interested :

(Rs. in Crores)

Particulars	Current Year's Closing Balance	Previous Year's Closing Balance	Current Year's Maximum Amount outstanding	Previous Year's Maximum Amount outstanding
i) Rico Jinfei Wheels Limited (Subsidiary & Joint Venture Company)	4.64	1.36	5.23	1.51
ii) Rasa Autocom Limited (Wholly Owned Subsidiary)	5.28	1.39	5.28	1.39
iii) Uttarakhand Automotives Limited (Wholly Owned Subsidiary)	16.79	12.75	16.79	12.75
iv) Raa Autocom Limited (Wholly Owned Subsidiary)	4.39	—	4.39	—

8. During the year, Company has incorporated a 100% Wholly Owned Subsidiary Company (Raa Autocom Limited) & invested Rs.0.05 crore in Equity Share Capital of the Company.
9. Deferred Tax Asset of Rs.2.55 crores (Previous year Liability Rs.2.86 crores) for the year has been charged to the profit. Deferred Tax Liability/Asset is mainly on account of timing difference in depreciation. The details are as under:

(Rs. in Crores)

Particulars	Current Year	Previous Year
Deferred Tax on Depreciation difference	4.03	3.43
Less: Tax Paid under MAT	2.01	0.57
Less: Deferred Tax Asset for the year	3.50	—
Less: Gratuity payable	0.66	—
Less: Leave Encashment provision	0.36	—
Less: Bonus	0.05	—
Deferred Tax Liability (Deferred Tax Asset)	(2.55)	2.86

10. The following expenses incurred on Research and Development are included under respective account heads :

(Rs. in Crores)

	Current Year	Previous Year
Employees Remuneration and Benefits	0.35	0.46
Other Expenses of Manufacturing and Administration including Depreciation on Research and Development Assets	0.77	1.03

11. Disclosure under Accounting Standard (AS) 19 on leased assets and lease rent.

- Lease payments recognized in the statement of Profit & Loss Account for the year ended 31.03.2009:
  - Minimum lease rent paid Rs.5.40 crores (Previous year Rs. 5.49 crores).
- Total amount of future minimum lease rent payments under non-cancellable operating lease periods:
  - not later than one year Rs.1.84 crores (Previous year Rs.5.33 crores).
  - later than one year but not later than five year Rs.0.03 crore (Previous year Rs.1.79 crores).
  - The Company had acquired Leasehold Land at Singur (West Bengal) and Oragadam (Chennai). The total amount of future minimum lease rent payment under non-cancellable operating lease period for more than five years is Rs.1.02 crores.
- General description of significant operating lease arrangements:
  - Lease tenure 42 and 72 months in case of Land lease tenure is 6 years & 90 years.
  - In case of one lease agreement, advance notice of 60 days is required for cancellation of agreement on payment of Rs.20,000/-
  - At the end of the lease period, the Company has options to return the equipments, right to purchase the equipments at fair market value or to enter into lease agreement for secondary period.

12. Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

Particulars		Year ended March 31, 2009	Year ended March 31, 2008
Net Profit after Income Tax (Rs. in Crores)	(A)	4.75	22.25
No. of Equity Shares (Weighted average)			
– Basic	(B)	12,55,85,000	12,55,85,000
– Diluted/Adjusted	(C)	12,55,85,000	12,55,85,000
Nominal Value per Equity Share (Rupee)		1	1
Earning Per Share before extra ordinary items (Rupees)			
– Basic	(A)/(B)	0.38	1.77
– Diluted/Adjusted	(A)/(C)	0.38	1.77
Earning Per Share after extra ordinary items (Rupees)			
– Basic	(A)/(B)	0.38	1.77
– Diluted/Adjusted	(A)/(C)	0.38	1.77

13. The Company operates in manufacturing of Auto Components and Business Process Management (BPM) services. Revenue and profit/(loss) generated by BPM Division is less than 10% of total revenue & profit/(loss) of the Company, therefore this is not a reportable segment, and disclosure under Accounting Standard (AS-17) on Segment Report is not applicable.

14. RELATED PARTY DISCLOSURES

Related Party disclosure as required under Accounting Standard-18 issued by the Institute of Chartered Accountants of India is as under:

A. Companies

Name of the Company	Country of incorporation	Nature of Relationship	Quantum of Interest
Rico Auto Industries Inc.	USA	Subsidiary	100%
Rico Auto Industries (UK) Limited	U.K.	Subsidiary	100%
FCC Rico Limited	India	Joint Venture	50%
Kapsons Associates Investments Private Limited	India	Associate	—
Rico Castings Limited	India	Associate	—
Higain Investments Private Limited	India	Associate	—
Rasa Autocom Limited	India	Subsidiary	100%
Uttarakhand Automotives Limited	India	Subsidiary	100%
Raa Autocom Limited	India	Subsidiary	100%
Rico Jinfei Wheels Limited	India	Joint Venture & Subsidiary	92.5%
Continental Rico Hydraulic Brakes India Private Limited	India	Joint Venture	50%
Magna Rico Powertrain Private Limited	India	Joint Venture	50%
Roop Automotives Limited	India	A Director is Interested	—
T.K. Precision Private Limited	India	A Director is Interested	—
S. T. Limited	India	A Director is Interested	—
Octan Media Private Limited	India	A Director is Interested	—

B. Key Management Personnel

Details of Key Managerial Personnel are as under:

- i) Shri Arvind Kapur – Vice Chairman, CEO & Managing Director
- ii) Shri Arun Kapur – Joint Managing Director

## (Rs. in Crores)

Name	Rico Castings Limited	FCC Rico Limited	Rico Auto Industries Inc., USA	Rico Auto Industries (UK) Limited, U.K.	Kapsons Associates Investments Private Limited	Higain Investments Private Limited	Roop Automotives Limited	T.K. Precision Private Limited	S. T. Limited	Oclan Media Private Limited	Rico Jinfei Wheels Limited	Continental Rico Hydraulic Brakes (India) Private Limited	Magna Rico Powertrain Private Limited	Rasa Autocom Limited	Raa Autocom Limited	Ultrakhand Automotives Limited	All Directors	Payment to Miss Shikha Kapur
Nature of Relationship	Associate Company	Joint Venture	Wholly Owned Subsidiary	Wholly Owned Subsidiary	Associate Company	Associate Company	Directors Interested	Directors Interested	Directors Interested	Directors Interested	Subsidiary & Joint Venture Company	Joint Venture	Joint Venture	Wholly Owned Subsidiary	Wholly Owned Subsidiary	Wholly Owned Subsidiary	Key Management Personnel	A Relative of the Director
Goods Purchased	43.23	12.52	—	—	—	2.42	—	2.71	0.83	—	—	0.66	—	—	—	—	—	—
Goods Sold	1.39	60.50	84.57	36.27	—	1.62	1.33	—	—	—	0.01	0.19	0.21	—	—	—	—	—
Purchase of Machines/eries	0.54	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale of Machinery	0.05	—	—	—	—	—	—	—	—	—	0.03	—	—	—	—	—	—	—
Job Work Expenses	0.01	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Job Work Income Recd	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rent Recd. for office space	—	—	—	—	—	—	—	—	—	0.03	—	2.48	0.68	—	—	—	—	—
Equity Contribution in Cash	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.05	—	—	—
Investment in Joint Venture Co.	—	—	—	—	—	—	—	—	—	—	1.85	—	4.62	—	—	—	—	—
Rent Paid	—	—	—	—	0.35	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan given during the year	—	—	—	—	—	—	—	—	—	—	3.12	—	—	3.67	4.30	2.59	—	—
Loan Outstanding (Interest Bearing)	—	—	—	—	—	—	—	—	—	—	4.60	—	—	5.27	4.39	16.79	—	—
Interest Received	—	—	—	—	—	—	—	—	—	—	0.17	—	—	0.25	0.13	1.61	—	—
Guarantee Taken	—	—	—	—	25.00	—	—	—	—	—	—	—	—	—	—	—	—	—
Salary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.35
Remuneration, Sitting Fee/Commission	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.39	—
Balance as on 31.03.2009 Recoverable	13.27	1.77	32.03	13.37	—	0.24	0.28	—	—	0.02	4.66	0.77	0.26	5.28	4.39	16.79	—	—
Balance as on 31.03.2009 Payable	0.70	0.06	—	—	—	—	—	0.45	0.22	—	0.02	—	—	—	—	—	—	—

## 15. CONTINGENT LIABILITIES

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 30.59 crores (Previous year Rs.12.99 crores).
- ii) Banks have given guarantees on behalf of the Company for Rs. 1.98 crores (Previous year Rs. 1.98 crores).
- iii) Letters of Credit outstanding in favour of suppliers for Rs. 4.15 crores (Previous year Rs.15.34 crores).
- iv) The Company has executed General Surety Bonds for Rs.1.00 crore (Previous year Rs.1.00 crore) in favour of The President of India, under Central Excise Act, 1944.
- v) Disputed statutory demands in appeals before relevant Hon'ble Appellate Authorities :
  - a) Sales Tax Rs.6.34 crores (Previous year Rs.6.34 crores).
  - b) Central Excise & Service Tax Rs.3.79 crores (Previous year Rs. 1.87 crores).
  - c) Local Area Development Tax (LADT) Rs.0.01 crore (Previous year Rs.0.01 crore).
  - d) Income Tax Rs.0.91 crore (Previous year Rs. Nil).
- vi) Surety Bonds executed in favour of The President of India, under Export Promotion Capital Goods (EPCG) Scheme for importing Capital goods at concessional rate of custom duty, amounting to Rs.122.19 crores (Previous year Rs.122.19 crores).

Based on favourable judgements in similar cases, legal opinion taken by the Company, discussions with the solicitors etc. the Company believe that there is fair chance of decisions in favour in respect of the items listed at (v) (a) (b) (c) and (d) above. Hence no provision has been considered necessary against the same.

16. i) In pursuance of Micro, Small & Medium Enterprises Development Act, 2006, the names of the Enterprises to whom the Company owes any sum which is outstanding at the year end are as follows :

(Amount in Rupees)

Name of the Party	Current Year		Previous Year	
	Interest Amount	Balance as on 31.03.09	Interest Amount	Balance as on 31.03.08
Bansal Brothers	—	—	3.72	39870.66
Century NF Castings	4158.64	197778.54	—	—
D.M. Enterprises	—	—	826.52	—
GBM Manufacturing Private Limited	—	—	—	4142.52
IMI Machine Tools Private Limited	—	—	1663.66	—
Jayem Auto Industries Private Limited	35.21	26932.27	1732.70	18669.46
Metals India	11.34	233018.81	9533.72	45225.88
Silcarb Recrystallized Private Limited	—	—	2509.62	426330.02
KJK Poly Diamonds International Private Limited	707.30	87440.60	—	—
Nicks Auto Industries	25626.00	5182780.65	—	—
Jaycee Steels Industries	12369.00	4873617.25	—	—
Balaji Aluminium Alloys Private Limited	104.00	10982904.32	—	—
Branopac India Private Limited	315.00	—	—	—
Carbo Tools & Gauges (I) Private Limited	607.00	27614.90	8711.35	20620.60
Gargi Huttenes – Albertus Private Limited	511.00	51418.97	4767.00	417880.17
Gargi Industries	237.00	20189.06	—	—
Union Rubber Mills	114.00	(311.18)	308	578.32
<b>Total</b>	<b>44795.49</b>	<b>21683363.99</b>	<b>30056.29</b>	<b>973317.63</b>

- ii) The amount of interest accrued & remaining unpaid at the end of the financial year 2008-2009 is mentioned above as Para (i).
- iii) There is no any other interest remaining due & payable for any of the earlier years except the interest as mentioned above in Para (i).

17. With effect from 1st April, 2008 the Company has chosen to follow the principles of Accounting Standard (AS-30) "Financial Instruments Recognition and Measurement" in respect of its derivative financial instruments that are not covered by (AS-11) "Accounting for the Effects of changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transactions. In accordance with (AS-30), such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of effective cash flow hedge accounting, are fair valued at March 31, 2009 and the resultant transitional exchange loss (notional) of Rs.2.82 crores is debited to the Hedging Reserve and credited to Provision for Fair valuation loss on Derivatives. The actual (gain)/loss, if any, would be recorded in profit and loss account of the years in which the underlying transactions are actually settled and reversed from the Hedging Reserve Account.

18. Managerial Remuneration to Managing Director & Joint Managing Director:

The Company has paid Rs.1.39 crores as Managerial Remuneration to the Managing Director & Joint Managing Director, which is in excess of the limits under the Companies Act. Had the Company accounted for the managerial remuneration in accordance with the Act, the Profit after tax would have been higher by Rs.0.60 crore and Loans and Advances would have been higher by Rs.0.91 crore. The Company is in the process of filing an application to the Central Government for waiver of the excess remuneration.

19. The Profit & Loss account of the Company includes net Profit of Rs.10.36 crores (Previous year net Loss of Rs.5.79 crores on account of Foreign Exchange Fluctuations, details of the same are stated as below:

(Rs. in Crores)

Transactions in Foreign Exchange (Net)	Current Year	Previous Year
Profit/(Loss) Recognized on Foreign Currency Loans	NIL	(4.96)
Profit/(Loss) earned on Imports	(1.02)	0.07
Profit/(Loss) recognized on Exports	15.93	(1.06)
Profit/(Loss) on Buyers' Credit & forward contracts	(4.33)	0.16
(Loss) on forex derivative transactions	(0.22)	—
<b>Total Amount</b>	<b>10.36</b>	<b>(5.79)</b>

20. The amount has been given in Crore Rupees unless otherwise stated.  
 21. Previous year figures have been re-grouped or re-arranged wherever found necessary.  
 22. Schedules 1 to 14 form an integral part of the Balance Sheet and Profit & Loss Account.

## ADDITIONAL INFORMATION PURSUANT TO PARAGRAPHS 3 & 4 OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### A. DETAILS OF CAPACITY AND PRODUCTION

(Actual Production in Nos.)

CLASS OF GOODS	Year ended March 31, 2009	Year ended March 31, 2008
AUTO PARTS	42862453	42372919
DIES & MOULDS	694	406
OTHERS	9440	15535

NOTE : It is not feasible to give installed Capacity as these are numerous in volume having complex compositions.

### B. PARTICULARS OF OPENING STOCK, SALES AND CLOSING STOCK OF FINISHED GOODS

(Value Rs. in Crores &amp; Quantity in Nos.)

CLASS OF GOODS	Opening Stock				Sales				Closing Stock			
	Current Year		Previous Year		Current Year		Previous Year		Current Year		Previous Year	
	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE
AUTO PARTS	466	0.02	3146	0.03	42853661	788.67	42375599	786.86	9258	0.30	466	0.02
DIES & MOULDS	8	0.08	8	0.08	694	35.67	406	20.43	8	0.08	8	0.08
TELEMARKETING & DATA ENTRY	—	—	—	—	—	3.28	—	2.76	—	—	—	—
OTHERS	6613	0.03	9518	0.04	15706	4.22	18440	4.22	347	—	6613	0.03
JOB WORK	—	—	—	—	—	0.55	—	0.45	—	—	—	—

NOTE : Sales Includes interunit/intraunit Rs.25.74 crores (Previous year Rs.14.15 crores).

### C. RAW MATERIAL, COMPONENTS, STORES AND SPARE PARTS CONSUMED

(Value Rs. in Crores &amp; Quantity in kgs.)

	Year ended March 31, 2009		Year ended March 31, 2008	
	Qty.	Value	Qty.	Value
ALUMINIUM ALLOY	12668973	137.40	11719422	125.79
PIG IRON & STEEL SCRAP	21930662	62.13	22475717	59.16
OTHER MATERIALS & COMPONENTS	—	249.49	—	233.86
STORES AND SPARE PARTS	—	54.15	—	45.08

It is not feasible to furnish quantitative information of other materials, components and stores & spares parts consumed in view of considerable number of items diverse in size and volume.

NOTE : Consumption Includes interunit/intraunit Rs.22.00 crores (Previous year Rs.10.85 crores).

**D. COMPOSITION OF IMPORTED AND INDIGENOUS RAW MATERIAL (INCLUDING COMPONENTS AND SPARES) CONSUMED AND PERCENTAGE OF EACH TO TOTAL CONSUMPTION**

	Year ended March 31, 2009		Year ended March 31, 2008	
	Value (Rs. in Crores)	Percentage to Total Consumption	Value (Rs. in Crores)	Percentage to Total Consumption
1. ALUMINIUM ALLOY				
Indigenous	125.06	91.02%	112.40	89.36%
Imported	12.34	8.98%	13.39	10.64%
2. PIG IRON & STEEL SCRAP				
Indigenous	62.04	99.85%	59.16	100%
Imported	0.09	0.15%	—	0.00%
3. OTHER MATERIALS & COMPONENTS				
Indigenous	246.33	98.73%	230.35	98.50%
Imported	3.16	1.27%	3.51	1.50%
4. STORES & SPARE PARTS				
Indigenous	50.22	92.74%	41.40	91.84%
Imported	3.93	7.26%	3.68	8.16%

**E. CIF VALUE OF IMPORTS**

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
Capital Goods	21.87	34.22
Other Raw Materials and Components	16.98	15.86
Stores & Spares	3.52	4.13

**F. EXPENDITURE IN FOREIGN CURRENCY**

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
Connectivity & Link Charges	0.02	0.01
Bank Charges against Export	0.05	0.02
Traveling Expenses	0.59	0.70
Books & Periodicals	0.00	0.01
Professional Charges	1.07	0.72
Repairs & Maintenance (Machinery)	0.24	—
Staff Recruitment & Training	0.01	—
Advertisement & Publicity	—	0.64
Others	0.72	2.01

**G. EARNINGS IN FOREIGN CURRENCY**

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
F.O.B. Value of Export	128.03	134.99
Others	13.62	7.95

**H. PAYMENT TO DIRECTORS**

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
Remuneration	1.11	1.31
Commission	0.04	1.70
Perquisites & Allowances	0.15	0.16
Directors Sitting Fees	0.03	0.04
Contribution to Provident Fund	0.13	0.16
<b>Computation of Commission to Directors U/s 349 of the Companies Act, 1956</b>		
Profit after Depreciation	2.87	28.04
Added Back:		
Directors Remuneration Charged to Profit and Loss Account	1.39	3.14
Commission to other Directors	0.04	0.18
Loss on sale of Fixed Assets (Net)-as per books	—	—
	1.43	3.32
	4.30	31.36
1% of Net Profit (Subject to maximum of Rs.0.18 crore)	0.04	0.18
<b>Computation of Commission to Managing Director (MD) &amp; Joint Managing Director (JMD)</b>		
Maximum Permissible 10% of Net Profit or minimum approved by Shareholders to MD & JMD	0.48	3.14
Less: Remuneration already paid	1.39	1.62
<b>Balance</b>	<b>(0.91)</b>	1.52

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

## INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

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

I. Registration Details	<b>Registration No.</b> L34300HR1983PLC 023187	<b>State Code</b> 05
Balance Sheet	<b>Date 31    Month 03</b>	<b>Year 2009</b>
II. Capital raised during the year (Rs. in Thousands)	<b>Public Issue</b> Nil	<b>Right Issue</b> Nil
	<b>Bonus Issue</b> Nil	<b>Private Placement</b> Nil
III. Position of Mobilisation and Deployment of Funds: (Rs. in Thousands)	<b>Total Liabilities</b> 6799007	<b>Total Assets</b> 6799007
Sources of Funds	<b>Paid – Up Capital</b> 125585	<b>Reserves &amp; Surplus</b> 2600855
	<b>Secured Loans</b> 3703343	<b>Deferred Tax Liability</b> 369224
Application of Funds	<b>Net Fixed Assets</b> 4856821	<b>Investments</b> 268279
	<b>Net Current Assets</b> 1673907	<b>Misc. Expenditure</b> 0
	<b>Accumulated Losses</b> Nil	
IV. Performance of Company (Rs. in Thousands)	<b>Turnover (Including Other Income)</b> 8444104	<b>Total Expenditure</b> 8415355
	<b>Profit Before Tax</b> 28749	<b>Profit After Tax</b> 47536
	<b>Earning Per Share in Rs.</b> 0.38	<b>Dividend Rate %</b> 15

Generic Names of Two Principal Products/Service of Company (as per monetary terms)

- |                             |                   |  |
|-----------------------------|-------------------|--|
| 1. Item Code No. (ITC Code) | <b>8714.99.00</b> |  |
| Product Description         |                   | <b>Motorcycle Components</b>                   |
| 2. Item Code No. (ITC Code) | <b>8708.99.00</b> |  |
| Product Description         |                   | <b>Parts and Accessories of Motor Vehicles</b> |

As per ITC-HS classification as amended upto April, 2003

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

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Partner  
Membership No. 89214

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**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary



	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extra Ordinary Items	2.87	28.04
Adjustments for:		
Depreciation	50.02	47.32
Profit on Sale of Assets	(0.04)	—
Provision for Fair Valuation of forward contracts/ Derivative Liabilities	(2.82)	—
Interest Paid	45.47	25.89
Dividend Received	(8.69)	(8.69)
Miscellaneous Expenses Written off	1.04	0.52
	<b>84.98</b>	65.04
<b>Operating Profit Before Working Capital Changes</b>	<b>87.85</b>	93.08
Adjustments for:		
Trade and other Receivables	(7.85)	(57.92)
Inventories	(5.60)	(10.69)
Trade Payable and Provisions	19.07	(13.29)
	<b>5.62</b>	(81.90)
<b>Cash Generated from Operations</b>	<b>93.47</b>	11.18
Income Tax Payment for the year	(1.46)	(5.60)
	<b>92.01</b>	5.58
<b>Cash Flow before Extra Ordinary Items</b>	<b>92.01</b>	5.58
Extra Ordinary Items	—	—
<b>Net Cash from Operating Activities (A)</b>	<b>92.01</b>	5.58
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(62.48)	(91.62)
Sale of Fixed Assets	0.38	5.70
Purchase of Investments	(6.52)	(16.07)
Dividend Received	8.69	8.69
	<b>(59.93)</b>	(93.30)
<b>Net Cash used in Investing Activities (B)</b>	<b>(59.93)</b>	(93.30)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	82.51	74.50
Repayment of Long Term Borrowings	(53.30)	(60.99)
Proceeds from Short Term Borrowings (Net)	(31.50)	121.30
Dividend Paid – Equity Shares	(8.80)	—
Interest Paid	(45.47)	(25.89)
	<b>(56.56)</b>	108.92
<b>Net Cash used in Financing Activities (c)</b>	<b>(56.56)</b>	108.92
Extra Ordinary Items		
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(24.48)</b>	21.20
Cash and Cash Equivalents as at (Opening Balance)	27.59	6.39
Cash and Cash Equivalents as at (Closing Balance)	3.11	27.59

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009 (CONTD.)

### Notes :

1. The above statement has been prepared under indirect method except in case of dividend which has been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.
2. Cash and cash equivalents represent cash and bank balances only.
3. Additions to fixed assets are stated inclusive of movements of Capital work-in-progress between beginning and end of the year and treated as part of investing activities.
4. Previous year figures have been regrouped/recast, wherever necessary.

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As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

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### AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Rico Auto Industries Limited for the year ended 31<sup>st</sup> March, 2009. The Statement has been prepared by the Company in accordance with the requirements of listing agreement clause 32 with Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet covered by our report of even date to the members of the Company.

For **Gupta Vigg & Co.**  
Chartered Accountants

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**CA. KAWAL JAIN**  
PARTNER  
Membership No. 89214

**RI CO**

For and on behalf of the Board of Directors

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
**Directors**

**B.M.Jhamb**  
Company Secretary

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

## FINANCIAL SUMMARY RELATING TO SUBSIDIARY COMPANIES AS ON 31.03.2009

(Rs. in Thousand)

Sl. No.	Name of the Subsidiary	Reporting Currency	Exchange Rates as on 31.03.2009 (Rs.)	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1.	Rico Auto Industries Inc. USA	US\$	50.70	1217	78316	418157	338624	—	1061321	40621	10249	30372	—
2.	Rico Auto Industries (UK) Limited, U.K.	GBP	71.97	1725	2932	156301	151644	—	395818	(3797)	0	(3797)	—
3.	Rasa Autocom Limited	INR	—	750	(3330)	70031	72611	—	—	(5045)	(1715)	(3330)	—
4.	Uttarakhand Automotives Limited	INR	—	4100	(10772)	156646	163318	—	52	(16296)	(5524)	(10772)	—
5.	Rico Jinfei Wheels Limited	INR	—	64288	(3725)	269483	208920	18500	74	(3817)	(92)	(3725)	—
6.	Raa Autocom Limited	INR	—	500	(2747)	67461	69708	500	—	(4162)	(1415)	(2747)	—

**Note:** The Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Reports of the Subsidiaries are not being attached in view of exemption granted by Ministry of Corporate Affairs Govt. of India, New Delhi vide its Approval Letter No. F.No.47/138/2009—CL—III dated 20<sup>th</sup> March, 2009. The said annual accounts of the Subsidiary Companies and the related detailed information will be made available to the holding & Subsidiary Company's investors seeking such information at any point of time (during business hours). The annual accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Corporate Office of the Company/Subsidiary Company.

For and on behalf of the Board of Directors

**O.P.Aggarwal**  
Executive Director (Finance)

**B.M.Jhamb**  
Company Secretary

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

Consolidated  
Financial Statements  
for the  
Financial Year  
2008-09

## 61

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>SOURCES OF FUNDS</b>			
1. SHAREHOLDERS' FUNDS			
Share Capital	1	12.56	12.56
Reserves & Surplus	2	284.57	289.68
		297.13	302.24
2. LOAN FUNDS	3	391.07	376.79
3. DEFERRED TAX LIABILITY	4	35.93	37.61
TOTAL		724.13	716.64
<b>APPLICATION OF FUNDS</b>			
1. FIXED ASSETS			
Gross Block	5	791.78	695.15
Less : Depreciation		281.22	229.03
Net Block		510.56	466.12
Capital Work-in-Progress		49.61	30.12
2. INVESTMENTS		—	—
3. CURRENT ASSETS, LOANS & ADVANCES			
A) Inventories	6	129.76	119.85
B) Sundry Debtors	7	99.70	116.82
C) Cash & Bank Balances	8	13.03	62.97
D) Loans & Advances	9	98.58	59.59
		341.07	359.23
Less : Current Liabilities & Provisions	10	177.11	140.02
Net Current Assets		163.96	219.21
4. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	11	—	1.19
TOTAL		724.13	716.64
NOTES ON ACCOUNTS	15		

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
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**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>INCOME</b>			
Sales	12	1004.37	955.80
Less : Excise Duty		99.98	116.49
		904.39	839.31
Other Income		25.07	10.09
		929.46	849.40
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	13	831.42	734.02
Financial Charges	14	46.47	25.97
Miscellaneous Expenditure Written Off		0.15	0.52
		878.04	760.51
Profit before Depreciation		51.42	88.89
Depreciation		54.13	49.93
Profit after Depreciation		(2.71)	38.96
Fringe Benefit Tax		0.82	0.82
Provision for Taxation		5.34	12.12
Provision for Deferred Tax		(3.51)	2.65
Profit after Tax		(5.36)	23.37
Previous year Income Tax		0.00	(0.03)
Amount Available for Appropriations		(5.36)	23.34
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		7.81	16.23
Corporate Dividend Tax		1.33	2.76
Transferred to General Reserve		1.09	3.87
Balance carried over to Balance Sheet		(15.59)	0.48
		(5.36)	23.34
<b>EARNING PER SHARE (Equity Shares, par value Re. 1/- each)</b>			
Basic (Rupees)		(0.43)	1.86
Diluted (Rupees)		(0.43)	1.86
<b>Number of Shares considered for computing Earning Per Share</b>			
Basic		125585000	125585000
Diluted		125585000	125585000
<b>NOTES ON ACCOUNTS</b>			
	15		

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

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Directors

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Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director



## SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 1 – SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
25,00,00,000 Equity Shares of Re.1/- each (Previous year 25,00,00,000 Equity Shares of Re.1/- each)	25.00	25.00
50,00,000 Redeemable Preference Shares of Rs.10/- each (Previous year 50,00,000 Shares of Rs.10/- each)	5.00	5.00
	<u>30.00</u>	<u>30.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
12,55,85,000 Equity Shares of Re.1/- each fully paid up (Previous year 12,55,85,000 Equity Shares of Re.1/- each) (Out of above Shares 53,58,500 Equity Shares of Rs.10/- each were allotted as fully paid-up by way of Bonus Shares)	12.56	12.56
	<u>12.56</u>	<u>12.56</u>
<b>Schedule 2 – RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>	#	#
# On Forfeited Shares & NCDs - Rs.34785/-		
<b>STATE CAPITAL SUBSIDY</b>	0.20	0.20
<b>SHARE PREMIUM ACCOUNT</b>	129.03	129.03
<b>CAPITAL REDEMPTION RESERVE</b>	2.00	2.00
<b>EXCHANGE EQUILISATION RESERVE</b>	0.00	0.03
<b>HEDGING RESERVE</b>	(2.82)	—
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	85.12	81.25
Add : Transferred from Profit & Loss Account	1.09	3.87
Add : Previous year's Foreign Exchange capitalization of Fixed Assets	<u>3.55</u>	<u>—</u>
	89.76	85.12
<b>SURPLUS</b>		
As per last Balance Sheet	73.30	64.13
Add : Dividend Received (Inter-group)	8.69	8.69
Add : Transferred from Profit & Loss Account	<u>(15.59)</u>	<u>0.48</u>
	66.40	73.30
	<u>284.57</u>	<u>289.68</u>

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 3 – LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
A. i) Term Loans from Financial Institutions and Banks:		
The Hongkong & Shanghai Banking Corporation Limited:		
– Foreign Currency Loan (CHF 42,36,909 Previous year CHF 1,15,05,729)	19.07	46.57
Citibank N.A. – ECB Loan (CHF 33,75,000 Previous year CHF 48,75,000)	15.19	19.73
Barclays Bank PLC	5.00	20.00
Axis Bank Limited	58.70	50.00
Standard Chartered Bank	12.00	4.50
Yes Bank Limited	25.00	—
IDBI Bank Limited	50.00	—
B. ii) Loans and Advances from Banks:		
State Bank of India	8.30	13.65
IDBI Bank Limited	23.44	20.63
Standard Chartered Bank:		
– Cash Credits	16.20	18.48
– Buyers' Credits (US\$ 32,64,277 Previous year US\$ 9,16,581)	16.71	3.67
– Export Packing Credits (US\$ 2,00,000 Previous year US\$ Nil)	1.02	—
Citibank N.A.:		
– Cash Credits	2.32	5.51
– Export Packing Credits (US\$ 11,00,000 Previous year US\$ 15,11,335)	5.63	6.05
The Hongkong & Shanghai Banking Corporation Limited	12.33	19.11
Oriental Bank of Commerce	2.07	—
HDFC Bank Limited	2.78	—
C. Other Loans:		
iii) From Banks	0.03	0.06
iv) From Companies	1.39	1.65
<b>UNSECURED LOANS</b>		
v) Short Term		
Deutsche Bank AG:		
– Export Packing Credit	—	14.92
– Export Bills Discounting (US\$ Nil Previous year US\$ 10,00,000)	—	4.00
The Bank of Nova Scotia	26.00	45.00
Kotak Mahindra Bank Limited	5.00	10.00
Barclays Bank PLC	20.00	30.00
DBS Bank Limited		
– Short Term Loans	29.89	25.00
– Buyers' Credits (US\$ 30,00,000 Previous year JPY 32,55,00,000)	15.36	12.25
IDBI Bank Limited	10.00	—
HSI IDC Limited-for Land	—	4.17
Companies	5.80	—
vi) Deferred Sales Tax	1.84	1.84
	<b>391.07</b>	<b>376.79</b>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET (CONTD.)

### Schedule 3 – LOAN FUNDS ( Contd.)

i) Term Loans:

Foreign Currency CHF loan from the Hongkong & Shanghai Banking Corporation Limited is secured by way of first pari-passu charge by way of hypothecation on moveable assets and mortgage by way of deposit of title deeds of immoveable properties.

External Commercial Borrowings from Citibank, N.A. is secured by way of exclusive charge on the plant & machinery/fixed and moveable assets purchased out of that facility.

Rupee Term Loan from Barclays Bank PLC is secured by way of first pari-passu charge on the movable assets including moveable plant & machinery / inventory / book debts, both present and future, and mortgage by way of deposit of title deeds of immoveable properties. Rupee Term loan from Axis Bank Limited is secured by way of first pari-passu charge on the moveable plant & machinery, furniture & fixtures and mortgage by way of deposit of title deeds of immoveable properties.

Rupee Term Loan, with inner limits of Letter of Credits and Buyers' Credits, from Standard Chartered Bank is secured by way of first pari-passu charge on the machineries and immoveable properties of the Company.

Rupee Term Loan from Yes Bank Limited is secured by way of first pari-passu charge on the movable plant & machinery and further secured by first pari-passu charge on immovable properties, both present & future. Additionally secured by a corporate guarantee of an associate company and personal guarantees of Managing Director, Jt. Managing Director & a Director of the Company. Charge yet to be created on immoveable properties.

Rupee Term Loan from IDBI Bank Limited is secured by way of first pari-passu charge on the movable plant & machinery and further secured by first pari-passu charge on immovable properties, both present & future. Charge yet to be created on immovable properties.

ii) Loans and Advances from Banks are secured by hypothecation of receivables & inventories. Facilities from IDBI Bank Limited upto Rs.20.00 crores was further secured by way of second pari-passu charge on the immoveable property of the Company. Second charge released on 16.02.2009. Facilities from State Bank of India upto Rs.15.00 crores was further secured by second pari-passu charge over immoveable properties of the Company. Second charge released on 24.03.2009.

iii & iv) Other Loans from Banks and Companies are secured against hypothecation of the vehicles financed.

v) Unsecured Loans from DBS Bank Limited are personally guaranteed by the Managing Director of the Company.

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 4 – DEFERRED TAX LIABILITY</b>		
As per last Balance Sheet	37.61	34.96
Add : Previous Year's Foreign Exchange capitalization of Fixed Assets	1.83	—
Add : Provision for the year	(3.51)	2.65
	<u>35.93</u>	<u>37.61</u>

## SCHEDULES TO BALANCE SHEET (CONTD.)

### Schedule 5 – FIXED ASSETS

(Rs. in Crores)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 31.03.08	Addition during the year	Sale/Trf. during the year	Total Cost as on 31.03.09	Up to 31.03.08	For the year	On Sale/ Transfer	Up to 31.03.09	As on 31.03.09	As on 31.03.08
LAND	10.22	3.70	—	13.92	—	—	—	—	13.92	10.22
LAND ( LEASE HOLD )	24.20	3.74	—	27.94	—	0.11	—	0.11	27.83	24.20
BUILDINGS	72.63	4.96	0.03	77.56	12.26	2.61	0.02	14.85	62.71	60.37
FURNITURE & FIXTURES	4.91	2.06	0.01	6.96	2.67	0.69	0.01	3.35	3.61	2.24
PLANT & MACHINERY	543.96	79.19	1.37	621.78	188.31	46.59	1.28	233.62	388.16	355.65
OFFICE EQUIPMENTS	25.62	3.72	0.04	29.30	19.93	1.92	0.03	21.82	7.48	5.69
VEHICLES	13.61	1.64	0.93	14.32	5.86	2.21	0.60	7.47	6.85	7.75
<b>TOTAL</b>	<b>695.15</b>	<b>99.01</b>	<b>2.38</b>	<b>791.78</b>	<b>229.03</b>	<b>54.13</b>	<b>1.94</b>	<b>281.22</b>	<b>510.56</b>	<b>466.12</b>
PREVIOUS YEAR FIGURES	606.27	92.31	3.43	695.15	181.00	49.93	1.90	229.03	466.12	425.27

#### CAPITAL WORK-IN-PROGRESS

Capital Work-in-Progress	42.96	27.53
Pre-Operative Expenses	6.65	2.59
<b>Total</b>	<b>49.61</b>	<b>30.12</b>

Note : Additions in Fixed Assets during the year include Rs.1.06 crores (Previous year Rs.1.31 crores) on account of capitalization of borrowing cost and Rs.13.11 crores (Previous year Rs.1.11 crores) on account of capitalization of Foreign Exchange Fluctuation.

#### Pre-Operative Expenses:

Personnel Expenses	0.56	0.21
Contribution to Provident & Other Funds	—	—
Labour & Staff Welfare	0.02	0.01
Rent	1.22	0.01
Rates & Taxes	0.10	0.25
Travelling & Conveyance	0.47	0.32
Insurance	—	—
Repair & Maintenance (Machinery)	—	—
Repair & Maintenance (Others)	—	—
Other Expenses	0.08	0.06
Technical Know How	3.44	1.74
Financial Charges	0.73	(0.04)
Depreciation	—	0.01
Taxation	0.03	0.02
<b>Total</b>	<b>6.65</b>	<b>2.59</b>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET (CONTD.)

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 6 – INVENTORIES</b>		
(As valued and certified by the Management – Cost or Realisable Value whichever is less)		
Goods in Transit	9.34	18.18
Stores & Spares	36.05	35.82
Raw Material & Components	26.44	16.18
Work-in-Process	28.40	28.83
Finished Goods	29.53	20.84
	<u>129.76</u>	<u>119.85</u>
<b>Schedule 7 – SUNDRY DEBTORS</b>		
(Unsecured considered good)		
Debts outstanding for a period exceeding six months	7.61	2.40
Less : Provision for Doubtful Debts	(1.04)	(1.04)
Other Debts	93.13	115.46
	<u>99.70</u>	<u>116.82</u>
<b>Schedule 8 – CASH AND BANK BALANCES</b>		
1. Cash in hand	0.05	0.04
2. Cheques in hand	0.00	26.08
3. Balances with Scheduled Banks		
a) In Current Accounts	12.59	36.36
b) In Margin Money Accounts		
– against discounting	0.00	0.16
c) In Dividend Accounts	0.39	0.33
	<u>13.03</u>	<u>62.97</u>
<b>Schedule 9 – LOANS AND ADVANCES</b>		
(Unsecured considered good)		
a) Advances recoverable in cash or in kind or for value to be received	84.72	48.48
Less : Provision for doubtful advances	(0.17)	(0.17)
b) Security deposits	5.28	3.66
c) Advance Income Tax(Net)	8.75	7.62
	<u>98.58</u>	<u>59.59</u>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET (CONTD.)

	As at March 31, 2009 (Rs. in Crores)	As at March 31, 2008 (Rs. in Crores)
<b>Schedule 10 – CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
a) Sundry Creditors		
1) Due to Micro, Small & Medium Enterprises	2.49	2.12
2) Others	106.05	78.95
b) Other Liabilities		
1) Expenses payable	40.65	22.91
2) Income Tax deducted at source payable	1.06	0.95
3) Interest accrued but not due	3.21	0.41
4) Other statutory liabilities	5.79	5.35
5) Unclaimed Dividends	0.39	0.33
<b>PROVISIONS</b>		
c) Proposed Dividend	7.81	16.23
d) Provision for Income Tax (Net of Advance Tax)	5.51	10.01
e) Provision for Corporate Dividend Tax	1.33	2.76
f) Fair Valuation/Derivative Liabilities	2.82	
	<u>177.11</u>	<u>140.02</u>
<b>Schedule 11 – MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Share Issue & Deferred Revenue Expenses	1.19	1.71
Less : Expenses written off during the year	1.19	0.52
	<u>0.00</u>	<u>1.19</u>

## SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>Schedule 12 – SALES &amp; OTHER INCOME</b>		
Sales	1000.37	953.60
Miscellaneous Sales	3.86	2.13
Job Work (TDS Rs.10,952/- Previous year Rs.9,538/-)	0.14	0.07
	<u>1004.37</u>	<u>955.80</u>
Interest Received	4.58	2.85
(TDS Rs.1,73,89,562/- Previous year Rs.68,11,780/-)		
Miscellaneous Income	10.06	7.04
(TDS Rs.1,34,15,054/- Previous year Rs.44,214/-)		
Dividend Received	—	—
Foreign Exchange Fluctuation	10.38	0.20
Profit on Sale of Assets (Net)	0.05	—
	<u>25.07</u>	<u>10.09</u>
	<u>1029.44</u>	<u>965.89</u>

## SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>Schedule 13 – MANUFACTURING &amp; OTHER EXPENSES</b>		
Raw Material & Components Consumed	569.18	510.30
Add : Opening Stock		
Work-in-Process	28.83	21.98
Finished Goods	20.84	14.44
	<u>618.85</u>	<u>546.72</u>
Less : Closing Stock		
Work-in-Process	28.40	28.83
Finished Goods	29.53	20.84
	<u>560.92</u>	<u>497.05</u>
Stores & Spares Consumed	49.98	38.80
Power & Fuel	65.31	58.50
Personnel Expenses	87.47	76.04
Contribution to Provident & other Funds	4.10	3.64
Labour & Staff Welfare	2.35	2.31
Rent	0.41	0.35
Rates & Taxes	1.16	0.34
Directors' Sitting Fees	0.03	0.04
Commission to Directors	0.11	1.76
Insurance	1.61	2.40
Travelling & Conveyance	4.08	3.54
Auditors' Remuneration*	0.29	0.22
Advertisement & Publicity	0.16	0.15
Sales Promotion	0.24	0.75
Repair & Maintenance (Machineries)	3.05	2.68
Repair & Maintenance (Buildings)	0.96	1.29
Repair & Maintenance (Others)	1.74	1.75
Charity & Donation	0.24	0.18
Other Expenses	45.76	41.91
Loss on Sale of Assets (Net)	0.00	0.09
Previous year Expenses (Net)	1.45	0.23
	<u>831.42</u>	<u>734.02</u>
Note: * Auditors' Remuneration includes payments/provisions for :		
Audit Fee	0.22	0.16
Tax Audit Fee	0.02	0.02
Income Tax Matters	0.02	0.01
Other Capacity	0.02	0.02
Expenses Reimbursed	0.01	0.01
	<u>0.29</u>	<u>0.22</u>
<b>Schedule 14 – FINANCIAL CHARGES</b>		
Term Loan Interest	15.72	11.45
Interest to Banks & Others	30.75	14.52
	<u>46.47</u>	<u>25.97</u>





- v) Disputed statutory demands in appeals before relevant Hon'ble Appellate Authorities :
  - a) Sales Tax Rs.6.34 crores (Previous year Rs.6.34 crores).
  - b) Central Excise & Service Tax Rs.3.79 crores (Previous year Rs.1.87 crores).
  - c) Local Area Development Tax (LADT) Rs.0.01 crore (Previous year Rs.0.01 crore).
  - d) Income Tax Rs.0.92 crore (Previous year Rs.0.01 crore).
  - e) Customs Duty/Show Cause Notice Rs.0.07 crore (Previous year Rs. Nil).
- vi) Surety Bonds executed in favour of the President of India, under Export Promotion Capital Goods (EPCG) Scheme for importing Capital goods at concessional rate of custom duty, amounting to Rs.122.19 crores (Previous year Rs. 122.19 crores).
- vii) Show cause notice received from Service Tax Department Rs.0.07 crore (Previous year Rs.0.07 crore).

Based on favourable judgements in similar cases, legal opinions taken by the Company, discussions with the solicitors, etc. the Company believe that there is fair chance of decisions in favour in respect of the items listed at (v)(a)(b)(c) and (d) above and hence no provision has been considered necessary against the same.

2. The other Notes to Accounts, containing inter-alia, explanatory material & security particulars on secured loans have not been included here as the same are disclosed in the accounts of respective Companies under consolidation.
3. Miscellaneous Expenditure:  
Preliminary Expenses in case of FCC Rico Limited are being amortized over the period of ten years.
4. Some of the balances under Sundry Creditors, Sundry Debtors, and Loan & Advances are subject to reconciliation and confirmation.
5. The Rico Auto Industries Limited has opted and changed its accounting policy for exchange difference arising on reporting of long term Foreign Currency monetary items in pursuance of the notification of the Companies Accounting Standards (AS-11) Amendment Rules, 2009 on 31<sup>st</sup> March, 2009. Accordingly, profit/losses arising from the effect of changes in Foreign exchange rates on Foreign Currency loans relating to acquisition of depreciable capital assets amounting to Rs.6.27 crores for the year ended 31<sup>st</sup> March, 2009 are added to the cost of such assets. Consequent to the change, the depreciation for the year is higher by Rs.0.03 crore and the profit for the year is higher by Rs.6.24 crores. The corresponding foreign exchange loss of Rs.5.38 crores (net of depreciation) for the year ended 31<sup>st</sup> March, 2008 has been added to the cost of such assets and Rs.1.83 crores has been transferred to Deferred Tax Liability and Balance of Rs.3.55 crores has been credited in General Reserves.  
  
Except Rico Auto Industries Limited, Foreign exchange transaction are recorded at the exchange rates prevailing at the date of transactions during the period are recognized in the Profit and Loss Account. Monetary items denominated in the foreign currencies at the period end are translated at period end rates and resultant gains/losses on foreign exchanges translations are recognized in the Profit and Loss Account.
6. With effect from 1<sup>st</sup> April, 2008 the Rico Auto Industries Limited has chosen to follow the principles of Accounting Standard (AS-30) "Financial Instruments Recognition and Measurement" in respect of its derivative financial instruments that are not covered by (AS-11) "Accounting for the Effects of changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transactions. In accordance with (AS-30), such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of effective Cash flow hedge accounting, are fair valued at 31<sup>st</sup> March, 2009 and the resultant transitional exchange loss (notional) of Rs.2.82 crores is debited to the Hedging Reserve and credited to Provision for Fair Valuation Loss on Derivatives. The actual (gain)/loss if any would be recorded in profit and loss account of the years in which the underlying transactions are actually settled and reversed from the Hedging Reserve account.
7. Managerial Remuneration to Managing Director & Joint Managing Director:  
The Company has paid Rs.1.39 crores as Managerial Remuneration to the Managing Director & Joint Managing Director, which is in excess of the limits under the Companies Act. Had the Company accounted for the managerial remuneration in accordance with the Act, the Profit after Tax would have been higher by Rs.0.60 crore and Loans and Advances would have been higher by Rs.0.91 crore. The Company is in the process of filing an application to the Central Government for waiver of the excess remuneration.

## 8. Related Party Disclosures

Related Party Disclosures as required under Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India is as under:

### A. Companies

Name of the Company	Country of Incorporation	Nature of Relationship	Quantum of Interest
Rico Auto Industries Inc.	USA	Subsidiary	100%
Rico Auto Industries (UK) Limited	U.K.	Subsidiary	100%
FCC Rico Limited	India	Joint Venture	50%
Kapsons Associates Investments Private Limited	India	Associate	—
Rico Castings Limited	India	Associate	—
Higain Investments Private Limited	India	Associate	—
Rasa Autocom Limited	India	Subsidiary	100%
Uttarakhand Automotives Limited	India	Subsidiary	100%
Raa Autocom Limited	India	Subsidiary	100%
Rico Jinfei Wheels Limited	India	Joint Venture & Subsidiary	92.5%
Continental Rico Hydraulic Brakes India Private Limited	India	Joint Venture	50%
Magna Rico Powertrain Private Limited	India	Joint Venture	50%
Roop Automotives Limited	India	A Director is Interested	—
T.K. Precision Private Limited	India	A Director is Interested	—
S. T. Limited	India	A Director is Interested	—
Octan Media Private Limited	India	A Director is Interested	—

## B. Key Management Personnel

Details of Key Management Personnel are as under:

Name	
Shri Arvind Kapur Vice Chairman, CEO & Managing Director	– Rico Auto Industries Limited
Director	– Rico Auto Industries Inc., USA
Director	– Rico Auto Industries (UK) Limited, U.K.
Director	– FCC Rico Limited
Director	– Rasa Autocom Limited
Director	– Uttarakhand Automotives Limited
Director	– Higain Investments Private Limited
Director	– Kapsons Associates Investments Private Limited
Director	– Rico Jinfei Wheels Limited
Director	– Continental Rico Hydraulic Brakes India Private Limited
Director	– S. T. Limited
Director	– Unitech Machines Limited
Director	– KDB Investments Private Limited
Director	– Magpie Properties Private Limited
Director	– Haridwar Estates Private Limited
Director	– Octan Media Private Limited
Director	– RAA Autocom Limited
Director	– Contech Infosystems Private Limited
Shri Arun Kapur Jt. Managing Director	– Rico Auto Industries Limited
Director	– Rico Auto Industries Inc., USA
Director	– Rico Auto Industries (UK) Limited, U.K.
Director	– Rasa Autocom Limited
Director	– Raa Autocom Limited
Director	– Uttarakhand Automotives Limited
Director	– Higain Investments Private Limited
Director	– Kapsons Associates Investments Private Limited
Director	– Magpie Properties Private Limited
Director	– Octan Media Private Limited
Shri Rakesh Kapur Director	– Rico Auto Industries Limited
Director	– Rico Auto Industries Inc., USA
Managing Director	– Rico Castings Limited
Director	– Rasa Autocom Limited
Director	– Raa Autocom Limited
Director	– Uttarakhand Automotives Limited
Director	– Higain Investments Private Limited
Director	– Kapsons Associates Investments Private Limited
Director	– Magpie Properties Private Limited
Director	– Octan Media Private Limited
Shri Satoshi Nakaya Managing Director	– FCC Rico Limited
Shri Bingzao Ge Director	– Rico Jinfei Wheels Limited
Shri Heinz Diederichs Managing Director	– Continental Rico Hydraulic Brakes India Private Limited
Shri Klaus Drobnak Director	– Magna Rico Powertrain Private Limited

### C. Transaction between the Related Parties

(Rs. in Crores)

Name of the related parties with whom the transactions have been made	Description of relationship with the party	Nature of Transactions	Amount 2008-2009	Amount Outstanding as on 31/03/2009
Rico Auto Industries Inc.,USA	Wholly Owned Subsidiary	Goods Sold Outstanding Receivable	<b>84.57</b> —	— <b>32.03</b>
Rico Auto Industries (UK) Limited, U.K.	Wholly Owned Subsidiary	Goods Sold Outstanding Receivable	<b>36.27</b> —	— <b>13.37</b>
FCC Rico Limited	Joint Venture	Goods Purchased Goods Sold Outstanding Receivable	<b>12.52</b> <b>60.50</b> —	— — <b>1.71</b>
Roop Automotives Limited	Directors Interested	Goods Sold Outstanding Receivable	<b>1.33</b> —	— <b>0.28</b>
Ms. Shikha Kapur	Relative of the Directors	Salary	<b>0.35</b>	—
Managing Director/Jt. Managing Director/ other Directors	Key Management Personnel	Remuneration/Commission	<b>1.46</b>	—
Rico Castings Limited	Associate Company	Goods Purchased Goods Sold Purchase of Machineries Sales of Machineries Job work Expenses Outstanding Receivable	<b>43.23</b> <b>1.39</b> <b>0.54</b> <b>0.05</b> <b>0.01</b> —	— — — — — <b>12.57</b>
Higain Investments Private Limited	Associate Company	Goods Purchased Goods Sold Outstanding Receivable	<b>2.42</b> <b>1.62</b> —	— — <b>0.24</b>
T.K. Precision Private Limited	Directors Interested	Goods Purchased Outstanding Payable	<b>2.71</b> —	— <b>0.45</b>
S. T. Limited	Directors Interested	Goods Purchased Outstanding Payable	<b>0.83</b> —	— <b>0.22</b>
Rico Jinfei Wheels Limited	Joint Venture & Subsidiary	Investment in Joint Venture Co. Goods Sold Loan given during the year Loan given Outstanding (Interest bearing) Interest Received Sale of Machinery Outstanding Receivable	<b>1.85</b> <b>0.01</b> <b>3.12</b> <b>4.60</b> <b>0.17</b> <b>0.03</b> —	— — — — — — <b>4.64</b>
Continental Rico Hydraulic Brakes India Private Limited	Joint Venture	Goods Purchased Goods Sold Rent Received for office space Outstanding Receivable	<b>0.66</b> <b>0.19</b> <b>2.48</b> —	— — — <b>0.77</b>
Magna Rico Powertrain Private Limited	Joint Venture	Goods Sold Rent Received for office space Investment in Joint Venture Co. Outstanding Receivable	<b>0.21</b> <b>0.68</b> <b>4.62</b> —	— — — <b>0.26</b>

## Transaction between the Related Parties (Contd.)

(Rs. in Crores)

Name of the related parties with whom the transactions have been made	Description of relationship with the party	Nature of Transactions	Amount 2008-2009	Amount Outstanding as on 31/03/2009
Rasa Autocom Limited	Wholly Owned Subsidiary	Loan given during the year Loan given Outstanding (Interest bearing) Interest Received Outstanding Receivable	3.67 5.27 0.25 —	— — — 5.28
Uttarakhand Automotives Limited	Wholly Owned Subsidiary	Loan given during the year Loan given Outstanding (Interest bearing) Interest Received Outstanding Receivable	2.59 16.79 1.61 —	— — — 16.79
Raa Autocom Limited	Wholly Owned Subsidiary	Equity Contribution in cash Loan given during the year Loan given Outstanding (Interest bearing) Interest Received Outstanding Receivable	0.05 4.30 4.39 0.13 —	— — — — 4.39
Octan Media Private Limited	Directors Interested	Rent Received for office space Outstanding Receivable	0.03 —	— 0.02
Kapsons Associates Investments Private Limited	Associate Company	Rent Paid Guarantee Taken	0.35 25.00	
Total		Goods sold	186.09	—
		Goods Purchased	62.37	—
		Job work Expenses	0.01	—
		Interest Received	2.16	—
		Rent Received for office space	3.19	—
		Purchase of Machineries	0.54	—
		Sales of Machineries	0.07	—
		Rent Paid	0.35	—
		Guarantee Taken	25.00	—
		Salary	0.35	—
		Equity Contribution in cash	0.05	—
		Investment in Joint Ventures	6.47	—
		Loan Given during the year	13.68	—
		Loan Outstanding (Interest bearing)	31.05	—
		Remuneration/Commission	1.46	—
		Outstanding Receivable	—	92.35
		Outstanding Payable	—	0.67

10. Grouping and heads of accounts of the Subsidiaries and the Joint Ventures have been re-arranged in terms of presentation of those of Parent Company wherever necessary.

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**O.P.Aggarwal**  
Executive Director (Finance)

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M.Jhamb**  
Company Secretary

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	Year ended March 31, 2009 (Rs. in Crores)	Year ended March 31, 2008 (Rs. in Crores)
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extra Ordinary Items	(2.71)	38.96
Adjustments for:		
Depreciation	54.13	49.93
Loss on Sale of Assets	—	0.09
Prov. for fair valuation of Forward Contracts/ Derivative Liabilities	(2.82)	—
Interest Paid	46.47	25.97
Dividend Received	—	—
Profit on Sale of Assets	(0.05)	—
Miscellaneous Expenses Written off	1.19	0.52
	<b>98.92</b>	<b>76.51</b>
<b>Operating Profit before Working Capital Changes</b>	<b>96.21</b>	<b>115.47</b>
Adjustments for:		
Trade and Other Receivables	(20.74)	(37.09)
Inventories	(9.91)	(20.67)
Trade Payable and provisions	51.44	(9.04)
	<b>20.79</b>	<b>(66.80)</b>
<b>Cash Generated from operations</b>	<b>117.00</b>	<b>48.67</b>
Interest Paid	—	
Income Tax Payment for the Year	(11.79)	(14.75)
	<b>(11.79)</b>	<b>(14.75)</b>
<b>Cash Flow before Extra-ordinary Items</b>	<b>105.21</b>	<b>33.92</b>
Extra-ordinary Items	—	(0.15)
<b>Net Cash from Operating Activities (A)</b>	<b>105.21</b>	<b>33.77</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(113.12)	(107.03)
Sale of Fixed Assets	0.49	1.44
Consolidation (Exchange Fluctuation Reserve)	8.66	8.69
	<b>(103.97)</b>	<b>(96.90)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	97.45	74.50
Repayment of Long Term Borrowings	(53.30)	(60.99)
Proceeds from Short Term Borrowings (Net)	(29.87)	125.47
Interest Paid	(46.47)	(25.97)
Dividend Paid – Equity Shares	(18.99)	(10.17)
	<b>(51.18)</b>	<b>102.84</b>
<b>Net Cash used in Financing Activities ( C )</b>	<b>(51.18)</b>	<b>102.84</b>
Extra Ordinary Items		
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(49.94)</b>	<b>39.71</b>
Cash and Cash Equivalents as at (Opening Balance)	<b>62.97</b>	<b>23.26</b>
Cash and Cash Equivalents as at (Closing Balance)	<b>13.03</b>	<b>62.97</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009 (CONTD.)

### Notes :

1. The above statement has been prepared under indirect method except in case of dividend which has been considered on the basis of actual movement of cash, with corresponding adjustments in assets and liabilities.
2. Cash and cash equivalents represent cash and bank balances only.
3. Additions to fixed assets are stated inclusive of movements of Capital work-in-progress between beginning and end of the year and treated as part of investing activities.
4. Previous year figures have been regrouped/recast, wherever necessary.

As per our report of even date  
For Gupta Vigg & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**CA. Kawal Jain**  
Partner  
Membership No. 89214

**O.P. Aggarwal**  
Executive Director (Finance)

**Anup Singh**  
**Prof. Vinod Kumar Bhalla**  
**Kanwal Monga**  
**Rakesh Kapur**  
Directors

**Chandra Mohan**  
Chairman  
**Arvind Kapur**  
Vice Chairman, CEO &  
Managing Director  
**Arun Kapur**  
Jt. Managing Director

Place : Gurgaon  
Dated : 24<sup>th</sup> June, 2009

**B.M. Jhamb**  
Company Secretary

### AUDITORS' CERTIFICATE

We have verified the above Consolidated Cash Flow Statement of Rico Auto Industries Limited derived from the Audited Consolidated Financial Statement for the year ended March 31, 2009 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the Listing Agreements with the Stock Exchanges.

For **Gupta Vigg & Co.**  
Chartered Accountants

Place : Gurgaon  
Date : 24<sup>th</sup> June, 2009

**CA. KAWAL JAIN**  
PARTNER  
Membership No. 89214



# RIKO AUTO INDUSTRIES LIMITED

Regd. Office : 69 KM Stone, Delhi - Jaipur Highway, Dharuhera, Distt. Rewari – 122106 (Haryana)

## ATTENDANCE SLIP

PLEASE COMPLETE THE ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

NAME AND ADDRESS OF THE SHAREHOLDER

_____
_____
_____
_____

DP. Id*	_____
Client Id*	_____
Folio No.	_____
No. of Shares held	_____

I hereby record my presence at the 26<sup>th</sup> Annual General Meeting of the Company held on Wednesday, the 30<sup>th</sup> September, 2009 at 10.30 A.M. at 69 KM Stone, Delhi-Jaipur Highway, Dharuhera, Distt. Rewari – 122106 (Haryana).

\* Applicable for Shareholding in electronic form

\*\* Strike out whichever is not applicable

\_\_\_\_\_  
SIGNATURE OF THE SHAREHOLDER/PROXY\*\*

# RIKO AUTO INDUSTRIES LIMITED

Regd. Office : 69 KM Stone, Delhi - Jaipur Highway, Dharuhera, Distt. Rewari – 122106 (Haryana)

## PROXY FORM

DP. Id*	_____
Client Id*	_____

Folio No.	_____
No. of Shares held	_____

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member/members  
of Rico Auto Industries Limited hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our Proxy to attend and vote for me/us and on my/our behalf, at the 26<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday, the 30<sup>th</sup> September, 2009 at 10:30 A.M. and/or at any adjournment thereof.

\_\_\_\_\_  
Signature of the Shareholder(s)

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2009

\*Applicable for Shareholding in electronic form

Affix  
Fifteen Paise  
Revenue  
Stamp

**Note :** The Proxy Form must be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the meeting. The Proxy need not be a member of the Company.

## Product Range: Components & Assemblies

### ENGINE



- Fuel System Parts
- Lube Oil Filter Heads
- Exhaust Manifolds
- Turbine Housings
- Center Housings
- Crank Cases & Covers
- Cylinder Head Cover
- Oil Pump Assembly
- Oil Pan
- Intake Manifold Cover
- Front Cover
- Valve Cover
- Side Cover
- Balance Shaft Assembly
- Gear Housing
- Main Bearing Caps
- Water & Air Connections
- Flywheel Assembly
- Timing Cases
- Oil Filter Adaptor
- Engine Brackets
- Cylinder Block (Ferrous)
- Cylinder Head (Aluminium)
- Cylinder Block (Aluminium)

### TRANSMISSION



- Clutch Assembly
- Transmission Support Assembly
- Differential Case
- Gear Shift Forks
- Intermediate Plate
- Pressure Plate
- Rear Case
- Transmission Case

### CHASSIS SUSPENSION & BRAKING SYSTEM



- Wheel Hub Assembly
- Brake Panel Assembly
- Brake Disc
- Brake Drums & Rotors
- Knuckles
- Caliper & Anchor
- TMC (Tandem Master Cylinder)

## Our Customers





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