

Annexure III to the Directors' Report

Corporate Governance

1. Company's Philosophy on Corporate Governance:

ZF INDIA is fully committed to attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and its customers.

ZF INDIA believes that all its operations and actions must serve the underlying goals of achieving business excellence and increasing long-term shareholder value.

2. Board of Directors:

The Board of Directors consists of 12 Directors (excluding Alternate Directors) of whom 3 are Executive and 9 are Non-executive. The Chairman of the Board is a Executive Director. The Non-executive

Directors are eminent professionals with experiences in various fields. The Company has no nominee Director from any bank or financial institution.

The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all companies in which they are Directors.

Number of Board Meetings held and the dates on which held

The Board Meetings dates are normally pre-determined. During the year ended on March 31, 2012, the Board of Directors had 4 meetings. These were held on May 26, 2011, July 27, 2011, November 3, 2011 and February 8, 2012.

The information as specified in Annexure IA to Clause 49 of the Listing Agreement entered into with Bombay Stock Exchange Limited is regularly made available to the Board whenever applicable and materially significant, for discussion and consideration.

Details of Composition of the Board, category, attendance of Directors, number of other committee memberships are given below:

Sr. NO	Name of the Director	Category of Directorship	Attendance Particulars		No. of other directorship and committee membership/ chairmanship		
			Board Meetings	Last AGM	Other Directorship #	Committee Membership	Committee Chairmanship
1	Mr. Dinesh Munot (Chairman and Managing Director)	Executive	4	Yes	8	1	-
2	Mr. Jinendra Munot (Jt. Managing Director)	Executive	4	Yes	4	-	-
3	Mr. Utkarsh Munot (Executive Director)	Executive	4	Yes	3	-	-
4	Mr. D. S. Bomrah	Non-Executive, Independent	2	No	1	-	-
5	Mr. Manish Motwani	Non-Executive, Independent	4	Yes	13	-	-
6	Dr. Dinesh Bothra	Non-Executive	4	Yes	7	-	-
7	Mr. Ludwig Rapp	Independent Non-Executive,	4	Yes	1	-	-
8	Mr. M. L Rathi	Non-Executive, Independent	4	Yes	8	-	-
9	Dr. Hans Friedrich Collenberg	Non-Executive, Independent	1	Yes	3	-	-
10	Mr. Shridhar S. Kalmadi	Non-Executive, Independent	3	No	5	-	-
11	Mr. Ajinkya Arun Firodia	Non- Executive, Independent	1	No	5	-	-
12	Mr. Carl Magnus Backlund (appointed w.e.f. 27.07.2011)	Non-Executive, Independent	3	Yes	2	-	-
13	Mr. Klaus Traeder (Alternate Director for Mr. Carl Magnus Backlund)	Non- Executive, Independent	1	Yes	1	-	-
14	Mr. B. S. Iyer (Alternate Director for Dr. Hans Friedrich Collenberg)	Non-Executive, Independent	3	Yes	3	2	-
15	Mr. Walter Salvasohn – (upto 27.07.2011)	Non Executive, Independent	None	No	-	-	-

Includes Directorship in Private Companies

Relationship between Directors Inter-se

- Mr. Dinesh Munot and Mr. Jinendra Munot are brothers.
- Mr. Dinesh Munot is father of Mr. Utkarsh Munot.
- Mr. Dinesh Munot is father-in-law of Dr. Dinesh Bothra
- Dr. Dinesh Bothra is Mr. Utkarsh Munot's sister's husband.
- Mr. Manish Motwani is Mr. Ajinkya Firodia's sister's husband.

3. Audit Committee:

During the year under review, the following Directors were the members of the Audit Committee: Members: Mr. Manish Motwani – Chairman, Mr. D. S. Bomrah and Dr. Dinesh Bothra.

All the members of the Committee are Non-Executive Directors. The role, powers and functions of the Audit Committee are as stated in Clause 49 of the Listing Agreement.

The Committee reviews the financial statements before they are placed before the Board.

During the period under review, the Committee met 5 times on May 26, 2011, June 1, 2011, July 25, 2011, November 3, 2011 and February 7, 2012. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Members	Meetings attended
1.	Mr. Manish Motwani	5
2.	Mr. D. S. Bomrah	5
3.	Dr. Dinesh Bothra	5

The Committee is authorized by the Board in the manner as envisaged under Clause 49 (II)(C) of the Listing Agreement. The Committee has been assigned tasks as listed under Clause 49(II)(D) of the Listing Agreement. The Committee reviews the information as listed under Clause 49(II)(E) of the Listing Agreement.

The Minutes of the Audit Committee Meetings are noted by the Board of Directors at the Board Meetings. The Chairman of the Audit Committee was present at the 31st Annual General Meeting held on July 27, 2011.

4. Remuneration Committee:

During the year under review, the following Directors were the members of the Remuneration Committee: Members: Mr. D. S. Bomrah - Chairman and Mr. Manish Motwani

The Remuneration Committee has been constituted to recommend to the Board the amount of commission payable to each whole-time Director and periodically review and suggest revision of the remuneration package of the Managing/ Whole time Directors, based on performance of the Company, Statutory guidelines etc.

The Minutes of the Remuneration Committee Meetings are noted by the Board of Directors at the Board Meetings.

During the financial year, the Committee met on May 18, 2011 and November 3, 2011 where both the members of the Committee were present at the meeting.

Remuneration Policy

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration paid to Whole-time Directors during the year ended March 31, 2012 are as under:

(Amount in Rs.)

	Mr. Dinesh Munot	Mr. Jinendra Munot	Mr. Utkarsh Munot
Salary	7,241,056	4,651,044	2,003,845
Perquisites*	7,713,752	5,042,750	2,287,691
Commission**	11,000,000	8,500,000	4,500,000
Total	25,954,808	18,193,794	8,791,536
Tenure			
From	14.12.2011	01.04.2008	01.11.2011
To	13.12.2016	31.03.2013	31.10.2016

*Includes Company's Contribution to Provident Fund, wherever applicable.

**Commission for the Financial Year 2010-11 paid in 2011-12.

Details of remuneration paid to Non-Executive Directors for the year ended March 31, 2012 are as under:

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 10,000/- for each Board Meeting and Committee Meeting attended (Rs. 5,000/- per Meeting up to July 26, 2011).

None of the Non-Executive Directors holds any share in the Share-capital of the Company.

Name	Sitting Fees		
	Board Meeting Fees (Rs.)	Committee Meeting Fees (Rs.)	Total Fees (Rs.)
Mr. D. S. Bomrah	15,000	50,000	65,000
Mr. Manish Motwani	35,000	50,000	85,000
Dr. Dinesh Bothra	35,000	50,000	85,000
Mr. Ludwig Rapp	25,000	Nil	25,000
Mr. M. L. Rathi	35,000	Nil	35,000
Dr. Hans Friedrich Collenberg	10,000	Nil	10,000
Mr. Shridhar S Kalmadi	25,000	Nil	25,000
Mr. Ajinkya Arun Firodia	5,000	Nil	5,000
Mr. Carl Magnus Backlund	20,000	Nil	20,000
Mr. Klaus Traeder (Alternate Director for Mr. Carl Magnus Backlund)	5,000	Nil	5,000
Mr. B. S. Iyer (Alternate Director for Dr. Hans Friedrich Collenberg)	25,000	Nil	25,000
Mr. Walter Salvasonh-(upto 27.07.2011)	Nil	Nil	Nil

Shareholders' Grievance Committee:

The Board of the Company has constituted a Shareholders' Grievance Committee, comprising Dr. Dinesh Bothra. The Committee looks into redressing of shareholders' complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends, etc. and recommends measures for overall improvement in the quality of investor services. The total number of complaints received, during the year under review, was 20. All the complaints were replied to the satisfaction of shareholders.

6. General Body Meetings:

Location and time for last 3 years' General Meetings were as:

Year	AGM	Location	Dates	Time
2008-09	29th AGM	Regd. Office:	29.07.2009	4.30 p.m.
2009-10	EGM	Gat No. 1242/44,	10.04.2010	3.30 p.m.
2009-10	30th AGM	Village- Vadu-	14.07.2010	4.30 p.m.
2010-11	31st AGM	Budruk, Tal. Shirur, Dist- Pune- 412 216	27.07.2011	4.00 p.m.

Postal Ballot:

No Special Resolution requiring a postal ballot was placed before the AGM/EGM.

7. Disclosures:

- Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.
- The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management or relatives etc. that may have a potential conflict with the interests of the Company at large.
- With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreements entered into with the Bombay Stock Exchange as well as the regulations and guidelines of SEBI. No penalties were imposed or strictures passed against the Company by SEBI, Stock Exchange or any other statutory authority during the last three years in this regard.
- Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these transactions have potential conflict with the interests of the Company at large.

8. Risk Management Framework:

The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.

9. Code of Conduct for Prevention of Insider Trading:

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading. The Code of Conduct is posted on the website of the Company. This Code of Conduct is applicable to all the Directors and the senior management of the Company.

All the Board members and senior management of the Company have confirmed compliance with the Code. A declaration signed by the Chairman & Managing Director is attached and forms part of the Annual Report of the Company.

10. Reconciliation of Share Capital Audit:

As stipulated by SEBI, the Practicing Company Secretary- Mr. Shridhar G. Mudaliar (FCS 6156, CP 2664) carries out the Secretarial Audit to reconcile the total Admitted Capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total Issued and Listed Capital. This audit is carried out every quarter and the report is submitted to the Stock Exchange as well as placed before the Board of Directors. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of Shares in dematerialized form (held with NSDL and CDSL) and total number of Shares in physical form.

11. Means of Communication:

The Quarterly Results of the Company are published in the following leading national and local language newspapers:

'Economic Times' (English newspaper) and 'Maharashtra Times' (Marathi newspaper)

The results are also displayed on the corporate website, www.zfindia.com.

Information about the Financial Results, Shareholding Pattern are electronically filed on 'Corp Filing'. Shareholders/ Investors can view the information by visiting the website of www.corpfiling.co.in.

12. Management Discussion & Analysis:

The Management Discussion & Analysis is included under the Directors' Report, forming part of the Annual Report.

13. General Shareholder Information:

13.1 32nd Annual General Meeting:

Day, date and time	Saturday, July 28, 2012 at 4:00 p.m.
Venue	Regd. Office: Gat No. 1242/ 1244, Village – Vadu Budruk, Tal. Shirur, Dist. Pune- 412 216.

13.2 Financial Calendar:

The Company follows the period of April 1 to March 31, as the Financial Year for the Financial Year 2012-13.

Adoption of Quarterly Results for	
Quarter ending	In the Month of
June 30, 2012	July 2012
September 30, 2012	October 2012
December 31, 2012	January / February 2013
Annual Accounts	May 2013
33rd Annual General Meeting	July 2013

13.3 Book Closure: July 21, 2012 to July 28, 2012.

13.4 Dividend Payment Date:

The Final dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting will be paid on or after July 31, 2012 to those shareholders whose names appear on the Company's Register of Members as on July 28, 2012.

13.5 Listing on Stock Exchange: The Company's Equity Shares are listed on:

Bombay Stock Exchange Limited (BSE)
Phiroze Jeebhoy Towers, 25th Floor,
Dalal Street, Mumbai 400 001.

The Company has paid the listing fees up to the year 2012-13 to the Bombay Stock Exchange Limited.

13.6 Stock Code/Symbol:

BSE	505163
International Securities Identification Number (ISIN)	INE116C01012
Corporate Identity Number (CIN)- allotted by Ministry of Corporate Affairs	L29130PN1981PLC023734

13.7 Custodial Fees to Depositories:

The annual custodial fees for the financial year 2012-13 has been paid to National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

13.8 Stock Market Data:

Market Price of Company's Share at BSE			BSE SENSEX	
Month	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
APRIL 2011	347.40	301.25	19,811.14	18,976.19
MAY 2011	329.70	309.00	19,253.87	17,786.13
JUNE 2011	331.70	290.00	18,873.39	17,314.38
JULY 2011	339.55	302.00	19,131.70	18,131.86
AUG. 2011	350.00	294.10	18,440.07	15,765.53
SEPT. 2011	314.00	270.00	17,211.80	15,801.01
OCT. 2011	308.75	265.10	17,908.13	15,745.43
NOV. 2011	318.00	255.80	17,702.26	15,478.69
DEC. 2011	281.00	245.00	17,003.71	15,135.86
JAN. 2012	299.00	255.50	17,258.97	15,358.02
FEB. 2012	329.40	287.50	18,523.78	17,061.55
MAR. 2012	328.05	293.10	18,040.69	16,920.61

13.9 Registrar and Transfer Agents:

The Company has appointed a SEBI registered Registrar & Transfer Agent- Link Intime India Pvt. Ltd., Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Pune-411001 and their Mumbai Office-C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai- 400078 as Common Agency for share registry in terms of both physical and electronic w.e.f April 1, 2003.

Pune Phone No. (020) 26161629
Fax No. (020) 2605 3503

Mumbai Phone No. (022) 2596 3838
Fax No. (022) 2594 6969

ZF Share Price Index & Sensex Movement



13.10 Share Transfer System:

Transfer of shares in physical form are processed by Link Intime India Pvt. Ltd. and Share Certificates are dispatched within an average period of 15-20 days from the date of receipt of request, provided the relevant documents are complete in all respects.

13.11 Shareholding Pattern as on March 31, 2012:

Category	No. of Shares of Rs. 10 each	Percentage of shareholding
Indian Promoters (Munot Family)	4,308,283	47.48
Foreign Promoter (ZF Lenksysteme GmbH)	2,340,000	25.79
Banks, Financial Institutions, Insurance Companies	1,650	0.02
Mutual Funds & UTI	2,903	0.03
Private Corporate Bodies	182,816	2.01
Indian Public	2,208,144	24.34
NRIs/ OCBs	29,504	0.33
Total	9,073,300	100.00
No. of Shareholders as on March 31	2012 8,439	2011 8,565

Distribution of Shareholding (as on March 31, 2012)

No. of Shares held (Face Value of Rs, 10 each)	No. of Share-holders	% to total No. of share-holders	No. of Shares held	% to total No. of Shares
1- 500	7,555	89.52	948,242	10.45
501- 1000	500	5.92	379,002	4.18
1001-5000	328	3.89	654,792	7.22
5001-10000	19	0.23	124,117	1.36
10001 & above	37	0.44	6,967,147	76.79
Total	8,439	100.00	9,073,300	100.00

13.12 Dematerialization of Shares & Liquidity:

The details of Equity shares dematerialized and those held in physical form as on March 31, 2012 are given hereunder:

Particulars of Equity Shares	Equity shares of Rs. 10 each		Shareholders	
	Number	% of total	Number	% of total
Dematerialized form				
NSDL	8,092,878	89.20	4,832	57.26
CDSL	512,919	5.65	2,051	24.30
Sub-total	8,605,797	94.85	6,883	81.56
Physical Form	467,503	5.15	1,556	18.44
Total	9,073,300	100.00	8,439	100.00

Considering the advantage of dealing in securities in electronic/dematerialized form, shareholders still holding shares in physical form are requested to dematerialize their Shares at the earliest. For further information/ clarification/ assistance in this regard, please contact Link Intime India Pvt. Ltd., Registrar and Share Transfer Agent.

As per the directions of SEBI, Equity Shares of the Company can be traded by all the investors only in dematerialized form. The Company's Shares are actively traded on BSE.

13.13 Outstanding GDR, ADR or Warrants:

There are no GDR, ADR or any Convertible instruments pending conversion or any other Instrument likely to impact the equity share capital of the Company.

13.14 Disclosure with respect to shares lying in suspense account:

Particulars	Shareholders	Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	252	20891
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	34	2987
Number of shareholders to whom shares were transferred from suspense account during the year	34	2987
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	218	17904

The voting rights on the shares lying in suspense account are frozen till the rightful owner of such shares claim the shares.

13.15 Status of compliance with non-mandatory requirements:

1. The Company has constituted a Remuneration Committee of Directors comprising of Independent Directors. The details of the Committee have been mentioned earlier in this Report.
2. Since the Financial Results are published in leading newspapers as well as promptly displayed on the Company's website and www.corpfiling.co.in website, the results are not sent to each household of the shareholders.

13.16 Plant Location:

Location	Address
Maharashtra	Gat No. 1242/ 44, Village Vadu-Budruk, Tal. Shirur, Dist- Pune- 412 216.

13.17 Address for Investor Correspondence:

- For transfer/ dematerialization of shares

Link Intime India Pvt. Ltd.,
(Formerly Intime Spectrum Registry Ltd.)
202 A- Wing, Second Floor,
Akshay Complex, Off Dhole Patil Road,
Pune- 411 001.
Phone- (020) 26161629/ 2605 0084,
E-Mail- pune@linkintime.co.in

- For payment of dividend and other correspondence

Corporate office & Secretarial Department :

601& 602, A Wing, 6th Floor,
MCCIA Trade Tower, International
Convention Centre , 403-A,
Senapati Bapat Road, Pune - 411 016
E-Mail: satish.mehta@zfindia.com
Phone- (020) 3021 1600/ 606/ 650/ 628

For and on behalf of the Board of Directors

Pune
May 16, 2012

Dinesh Munot
Chairman & Managing Director

DECLARATION REGARDING CODE OF CONDUCT

I hereby declare that all the Directors and Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

Pune
May 16, 2012

Dinesh Munot
Chairman & Managing Director

CEO/ CFO Certification

As required by sub clause V of Clause 49 of the Listing Agreement with the Stock Exchange, we have certified to the Board that for the financial year ended March 31, 2012, the Company has complied with the requirements of the said sub clause..

Jinendra Jain
Chief Financial Officer
May 16, 2012

Dinesh Munot
Chairman & Managing Director
May 16, 2012

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
ZF Steering Gear (India) Limited, Pune

We have examined the compliance of the conditions of Corporate Governance by **ZF STEERING GEAR (INDIA) LIMITED** for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

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

For M/s. MGM & Co.
Chartered Accountants
Firm Registration No. 117963W

Mangesh Katariya
Partner
Membership No. 104633

Pune
May 16, 2012