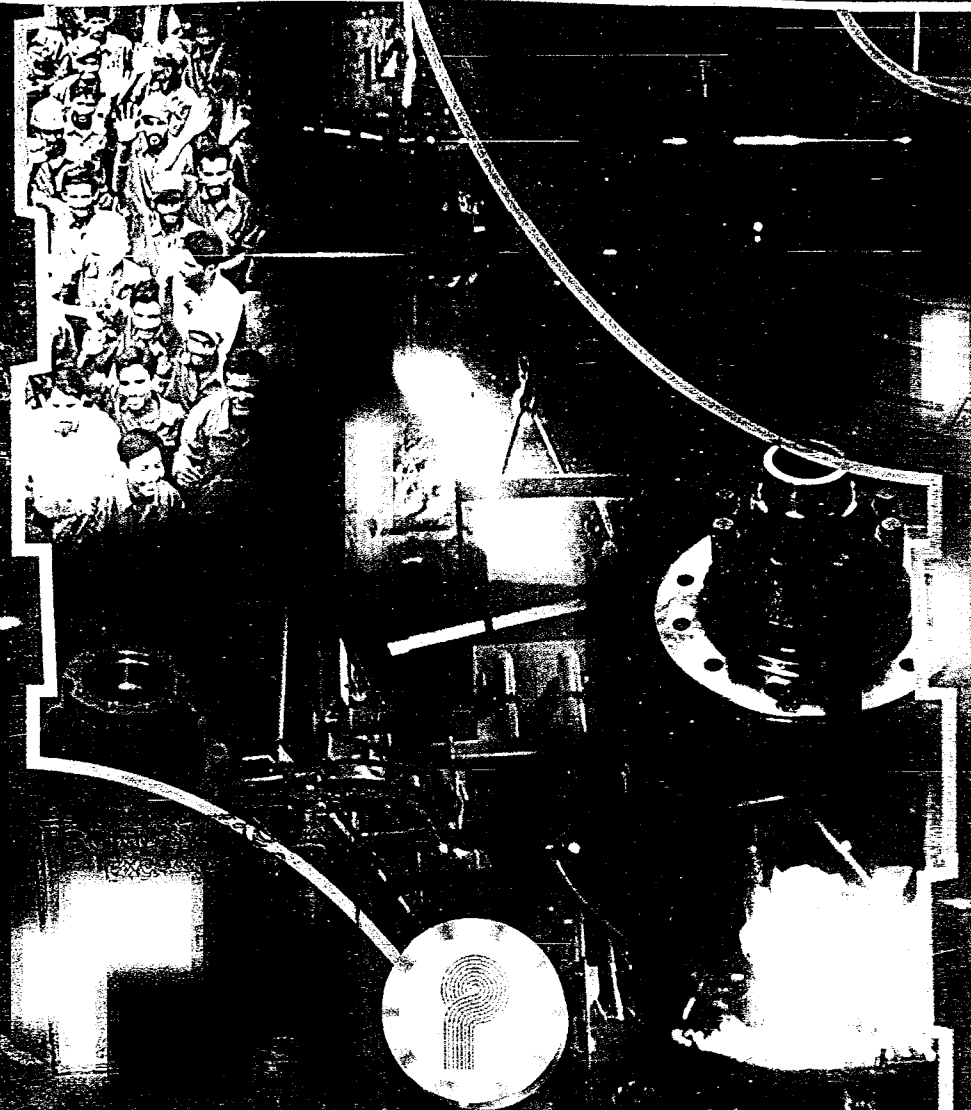


ANNUAL REPORT 2007 - 2008



PORWAL AUTO COMPONENTS LIMITED
SIXTEENTH ANNUAL REPORT 2007 - 2008

Hubs Front & Rear



Diff. Carriers



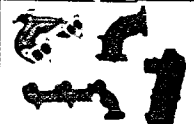
Brackets



Diff. Cases & Assemblies



Exhaust Manifolds & Bends



Housing & Link Castings



Brake Drums



Housings



Transmission Cases



Cover Castings



Gear Box Housing



Pullys



PORWAL AUTO COMPONENTS LIMITED
 Regd. Office : Kanti Mansion, 6, Murai Mohalla, Indore (M.P.) - 452001

Radiant 0761 2538485

ANNUAL REPORT 2007 - 2008

BOARD OF DIRECTORS

SHRI SURENDRA JAIN	: EXECUTIVE CHAIRMAN
SHRI DEVENDRA JAIN	: MANAGING DIRECTOR
SHRI MUKESH JAIN	: WHOLE TIME DIRECTOR
SHRI NITIN DAFRIA	: NON - EXECUTIVE INDEPENDENT DIRECTOR
SHRI SURAJMAL KUCHERIA	: NON - EXECUTIVE INDEPENDENT DIRECTOR
SHRI ASHISH SABOO	: NON - EXECUTIVE INDEPENDENT DIRECTOR
MS RAINA AJMERA	: COMPANY SECRETARY

AUDITORS	: ASSG & ASSOCIATES Chartered Accountants "Kanti Mansion" 6, Murai Mohalla, INDORE - (M. P.)
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BANKERS	: 1. STATE BANK OF INDIA SME Branch, INDORE - (M. P.) : 2. STATE BANK OF INDORE Palsikar Colony Branch, INDORE (M. P.)
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REGISTERED OFFICE	: KANTI MANSION 6, Murai Mohalla, INDORE - (M. P.)
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WORKS	: Plot No. 209, Sector No. 1, Industrial Area, Pithampur, Distt. DHAR - 454775 (M.P.)
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REGISTRAR AND SHARE TRANSFER AGENTS:	Intime Spectrum Registry Limited C-13, Pannalala Silk Mills Compound, LBS Marg, Bhandup, Mumbai - 400 078
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NOTICE

NOTICE is hereby given that 16th Annual General Meeting of the Members of the PORWAL AUTO COMPONENTS LIMITED will be held on Wednesday, the 24th September, 2008 at 11.00 a.m. at Hotel President, RNT Marg, Indore to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2008 and Profit and Loss Accounts for the year ended on that day together with the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri Nitin Dafria, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider re-appointment of the Auditors and fixing up of their remuneration.

by order of the board of
Porwal Auto Components Limited

PLACE: INDORE
DATE : 31.07.2008

Surendra Jain
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. The Members are requested to:
 - a. Intimate changes, if any, in their registered addresses immediately.
 - b. Quote their ledger folio number / DPID/ Client ID in all their correspondence.
 - c. Hand over the enclosed attendance slip, duly signed in accordance with their specimen signatures registered with the company for admission to the meeting place.
 - d. Bring their Annual Report and Attendance Slips with them at the AGM venue.
3. The Register of Members and Share Transfer Books of the company shall remain closed from 22/09/2008 to 24/09/2008 (all the days inclusive).
4. The report on the Corporate Governance and Management Discussion and Analysis also form part to the report of the Directors.
5. Members seeking any information are requested to write to the company at least 10 days before the date of the AGM to enable the management to reply appropriately at the AGM.
6. Members, who are holding physical shares in more than one folio, are requested to intimate to the Company/Registrar and Share Transfer Agent the details of all their folio numbers for consolidation into single folio.
7. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are advised to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN THE
ENSUING ANNUAL GENERAL MEETING**

Name of Directors	Mr. Nitin Dafria
Date of Birth	26.12.1964
Date of Appointment	30.09.2002
Expertise / Experience in specific functional areas	Practicing Chartered Accountant since last 17 years.
Qualification	FCA, MBA
No. of Equity Shares held	NIL
List of outside Company directorship held	NIL
Chairman / Member of the Committees of the Board of Directors of the Company	Chairman : 1. Audit Committee Member 1. Investor Grievance Committee 2. Remuneration Committee
Chairman / Member of the Committees of the Board Directors of other Companies in which he is director	NIL

DIRECTORS' REPORT

To

The Members of

Porwal Auto Components Ltd., Indore

Your directors have pleasure in presenting 16th Annual Report of your company together with the audited accounts for the year ended on 31st March 2008.

1. State of Company's Affairs :

Financial Results	(Rs. in lakhs)	
	As on 31.03.2008	As on 31.03.2007
Sales & Other Income	4262.96	3397.02
Interest & Depreciation	323.46	128.92
Profit before Tax	158.22	148.94
Provisions for Tax	21.65	17.13
Profit after Tax	136.57	131.81
Profit (Loss) brought forward	253.40	121.59
Balance carried to Balance Sheet	386.64	253.40

Dividend :

Your directors do not recommend any dividend for the year in order to plough back the funds to cover the cost of ensuing expansion and capital expenditure.

2. Operating Results and Outlook :

During the year under review, the overall performance of your company has been very much on desired track and to the overall satisfaction of all concerned. The sales has gone up by over 20% and even on the enhanced capacity the operating profits have also increased.

The company is under expansion phase and high pressure molding line has been installed and has started functioning, though desired results is yet to achieve. After the complete expansion which is expected by Dec 2008 the company will have enough capacity to cater to other clients also. Automobile industry is doing well and it is expected to continue the growth in the financial year 2008-09. The company expects a good growth during the year. The company is also in process to tape the foreign market. The future prospectus of the industry seems to be bright.

3. Initial Public Offering of Securities And Listing On Stock Exchanges

The Company achieved the milestone of Initial Public Offering of its securities and having its securities listed on the Bombay Stock Exchange Limited. The Company successfully completed its public issue of 50,00,000 Equity Shares of Rs.10/- each fully paid up for cash at a premium of Rs. 65/- per Equity Share. Your Directors are thankful for the overwhelming response of the public and shares have been listed on Bombay Stock Exchange and OTCEI. The Board of Directors takes this opportunity to thank all the investors for the confidence reposed in the Company and its management. Your Directors are happy to report that the listing has enhanced our visibility and brand value.

4. Directorate :

In terms of the provisions of the Companies Act, 1956 Shri Nitin Dafria would retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment. There is no other change in the Composition of the Board of Directors.

5. Directors Responsibility Statement :

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, we confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that have been reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review;
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities ;
4. the directors had prepared the annual accounts for the financial year ended 31st March, 2008 on a "going concern" basis; and
5. the properties of the company are adequately insured.

6. Corporate Governance :

A report on corporate governance in terms of clause 49 of listing agreement is attached forming part of this report.

7. Auditors :

M/s ASSG & Associates, Chartered Accountants, Indore, statutory auditors of the Company, retire at the end of ensuing Annual General Meeting and are eligible for re-appointment as statutory auditors of the Company. The Auditors' Report read with notes to accounts are self-explanatory and in particular note no. 9 & 10 of the notes to accounts read with para 4 of the Auditors Report.

8. Public Deposits :

Your company has not accepted or invited any deposits from public within the meaning of Section 58 A of the Companies Act, 1956, during the year under review.

9. Particulars of Employees etc.

Your company did not have any person in employment who if employed throughout the financial year or part thereof, was in receipt of remuneration, particulars of which are required to be included in this report as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

10. Energy Conservation and other Reporting u/s 217(1)(e) :

The details of Energy Conservation in terms of section 217 (1)(e) of the Companies Act, 1956, are enclosed forming part of this report as Annexure - 1.

Your directors place on record their sincere appreciation for the co-operation extended to the company by the lending institution and banks and for the devoted performance by company's entire staff & associates.

for and on behalf of the board of
Porwal Auto Components Limited

PLACE: INDORE
DATE : 31/07/2008

Surendra Jain
Chairman

Information pursuant to 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 forming part of the Directors' Report for the year ended 31st March 2008.

I. CONSERVATION OF ENERGY

Power and Fuel Consumption

1. Electricity

Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
a. Purchased		
Total Units	955346	84,77,584
Total Amount (Rs.)	442551.55	3,75,09,907
Cost/Unit (Rs.)	4.52	4.42
b. Own Generation (Diesel Generator)		
Total Units	NIL	NIL
Total Amount (Rs.)	NIL	NIL
Cost/Unit (Rs.)	NIL	NIL
c. Consumption per unit of production (in units)	1257.47	1257/MT

Note : Quantity of Diesel and LDO consumed during the year is 33,450 litres (62,160 litres), was consumed in Sand Dryers, Laddle Heating and Heat Treatment furnace

2. COAL	NIL	NIL
3. FURNACE OIL	NIL	NIL
4. DIESEL		
Quantity (Ltrs)	33,450	62,060
Value (Rs.)	1166940	22,98,969
5. RLNG GAS (MMBTU)		
Quantity (Ltrs)	6,827.153	NIL
Value (Rs.)	1881640	NIL

II TECHNOLOGY ABSORPTION

The company is using manufacturing technology which is entirely indigenous

III FOREIGN EXCHANGE EARNINGS & OUTGO

The company did not have any foreign exchange earnings during the year under review. However the company did incur a foreign currency expenditure of Rs. 5.78 lakhs

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN THE
ENSUING ANNUAL GENERAL MEETING**

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Date of Appointment	30.09.2002
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Qualification	FCA, MBA
No. of Equity Shares held	NIL
List of outside Company directorship held	NIL
Chairman / Member of the Committees of the Board of Directors of the Company	Chairman : 1. Audit Committee Member 1. Investor Grievance Committee 2. Remuneration Committee
Chairman / Member of the Committees of the Board Directors of other Companies in which he is director	NIL

DIRECTORS' REPORT

To

The Members of

Porwal Auto Components Ltd., Indore

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(Rs. in lakhs)

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CORPORATE GOVERNANCE REPORT

(Forming part of the Directors' Report)

The importance of Corporate Governance lies in the contribution it makes to the overall growth and direction of the business, management accountability, transparency and equity with stakeholders. In terms of Clause 49 of Listing Agreement for the continuing good governance and transparency a report in this regard is submitted hereunder:

1. Company's Philosophy on code

The company has outlined the procedures and practices as per the requirements of the corporate governance and certain steps have been taken to ensure transparency and accountability. Your company shall continue to follow the same with a desire for further development on continuous basis.

2. CEO Certification

In terms of Clause 49 of the Listing Agreement, the certification by the Managing Director on the financial statements and internal controls relating to financial reporting has been obtained.

3. Board of Directors

The Board of Directors of the company consists of eminent persons with considerable professional expertise and experience of trade, commerce, profession and industry. The present composition is three directors in the whole time employment of the company and three independent professional directors. The particular of the Board with their interest in other concern is presented before you in the following table:

Name of the Director	Interested in	Nature of interest
1. Shri Devendra Kumar Jain	Pithampur Auto Cluster Ltd	Director
2. Shri Mukesh Kumar Jain	Porwal Udyog India	Proprietor
3. Shri Surendra Jain	Triveni Conductors Ltd	Director
4. Shri Surajmal Kucheria	Prestige Foods Ltd	Director
5. Shri Nitin Dafria	Nil	Nil
6. Shri Ashish Saboo	Nil	Nil

4. Board Procedure

The Board meets at least once in a calendar quarter to review the overall business operations including to consider the business which are related to formulation and execution of policies relating to production, finance, marketing, personnel, materials and general administration. Notice and agenda papers are sent to the directors in advance. The Board met Eleven times during the year under review on 30/06/2007, 31/07/2007, 19/09/2007, 20/10/2007, 26/11/2007, 03/12/2007, 27/12/2007, 03/01/2008, 04/01/2008, 30/01/2008, 31/03/2008.

5. Directors Attendance :

Name of the Director	Attendance at Board meeting	Attendance at AGM/EGM
1. Shri Devendra Kumar Jain	11	Yes
2. Shri Mukesh Kumar Jain	11	Yes
3. Shri Surendra Jain	11	Yes
4. Shri Nitin Dafria	10	Yes
5. Shri Ashish Saboo	07	Yes
6. Shri S. B. Kucheria	05	Yes

6. Audit Committee

The Audit Committee of the company provides assurance to the Board on the adequacy of the internal financial control systems and financial disclosures.

Composition

The Audit Committee comprised of three Directors, majority of whom were Independent Directors. All these directors possess knowledge of corporate finance, accounts and company law. Statutory Auditors are permanent invitees of the meetings of the Committee. The Minutes of the Audit Committee Meetings are noted by the Board of the Directors at the subsequent Board Meeting.

The constitution of the Audit Committee has so far been as follows:

- | | |
|----------------------|--|
| 1. Mr. Nitin Dafria | Chairman Independent, Non – Executive. |
| 2. Mr. S.B. Kucheria | Member Independent, Non – Executive. |
| 3. Mr. Ashish Saboo | Member Independent, Non – Executive |

Meetings and Attendance

During the financial year ended 31st March, 2008, four Audit Committee Meetings were held on 30th June, 2007, 31st July, 2007, 20th October, 2007 and 31st January, 2008 which was attended by all the members of Audit Committee.

7. Managerial Remuneration and Remuneration Committee

Your company has formed a remuneration committee to consider and approve the remuneration payable to the directors. During the financial year, there were only three directors who are in the whole time employment of the company and drawing remuneration. The company has a policy of remuneration payable to the directors according to which the necessity of the director in such a capacity and his performance capacity and capability become the determining factor for remuneration. The present remuneration of Shri Devendra Kumar Jain, Managing Director is Rs.75,000/- , Shri Mukesh Kumar Jain, Whole Time Director is Rs.65,000/- and Shri Surendra Jain, Executive Director is Rs. 50,000/-.The committee so far comprised of the Non- Executive Director Shri S. B. Kucheria as Chairman and two independent professional directors Shri Ashish Saboo Shri Nitin Dafria as members of the committee.

8. Shareholders' Grievances

With view to review all matters connected with security transfers and transmission, redressal of shareholders/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc., a Share Transfer and Investor Grievance Committee has been constituted. This committee oversees the performance of the Registrar & Transfer Agents and Secretary who have been authorised to deal with all these matters, also recommends measures for overall improvement of the quality of investor services.

The Committee comprises two members, viz, Mr. S. B. Kucheria and Mr. Nitin Dafria and Ms. Raina Ajmera, as the Secretary who also acts as the Compliance Officer of the Company. During the financial year 2007-2008, the Committee had four meetings which were attended by all the members.

As of March 31, 2008, all requests, complaints, grievances, if any, have been replied to/resolved within the stipulated period and no such matter was pending.

9. Compliance Officer

Ms. Raina Ajmera, is the general compliance officer of the company except specifically provided otherwise for specific purposes.

10. General Meeting

Location and time where last three years General Meetings were held:

AGM/EGM	Date	Location of the Meeting	Time
AGM -2005	23rd July, 2005	Reg. Off of the Company at Indore	11.00 am
EGM	24th Nov. 2005	Reg. Off of the Company at Indore.	11.00 am
EGM	12th Jan. 2006	Reg. Off of the Company at Indore	11.00 am
AGM -2006	30th Sept. 2006	Reg. Off of the Company at Indore	11.00 am
AGM - 2007	08th Sept 2007	Reg. Off of the Company at Indore	11.00 am

11. Note on Directors Appointment/ Re-appointment

In terms of the provisions of the Companies Act, 1956 Shri Nitin Dafria would retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment.

12. Means of Communication

- The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within one month of the end of the respective period.
- The quarterly /Half yearly / Annual Results of the Company are published in accordance with the Stock Exchange Listing Agreement in newspapers viz. "Economic Times", (English) and "Chhatha Sansar" (Hindi).
- Management Discussion and Analysis forms part of this Annual Report.

12. Other Disclosures

Your company does not have any pending litigation with SEBI, Stock Exchange, Shareholders, ROC etc. and also does not have any other material pending litigations to be reported.

13. Shareholder Information
a) Registered Office

Kanti Mansion
6 Murai Mohalla
INDORE 452 001 (MP)

b) AGM

16th AGM of the Company will be held at the Hotel President, RNT Marg, Indore on 24th September, 2008 at 11.00 am.

c) FINANCIAL CALENDAR
(Tentative)

- Results for the quarter ending 30-06-2008 : July, 2008
- Results for the quarter ending 30-09-2008 : October, 2008
- Results for the quarter ending 31-12-2008 : January, 2009
- Results for the quarter ending 31-03-2009 : May/ June, 2009

d) Book Closure

22nd September 2008 to 24th September 2008 (All days inclusive)

e) Dividend

Not declared for the financial year.

f) Listing

The equity shares of the company are listed at OTCEI and Bombay Stock Exchange, and the listing fees has been paid for 2008-09.

g) Registrars and Share Transfer Agents

Intime Spectrum registry Ltd.

C-13, Pannalala Silk Mills Compound,
LBS Marg, Bhandup, Mumbai - 400 078

h) ISIN NO

The Company has got the ISIN NO: INE 386 101018 (both CDSL and NSDL)

i) Distribution of shareholding as on 31st March, 2008

SHAREHOLDING OF SHARES SHARES	SHARE HOLDERS SHARES	%AGE NUMBER	SHARES ALLOTTED OF TOTAL	%AGE OF TOTAL
1 - 500	10569	83.7940	1908210	12.6370
501 - 1000	1137	9.0150	859410	5.6910
1001 - 2000	634	5.0270	870149	5.7630
2001 - 3000	83	0.6580	211626	1.4010
3001 - 4000	41	0.3250	144463	0.9570
4001 - 5000	12	0.0950	55210	0.3660
5001 - 10000	46	0.3650	346715	2.2960
10001 - 9999999999	91	0.7210	10704217	70.8890
TOTAL:	12613	100.0000	15100000	100.0000

j) SHAREHOLDING PATTERN AS ON 31-03-2008

Sr. No.	Category	No. of Shares Held	Percentage of Shareholding
1.	Promoters	5499900	36.42
2.	Private Corporate Bodies	5017261	33.23
3.	Indian Public	4527305	29.98
4.	NRI/OCBs	55534	0.37
		15100000	100.00

Dematerialization of Shares

Total number of Dematted shares with NSDL	93,46,357
Total number of Dematted shares with CSDL	37,96,640

k) STOCK MARKET DATA : Quotes of the Company traded at BSE

Table 1 : Monthly highs and lows and volumes traded at the BSE, 2007-08

Year	High	Low	Close	P/E High	P/E Low	P/E Close	Mkt Cap.
Mar 08	33.00	20.15	24.95	73.85	36.59	49.57	37.67
Feb 08	42.75	31.20	32.95	90.89	61.01	65.46	49.75
Jan 08	120.00	32.10	39.35	359.20	54.09	78.18	59.42

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct

In accordance with Clause 49 (1) (D) of the Listing Agreement, I hereby declare that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct applicable to all the Directors and Senior Management, for the year ended March 31, 2008.

Devendra Jain
Managing Director

To,
The Board of Directors,
Porwal Auto Components Ltd.
Indore (M.P.)
Dear Sirs

- (a) We have reviewed the Balance Sheet, Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the cash flow statement as at 31st March 2008 and that to the best of their knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further certify that, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violate the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that there is
- No significant change in internal control over financial reporting during the year
 - No significant change in accounting policies during the year under review and
 - No instance of any fraud in the company in which the management has any role.

Place: Indore
Date: 31st July, 2008

Devendra Jain
Managing Director

AUDITORS REPORT ON CORPORATE GOVERNANCE

To,

The Members,

We have examined the compliance of conditions of Corporate Governance by Porwal Auto Components Limited for the year ended 31st March, 2008 as stipulated in Clauses 49 of the Listing Agreement with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. 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 and based on the representations made by the directors and management, we certify that the company has complied with the conditions of Corporate Governance applicable as aforesaid.

As required by the Guidance Note issued by the ICAI, on the basis of information and explanations given to us, we have to state that no investor grievances were pending for a period of one month.

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

For ASSG & Associates
Chartered Accountants

Indore
Dated : 31.07.2008

Sd/-
PARTNER

Annexure – II

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS**Industry structure and developments.**

The product of the company has been automobile ancillary as original equipment in automobile vehicle. Company belongs to an industry where the scope for greater consumption always exists. However, this also involves regular production, capital expenditure on upgrading and development of production usages and technology which also largely depending upon supplies, profitability and liquidity. The Indian auto components industry has an estimated production of US\$ 10 billion. The spiraling demand from domestic and international auto companies has seen this sector emerging as one of the fastest growing manufacturing sectors in India and globally.

The Auto components industry is predominantly divided into five segments :

- Engine parts
- Drive Transmission & Steering Parts
- Suspension & Brake Parts
- Electrical Parts
- Body and chassis

According to the ACMA (Auto Components Manufacturers Association of India), the sector is set to grow at a CAGR of 15 per cent till fiscal 2012. This sector is now working towards an open market. A large number of joint ventures with leading global manufacturers have already been set up in the auto-components sector. And with India estimated to have the potential to become one of the top five auto component economies by 2025, the pace is expected to pick up even further.

Moreover the automotive components industry is perceived as a lucrative sector with tremendous potential for foreign direct investments. The year 2006-07 saw the auto components sector soar with exports touching the US\$ 3 billion mark and investments continuing unabated. The ACMA estimates the global sourcing of components from the country, to double from US\$ 2.95 billion to US\$ 5.9 billion in 2008-09, and touch US\$ 20 billion in seven years owing to the huge and growing markets both within India, and overseas.

Destination India

The ACMA-McKinsey Vision 2015 document forecasts the potential for the Indian auto component industry to be US\$ 40-45 billion by 2015. Investments and exports in this segment are witnessing continuous growth. Global automobile manufacturers see India as a manufacturing hub for auto components and are rapidly ramping up the value of components they source from India due to:

- The cost competitiveness in terms of labor and raw material
- Its established manufacturing base
- Fine quality of components manufactured in India (used as original components for vehicles made by General Motors, Mercedes, IVECO and Daewoo among others).

As a result Japanese and British component manufacturers are seeking joint-ventures in India. Delphi, the auto component division of General Motors is planning to set up plants in India. Robert Bosch, auto parts maker of Germany has relocated manufacture of certain products to MICO, India. Crosslink International Wheels, Malaysia's leading automobile security provider has set up its manufacturing unit at Baddi to make India the export hub for the SAARC region.

Foreign auto makers, including Ford Motor Co., General Motors Corp., Honda Motor Co., Toyota Motor Corp., DaimlerChrysler AG and Hyundai Motor Co., are all looking to increase their presence in India and use it as an export hub.

Opportunities and Threats

Porwal recognizes the need to accelerate our ability to connect more deeply with our customers to enable true transformation. Looking to the past continuous growth of the company, the company can evident good business opportunity in the future. As the market is expected to grow every year by at least 15% the company will take the benefit of expansion which will be completing by Dec. 2008 taking the capacity from 6600 MT to 27600 MT p.a. The company has started exploring the Export market. The domestic automobile market too is coming into its own and witnessing a high degree of merger and acquisition and joint venture activity. Involving some of the key players in the market. Increasing the demand of the products and adoption within the country is enhancing competitiveness of the Indian economy and the user community.

Cut throat competition of very stiff nature continues to be the main threat to the future growth and development of the company.

Segment - wise or product - wise performance.

The company is engaged in automobile ancillary manufacturing only and there are no separate reportable segments.

Outlook

The growth of Automobile Industry is satisfactory. Considering the existing Products and Quality the company look forward for the bright future. The products of the company are well accepted by the OEM. Considering the expansion programme of the company, the future seems to be better.

Risks and concerns

Whatever is mentioned here-in-above are the material factors affecting the performance of the company and there is no other apparent, significant and material risk involved in this company.

Internal control systems and their adequacy.

The company has adequate internal control procedures in commensuration with its size and nature of business at all desired levels.

Discussion on financial performance with respect to operational performance. -

Share Capital and reserve and surplus- During the year, we allotted 50,00,000 Equity shares of Rs. 10 each at a premium of Rs.65 per share in the Public Issue of the Company. The total paid up share capital was Rs.1510 lacs consisting of 151 lacs shares of Rs. 10 each. The share premium account increased to Rs.3260 lacs as compare to 10 lacs of previous year. During the year the company recorded a Net Profit after tax of Rs.136.57 lacs as compared to Rs.131.81 lacs of previous year.

Secured Loans - The secured Loans, comprising of vehicle loans, increased to Rs. 1466.02 lacs as compare to previous year's 1305.60 lacs.

Fixed assets - The expansion is going on at Pithampur Plant. The capital expenditure during fiscal year 2008 amounted to Rs. 572.79 lacs. The total gross block of Land, Building, Plant and Machinery and other fixed assets was Rs.3997.12 lacs.

Net Current assets - Net Current assets comprised primarily of cash and bank balance, Sundry Debtors, Loans and Advances, Inventories, Current Liabilities and Provisions etc. The net current assets increased to Rs.3170.43 lacs.

Turnover - Turnover has gone up by 865.94 lacs as compare to previous year. The total turnover registered for the fiscal year 2008 was Rs. 4262.96 lacs as compared to Rs. 3397.02 lacs of fiscal year 2007.

AUDITOR'S REPORT

To the shareholders of PORWAL AUTO COMPONENTS LIMITED

We have audited the attached Balance Sheet of PORWAL AUTO COMPONENTS LTD., Indore as at 31st March 2008, and also the Profit & Loss Account and the Cash Flow statement for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order 2003 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 and 5 of the said order.

Further to our comments in the Annexure 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 account 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 and 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 and loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section 3C of section 211 of the Companies Act, 1956 except for :
 - (a) Depreciation for the year on Plant and Machinery is provided on the basis of balance useful life of the assets as determined by an approved valuer. Had depreciation been provided on same basis as specified in Schedule XIV of the Companies Act, 1956 as in earlier years, the charge to the Profit and Loss account for the year would have been higher by Rs. 66.65 lacs and net fixed assets would have been lower by Rs. 66.65 lacs (Refer Note No. 6 of Schedule N).
 - (b) AS-15 in respect of non-provision of leave liability to employees; (Note 9, schedule N).
 - (c) AS-22 in respect of taxes on income. (Note 10, schedule N) regarding non-provision of deferred tax liability to the tune of Rs. 40.76 lacs.
- (v) We further report that had observations made by us in para (a) and (c) been considered the profit for the year would have been lower by Rs. 107.40 lacs (as against the reported figure of Rs. 136.57 lacs) the net fixed assets Rs. 2985.83 lacs (as against the reported figure of Rs. 3052.48 lacs), the credit balance in Profit and Loss Account would have been Rs. 252.66 lacs (including accumulated deferred tax liability of previous years of Rs. 145.26 lacs).
- (vi) On the basis of written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vii) In our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matters referred to in paragraph (iv) above, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - (b) in the case of the Profit and Loss Account, of the Profit of the company for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For ASSG & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE : INDORE
DATE : 30.06.2008

SANJAY GUPTA
PARTNER
M.No. 72073

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in our Report of even date).

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that -

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Major items of fixed assets have not been physically verified by the management during the year in accordance with a programmed of verification, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of fixed assets, during the period under review, to affect its going concern.
- (ii) (a) The management, during the period under review, has conducted physical verification of inventory. The frequency of such verification is reasonable in relation to the size of the company, nature of its business and nature of inventory.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of company and nature of its business.
- (c) The Company is maintaining proper records of inventory as required in the normal course of business. No material discrepancies were noticed on verification of stocks as compared to book records.
- (iii) (a) The company has granted unsecured loan of Rs. 144.31 lacs to five parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The rate of interest and other terms and conditions of above loan granted by the Company, are not prima facie prejudicial to the interest of the Company.
- (c) The company to whom the loans and advances in the nature of loans has been given is repaying the principal amount as stipulated and is also regular in payment of interest.
- (d) There is no overdue amount of loan granted to the Company listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company has taken loans from companies, firms and other parties covered in the register maintained under section 301 of the Act. There are five parties and the period-end balance is Rs. 0.16 lacs.
- (f) The rate of interest and other terms and conditions of loans taken are prima facie not prejudicial to the interest of the company.
- (g) There is no stipulation agreement regarding the repayment of principal and interest. Interest in these loans are credited to their respective loan accounts.
- (iv) There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. We have not observed any major weaknesses in internal control system.
- (v) (a) The particulars of contract/arrangements referred to section 301 of the Act have been entered into the register required to be maintained under that section.
- (b) The transactions made in pursuance of contracts mentioned in Para (v) (a) above, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has complied with the provisions of Sec. 58-A, 58AA and other relevant provisions of the Companies Act, 1956 and rules framed there under. No order under these provisions has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or tribunal.

- (vii) The company has an internal audit system should be strength commensurate with its size and nature of business.
- (viii) The Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the nature of industry in which the Company is doing business.
- (ix) (a) Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess (as applicable) have generally been regularly deposited with the appropriate authorities and there is no unpaid amount outstanding as at 31st March 2008 for a period exceeding six months from the date they became payable.
- (b) No disputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty and Cess were in arrears as at 31st March 2008 except for an appeal filed with CIT Appeals, Indore against disallowance of losses of Rs. 21.80 lacs in A.Y. 1995-96 by the assessing officer.
- (x) The company does not have any accumulated losses as at the end of the year. The company has not incurred cash losses during this year and immediately preceding this financial year.
- (xi) During the year under review the company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) The Company has not granted any loans or advances against security of pledge of shares, debentures and other securities.
- (xiii) This clause and sub clauses (a) to (d) of clause 4 (xiii) of the Companies (Auditors Report) Order, 2003 are not applicable as the Company has not entered into business of Chit Fund, or related activities.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantees for loans taken by others from Banks or Financial Institutions. Accordingly, the provisions of clause 4 (xv) of the of the Companies (Auditors Report) Order, 2003 are not applicable to it.
- (xvi) The term loan has been applied for the purpose for which they were raised.
- (xvii) 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.
- (xviii) During the period under review the Company has not made preferential allotment of shares to parties and Companies covered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the period under review.
- (xx) The management has disclosed the end use of the money raised through public issue of equity shares and the same has been verified by us.
- (xxi) There was no fraud on or by the Company noticed or reported during the course of our audit.

For ASSG & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE : INDORE
DATE : 30.06.2008

SANJAY GUPTA
PARTNER
M.No. 72073

BALANCE SHEET AS AT 31ST MARCH, 2008

PARTICULARS	SCHEDULE No.	AS AT 31.03.2008 (RUPEES)	AS AT 31.03.2007 (RUPEES)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	151,000,000	101,000,000
Reserves and Surplus	B	367,864,358	29,540,553
		518,864,358	130,540,553
LOAN FUNDS			
Secured Loans	C	146,601,864	130,560,018
Unsecured Loans	D	49,465,994	63,444,198
		196,067,858	194,004,216
TOTAL FUNDS EMPLOYED		714,932,216	324,544,769
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		399,712,405	342,432,769
Less : Depreciation		94,464,371	69,904,719
Net Block	E	305,248,034	272,528,050
INVESTMENTS			
	F	125,000	125,000
CURRENT ASSETS, LOANS & ADVANCES			
	G		
Inventories		90,606,006	51,372,169
Sundry Debtors		42,926,523	10,133,809
Cash and Bank Balances		203,667,448	181,841
Loans and Advances		98,273,053	37,127,365
		435,473,030	98,815,184
LESS : CURRENT LIABILITIES AND PROVISIONS			
	H		
Liabilities		67,240,230	47,914,938
Provisions		1,795,000	1,505,000
		69,035,230	49,419,938
Net Current Assets		366,437,800	49,395,246
MISCELLANEOUS EXPENDITURE	I	43,121,382	2,496,473
(To the extent not written off or adjusted)			
TOTAL FUNDS APPLIED		714,932,216	324,544,769
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	O		

As per our report of even date
For ASSG & ASSOCIATES
Chartered Accountants

(SANJAY GUPTA)
Partner

PLACE : INDORE
DATED : 30.06.2008

For and on behalf of the Board of Directors

Devendra Jain
Managing Director

Mukesh Jain
Director

Rajendra Singh
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

PARTICULARS	SCHEDULE NO.	Period ended on	
		As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
INCOME			
Sales & Other Income	J	404,484,051	339,702,431
Sales Trading		21,812,020	0
Increase (Decrease) in Stocks	K	22,415,785	6,654,667
			0
TOTAL		448,711,856	346,357,098
EXPENDITURE			
Operating Expenditure	L	349,639,126	293,947,589
Purchase Trading		21,323,001	0
Administrative and Selling Expenses	M	12,993,378	11,885,273
Interest and Bank Charges	N	7,742,227	2,366,693
Commercial tax		16,500,151	12,659,492
Depreciation		24,603,967	10,526,032
Deferred Revenue Expenditure W/o		76,320	76,320
Loss on Sale of Fixed Assets		11,555	1,431
TOTAL		432,889,725	331,462,829
PROFIT FOR THE YEAR BEFORE TAX		15,822,131	14,894,268
TAX EXPENSE			
- Current Tax		1,795,000	1,505,000
- Deferred Tax		0	0
- Fringe Benefit Tax		370,000	185,000
Total Tax Expense		2,165,000	1,712,981
NET PROFIT FOR THE YEAR AFTER TAX		13,657,131	13,181,287
Less : Income tax adjustments for earlier years		333,328	22,981
Brought Forward Balance		25,340,141	12,158,854
Balance Carried to Balance Sheet		38,663,945	25,340,141
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	O		

As per our report of even date
For **ASSG & ASSOCIATES**
Chartered Accountants

(**SANJAY GUPTA**)
Partner
M. No. 72073

PLACE : INDORE
DATED : 30.06.2008

For and on behalf of the Board of Directors

Devendra Jain
Managing Director

Mukesh Jain
Director

Raina Ajmera
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SCHEDULE - "A" : SHARE CAPITAL		
AUTHORISED:		
200,00,000 (200,00,000) Equity Shares of Rs. 10/-each	200,000,000	200,000,000
ISSUED, SUBSCRIBED, CALLED UP AND PAID UP:		
15100000 (10100000) Equity Shares of Rs. 10 each	151,000,000	101,000,000
TOTAL	151,000,000	101,000,000
SCHEDULE - "B" : RESERVES & SURPLUS:		
Share Premium	326,000,000	1,000,000
General Reserve	3,200,413	3,200,413
Profit & Loss Account	38,663,945	25,340,141
TOTAL	367,864,358	29,540,554
SCHEDULE - "C" : SECURED LOANS		
TERM LOANS:		
- From State Bank of Indore, Palsikar Colony Indore 102,015,848	105,934,808	
All Secured by equitable mortgage on immovable properties and hypothecation of all movable assets except stocks and book debts ranking pari-passu inter se and subject to the prior charges created in favour of company's banker on specified movable assets for securing working capital requirements and guarantee facilities. These loans are further secured by personal guarantee of two directors.		
WORKING CAPITAL LOANS:		
- From State Bank of India, SSI	36,386,431	23,054,916
- From State Bank of India, Pithampur	7,448,180	0
Secured by way of hypothecation of inventories and book debts and second charge on fixed assets of the company. These loans are further secured by personal guarantee of two directors.		
VEHICLE LOAN:		
ICICI Bank Ltd.	352,367	1,331,829
HDFC Bank Ltd.	399,035	238,465
(All Secured by hypothecation of specific vehicles)		
TOTAL	146,601,864	130,560,018
SCHEDULE - "D" : UNSECURED LOANS		
From Directors & Relatives	0	43,936
From Body Corporate	17,015,914	25,000,000
Sales Tax Deferment Loan	32,450,080	38,400,262
TOTAL	49,465,994	63,444,198

SCHEDULE - "E" (FIXED ASSETS)
SCHEDULES FORMING PART OF THE BALANCE SHEET
CONSOLIDATED ANNEXURE OF FIXED ASSETS

		GROSS BLOCK			DEPRECIATION			NET BLOCK			
Sl. No	Description of Assets	As on 01.04.2007	Addition during the Year	deductions	Total As on 31.03.2008	Up to 31.03.2007	Provided For the Year	Written Back	up to 31.03.2008	As on 31.03.2007	As on 31.03.2007
1	LAND	10796343	1570765	0	12367108	0	0	0	0	12367108	10796343
2	FACTORY BUILDING	67415718	4559882	0	71975600	6973957	2264055	0	9238012	62737588	60441761
3	PLANT & MACHINERY	35511337	5739332	0	41250669	25583055	3704512	0	29287567	11963102	9928282
4	MATERIAL HANDLING EQUIP.	39777283	3678197	0	43455479	4223667	4748269	0	8971936	34483543	35553616
5	TOOLS & PATTERNS	15592173	14963416	0	30555589	11979912	1993135	0	3973047	16582542	3612281
6	ELECTRICAL INSTALLATIONS	15398554	617887	0	16016441	4273026	1595724	0	5686750	10147691	11125528
7	TESTING EQUIPMENTS	3423606	1109839	0	4533445	2149836	409627	0	2559463	1973982	1273770
8	AUXILIARY EQUIPMENTS	24052147	1413654	0	25465801	11657267	2557430	0	14214697	11251104	12394880
9	FURNITURE & FIXTURES	788348	48000	0	836348	256077	52434	0	308511	527837	532271
10	OFFICE EQUIPMENTS	4854390	6635	0	4861025	449510	307318	0	756828	4101197	4404880
11	VEHICLES	4970776	2053325	81871	6942230	892350	515404	44315	1363439	5576791	4078426
12	COMPUTER	3267267	124361	0	3391628	809219	532249	0	1341468	2050160	2458048
13	AIR POLLUTION EQUIPMENT	0	2464878	0	2464878	0	14018	0	14018	2450860	0
14	PLANT & MACHINERY	116584827	19011338	0	135596165	656843	5909792	0	6566635	129025130	0
TOTAL		342432769	57361507	81871	399712405	69904719	24603967	44315	94464371	305248034	156600666

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SCHEDULE - "F" INVESTMENTS	125,000	125,000
Phitampur Auto Cluster P. Ltd.		
	125,000	125,000
SCHEDULE - "G": CURRENT ASSETS, LOANS & ADVANCES		
A : CURRENT ASSETS :		
INVENTORIES		
Raw Materials	36,664,423	21,707,897
Finished Goods	18,353,143	10,750,556
Stock in process	27,678,373	15,236,701
Stores & Process Materials	5,117,931	3,236,436
Stock of Runner & Risers	2,792,131	4,10,609
Sub-total	90,606,001	51,31,219
TRADE DEBTORS (Unsecured, considered good)		
Due Over 6 months	567,093	213,027
Others	42,359,421	9,90,782
Sub-total	42,926,523	10,123,809
CASH & BANK BALANCES**		
Cash In Hand	116,883	73,702
Balances with scheduled banks		
- In current accounts	37,351	21,676
- In Fixed deposit account	203,513,214	86,463
Sub-total	203,667,448	181,841
TOTAL CURRENT ASSETS	337,199,977	61,687,819
** Includes Rs. 2000.00 lacs being balance of unutilized monies out of issue of shares.		
B : LOANS & ADVANCES :		
(Recoverable in cash or in kind or for value to be received)		
Deposits	6,164,067	4,986,114
Balance with Excise Deptt	4,686	7,583
Modvat/Input Credit Receivable	2,831,806	7,621,292
Advance Income Tax	1,135,075	294,834
Prepaid Expenses	273,478	368,917
Advance against raw material	3,600,000	0
Trade Advances (Tooling)	17,795,322	10,123,646
Trade & other advances	48,574,765	3,105,100
Advance against fixed assets	16,402,400	9,689,401
Advances to employees	1,062,454	500,718
Entry Tax Receivable	429,000	429,000
Tax Deducted at Source	0	760
TOTAL LOANS AND ADVANCES	98,273,053	37,127,365
GRAND TOTAL (A+B)	435,473,030	98,815,184
SCHEDULE - "H": CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors -Trade	9,162,889	7,094,040
Sundry Creditors - Fixed Assets	5,501,592	4,760,982
Sundry Creditors - Exps.	5,513,210	13,748,938
Sundry Creditors -Tooling Advance	20,275,892	15,359,239
Outstanding expenses & other payables	7,734,277	6,623,134

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Axis Bank O.D. A/c (Against lien of FDR)	18,658,595	0
Tax deducted at source	393,775	328,605
Sub-Total	67,240,230	47,914,938
PROVISIONS		
Provision for Income tax	1,795,000	1,505,000
Sub-Total	1,795,000	1,505,000
TOTAL	69,035,230	49,419,938
SCHEDULE - "I": MISCELLANEOUS EXPENDITURE		
(To the extent not written off)		
Public Issue Expenses	34,718,947	2,267,513
Pre operative Expenditure	8,249,795	0
Deferred Revenue Expenditure	228,960	305,280
Less : Amount written off during the year	76,320	76,320
TOTAL	43,121,382	2,496,473

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

SCHEDULE - "J": SALES & OTHER INCOME		
Sales	353,222,980	295,556,717
Job Work Receipt	12,939	6,152
Sundry Balance Written back	37,755	29,271
Excise Duty on Sales	51,210,376	44,110,291
TOTAL	404,484,051	339,702,431
SCHEDULE - "K": INCREASE/DECREASE IN STOCKS		
CLOSING STOCKS		
- Finished Goods	18,353,143	10,750,556
- Stock-in-process	27,678,378	15,256,701
- Stock of Runners & Risers	2,792,130	400,609
	48,823,651	26,407,866
LESS: OPENING STOCKS		
- Finished Goods	10,750,556	7,478,010
- Stock-in-process	15,256,701	12,275,189
- Stock of Runners & Risers	400,609	19,753,199
	26,407,866	19,753,199
INCREASE IN STOCKS	22,415,785	6,654,667
SCHEDULE - "L": OPERATING EXPENDITURE		
RAW MATERIALS CONSUMED		
Opening Stock	21,707,897	22,807,296
Add : Purchases	202,968,169	148,553,874
	224,676,066	171,361,170
Less : Closing Stock	36,664,423	21,707,897
	188,011,643	149,653,273
STORES & CONSUMABLES CONSUMED		
Opening Stock	3,256,406	2,261,974
Add : Purchases	7,990,872	7,208,455.00
	11,247,278	9,470,429
Less : Closing Stock	5,117,932	3,256,406
	6,129,346	6,214,023

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Excise Duty	52,026,655	44,547,915
Entry Tax	1,726,512	988,232
Factory Wages	14,707,176	11,824,772
Contribution to ESI	365,552	459,840
Contribution to PF	662,495	564,198
Power, Electricity & Fuel	47,907,775	39,808,876
REPAIRS & MAINTENANCE		
- to Plant & Machineries	201,6317	1,764,506
- to Buildings	122,961	92,599
Freight Inward	10,672,641	11,710,780
Insurance	305,487	322,113
Miscellaneous Factory Overheads	799,224	906,129
Job Work Charges	11,069,460	12,310,752
Contract Wages	13,115,882	12,780,176
TOTAL	349,639,126	293,947,587
SCHEDULE - "M": ADMINISTRATIVE & SELLING EXPENDITURE		
Administrative Salary	3,109,721	2,771,367
Directors' Remuneration & Sitting fees	1,995,000	2,129,000
Bonus	691,231	582,876
Stationery & Printing	306,965	341,022
Cash Discount	75,713	315,453
Commission	3,535	57,945
Postage	78,436	48,737
Telephone	534,418	680,983
Conveyance	424,053	343,341
Office expenses	138,760	119,456
Vehicle Running & Maintenance	504,194	690,408
Repairs to Office Equipments	215,987	112,953
Legal Expenses	539,647	417,109
Auditors remuneration	30,000	30,100
Books & Periodicals	1,740	9,210
Professional & Consultancy Fees	228,464	510,243
Lease Rent	135,568	39,180
Advertisement	111,310	95,839
Donation	28,500	11,111
Staff Tea and lunch expenses	205,862	163,976
Medical treatment & medicines	65,379	0
Selling expenses	30,863	17,815
Traveling Expenses	1,541,020	801,995
Membership & Subscription	82,400	76,650
Entertainment Expenses	47,196	63,681
Freight Outward	1,308,362	1,124,261
Training & Seminar Expenses	350,361	116,325
Festival Expenses	118,483	75,352
Property Tax	20,211	20,211
Gratuity Insurance Premium	30,000	118,374
Recruitment Expenses	40,000	0
TOTAL	12,993,378	11,885,273
SCHEDULE - "N": INTEREST & FINANCIAL CHARGES		
Interest Paid/Payable		
- On Term Loans	3,298,042	670,600
- On Cash Credit Loans	3,028,059	855,945
- To others	(1,217,733)	(406,599)
Bill discounting and bank charges	2,633,859	1,246,751
TOTAL	7,742,227	2,366,695

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE – "N"

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting:

The financial statements have been prepared on the historical cost convention and in accordance with normally accepted accounting principles on going concern basis and accounting standards issued by ICAI following mercantile system of accounting. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.

(b) Fixed Assets and CENVAT credit on capital goods:

Fixed Assets are stated at cost of acquisition or construction (Net of CENVAT Credit Availed) less accumulated depreciation. Cost comprises the purchase price and other attributable costs. CENVAT credit availed but not adjusted against excise duty payment is treated as CENVAT Credit receivable and shown under "Loans and Advances".

(c) Depreciation:

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on assets purchased/Constructed/sold during the year has been provided on pro-rata basis. No depreciation is provided on leasehold land.

Depreciation on selected plant and machinery, material handling, tools and equipments and auxiliary equipments hitherto provided on straight line method as specified in Schedule XIV of the Companies Act, 1956. Depreciation for the year is provided on the balance useful life of ten to twenty five years of the assets as determined by the approved valuer on pro-rata basis with reference to date of acquisition.

(d) Inventories:

Inventories of raw materials, work in progress and stores and spares are stated at cost. Finished goods are stated at lower of cost or net realizable value.

(e) Turnover:

Turnover includes excise duty recovered.

(f) Recognition of Income & Expenditure:

These are accounted on accrual basis except leave encashment liability, which is accounted on payment basis.

(g) Deferred Revenue Expenditure

Deferred Revenue Expenditure are amortized equally over a period of five years.

(h) Retirement Benefits

The company has obtained Group Gratuity Insurance policy from LIC of India to cover its Gratuity liability and is making annual payment of the liability calculated by them.

Provident Fund Cost is accounted as per provisions of the said Act. However, leave encashment liability is accounted for on cash basis.

(i) Taxation

Provision for tax (tax expense) is made considering both current and deferred taxes. Provision for current tax is made at current income tax rates based on assessable income. Provision for deferred tax is made based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current tax provision. Deferred tax assets are recognized if there is reasonable certainty of realization. The effect of change in tax rates on deferred taxes is recognized in the Profit and Loss Account in the period that includes the enactment date.

(j) Provisions for Contingent Liabilities

Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation. Contingent liabilities are disclosed by way of note in the financial statements after careful evaluation by the Management of the facts and legal aspects of the matter involved.

B. NOTES ON ACCOUNTS

1. Contingent Liabilities

Guarantee issued by Bank on behalf of the company	: Rs. 21.25 lacs
Demand from ESIC relating to earlier years	: Rs. 0.73 lacs
(Disputed by the company, deposited Rs. 0.21 lacs for appeal)	

2. Pre-operative expenses includes amount of Rs. 82.50 lacs incurred during the construction period to be capitalized on completion of expansion project, breakup being as under :-

Salaries and Wages	Rs. 21.14 lacs
Power and Fuel	Rs. 10.46 lacs
Interest and Financial charges	Rs. 50.90 lacs

Since the expansion project is under progress the same will be apportioned at the time of final completion.

3. Company has given interest free tooling advance of Rs. 170.00 lacs to M/s Porwal Diesels Pvt. Ltd for machining of components.

4. During the year, the company has raised Rs. 3750.00 lacs through Initial Public Offering (IPO). The unutilized monies out of issue of shares are lying in fixed deposits shown under the head "Cash and Bank Balances".

5. Company has incurred public issue expenses of Rs. 347.19 lacs which is yet to be amortised.

6. Depreciation on plant and machinery for the year is provided on straight line method based on the balance useful life of the assets as determined by an approved valuer which is higher as compared to the rates prescribed in Schedule XIV of the Companies Act, 1956. Had the depreciation been provided on straight line method based on rates specified in Schedule XIV of the Companies Act, 1956 the depreciation charged for the year would have been higher by Rs. 66.65 lacs and accumulated depreciation would have been higher by Rs. 66.65 lacs.

7. Sales Tax and Income Tax assessments have been completed up to financial year 2004-05 and 2005-06 respectively. All undisputed liabilities in respect of sales tax and income tax have been provided for in the accounts.

8. The Company does not have a formal procedure of obtaining year-end balance confirmation certificates for trade balances. The management believes them to be correct.

9. The company is accounting for leave encashment benefit to employees on cash basis, which is not in accordance with Accounting Standard-15 "Accounting for Retirement Benefits in the financial statements of employer", issued by the Institute of Chartered Accountants of India.

In the opinion of the management, leave is meant to be availed of and the employees have been advised to plan their leave in advance while in service and also immediately before retirement. Accordingly, leave encashment liability for the year has been recognized only to the extent of actual payment.

10. No provision for deferred tax liability is made in the accounts. In view of substantial expansion plan on hand, management expects to get benefit of depreciation and therefore does not expect any tax liability in near future. Deferred tax liability as on 31.03.2008 amounts to Rs. 40.76 lacs which has not been provided in the books of accounts.

11. Related Party Disclosures as per the requirements of 'Accounting Standard 18' (AS-18) issued by the Institute of Chartered Accountants of India: (As indicated by management and relied upon by auditors)

a) Parties where control exists -

M/s Porwal Udhog (India) (Proprietorship Firm of Mr. Mukesh Jain, Director)

b) Other Related Parties with whom transactions have taken place during the year:-

Key Managerial Personnel and Relatives

Mr. Devendra Jain, Managing Director

Relatives of Shri Devendra Jain :

- | | |
|------------------------------|---------------------------------|
| ❖ Mrs. Manju Jain, Wife | ❖ Mrs. Chandan Bai Jain, Mother |
| ❖ Ms. Reema Jain, Daughter | ❖ S/s Mukesh Jain , HUF |
| ❖ Ms. Riti Jain, Daughter | ❖ S/s Surendra Jain, HUF |
| ❖ Mr. Mukesh Jain, Brother | ❖ S/s Devendra Jain, HUF |
| ❖ Mr. Surendra Jain, Brother | ❖ S/s Gajendra Jain, HUF |
| ❖ Mr. Gajendra Jain, Brother | ❖ S/s Shailesh Jain, HUF |
| ❖ Mr. Shailesh Jain, Brother | |

Associates and Subsidiary Companies

Porwal Diesels Pvt. Ltd.

Triveni Conductors L.td.

Transactions carried out with related parties referred in 1. above, in ordinary course of business are as under:-

Particulars	With Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel	Relative of Key Management Personnel/Director	Associate and subsidiary companies
Salary	9.00	0.00	18.60	0.00
Interest	0.12	0.00	0.00	0.00
Loan received	3.07	0.00	0.03	169.34
Loan repaid	3.05	0.00	0.43	140.83
Balance O/s at year end	Nil	0.00	0.00	0.16
Deposit- Others	Nil	0.00	0.00	0.00
Sundry Debtors	Nil	0.00	0.00	0.00
Unsecured Loans	Nil	0.00	0.00	0.00

12. As evidenced by internal Management Information System (MIS), there are no reportable segments in the company. Therefore, the disclosure requirements of 'Accounting Standard 17' (AS-17) - 'Segment Reporting' are not furnished.

13. Earnings per share -

PARTICULARS	2007-08	2006-07
Profit after tax as per Profit & Loss Account (Rs./lacs)	136.57	131.81
Weighted Average number of Equity Shares outstanding (Nos.)	1,51,00,000	1,01,00,000
Basic and Diluted Earning Per Share	0.90	1.30
(Face value Rs. 10 per share)(Rs.)		

QUANTITATIVE INFORMATION: (Quantities in MTs and Amount in Rs./lacs)

14. Capacities and Production:

Particulars	Current Year 2007-2008 (Qty)	Previous Year 2006-2007 (Qty)
Installed Capacity - C.I. and S.G. Iron Castings	12000.000	7400.000
Actual Production - C.I. and S.G. Iron Castings - Scrap, Runners and Risers	7752.561 3325.689	6745.071 *3160.824
Notes:		
Ø The manufacturing capacities for above products are de licensed.		
Ø Installed capacities are stated on the basis of certificate issued by the Managing Director		

15. Turnover of the Goods Produced

Class of Goods	Current Year 2007-08	Previous Year 2006-2007
C.I. and S.G. Iron Castings (Qty)	*7468.950	6643.131
Iron Scrap (Qty)	3360.728	3190.585
C.I. and S.G. Iron Castings (Amt.)	3532.36	3396.72
Iron Scrap (Amt.)	0.00	0.00
TOTAL	3532.36	3396.72

* Excluding 161.412 (47.965) MT transferred to scrap iron.

12. Closing stock of goods produced

Class of Goods	Current Year 2007-2008	Previous Year 2006-2007
C.I. and S.G.I. Casting (Qty.)	368.973	246.774
C.I. and S.G.I. Casting (Amt.)	160.40	107.510

14. Consumption of Major Raw Materials

Class of Goods	Current Year 2007-2008	Previous Year 2006-2007
Pig Iron and Scrap (Qty.)	8722.241	7594.15
Pig Iron and Scrap (Amt.)	1354.76	1015.16

15. Other Information :

Particulars	Current Year 2007-2008	Previous Year 2006-2007
Imports on CIF Basis	Nil	Nil
Expenditure in foreign currency	5.78	2.71
Income in foreign currency	Nil	Nil
Value of imported and indigenous raw materials consumed during the year and their percentage to total consumption :	Indigenous : 100% Imported : NIL	Indigenous : 100% Imported : NIL

16. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006.

There are no outstanding to parties covered under the Micro, Small and Medium enterprises as per MSMED Act, 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

17. Previous year figures have been regrouped and re-arranged wherever necessary

18. In the opinion of the Board of directors of the Company, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated and the provisions for all known liabilities are adequate and not in excess of the amount reasonably necessary

Signatures to schedules A to N

As per our attached report of even date

For ASSG & Associates
Chartered Accountants

For and on behalf of the Board

Place : INDORE
Date : 30.06.2008Sanjay Gupta
Partner
M.N. 72073Devendra Jain
Managing DirectorMukesh Jain
DirectorRaina Ajmera
Company Secretary

PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 06912
State Code 10
Balance Sheet Date 31 03 2008
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue : 375000 Rights Issue : NIL
Bonus Issue : NIL Private Placement : NIL

II. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities : 714932 Total Assets : 714932

SOURCE OF FUNDS

Paid-up Capital : 151000 Reserve and Surplus : 367864
Share Application Money : NIL Secured Loans : 146601
Unsecured Loans : 49467

APPLICATION OF FUNDS

Net Fixed Assets : 305248 Investments : 125
Net Current Assets : 366438 Misc. Expenditure : 43121
Accumulated Losses : NIL Deferred Tax Asset : NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover : 446399 Total Expenditure : 430577
Profit/(Loss) before tax : 15822 Profit/(Loss) after tax : 13657

(Please tick Appropriate box + for Profit, - for Loss)

Earning per Share in Rs. : 0.90 Dividend rate % : 00%

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

Item Code No. (ITC Code) 73251000
Product Description Unmachined Castings

For ASSG & Associates
Chartered Accountants

For and on behalf of the Board

Place : INDORE
Date : 30.06.2008Sanjay Gupta
Partner
M.N. 72073Devendra Jain
Managing DirectorMukesh Jain
DirectorRaina Ajmera
Company Secretary

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2008

	2007-08	2006-07
(A) Cash Flow from operating activities		
Net Profit before tax and extraordinary items	158.22	148.94
Adjustments for :		
Depreciation	246.04	105.26
Miscellaneous Expenditure Written Off	0.76	0.76
Prior Period Items	0.00	0.00
Loss on Sale of Fixed Assets	0.12	0.01
Operating Profit before Working Capital Changes	405.14	254.98
Adjustments for :		
Inventories	(392.34)	(65.50)
Debtors	(327.93)	(51.05)
Loans & Advances	(611.46)	(13.59)
Current Liabilities	196.15	230.72
	(1,135.57)	100.58
Cash generated from operation	(730.43)	355.56
(B) Cash Flow from Investing Activities		
Fixed Assets	(573.62)	(1,131.22)
Investment	0.00	0.00
Cash flow from IPO	3,750.00	0.00
Cash flow from Sale of Fixed Assets	0.26	0.05
Public Issue Expenses	(407.01)	(6.29)
Income Tax Paid	(24.98)	(17.13)
	2,744.65	(1,154.59)
(C) Cash Flow from financing Activities		
Term Loans	(39.19)	436.92
Working Capital Loans	207.79	133.21
Unsecured Loans	(139.78)	236.01
Vehicle loan	(8.19)	(7.23)
	20.63	798.91
Net Cash Flow During The Year	2,034.85	(0.12)
Cash and Cash Equivalents (Opening Balance)	1.82	1.94
Cash and Cash Equivalents (Closing Balance)	2,036.67	1.82
As per our report of even date		
For ASSG & ASSOCIATES	For & on behalf of Board of Directors	
CHARTERED ACCOUNTANTS		
SANJAY GUPTA	DEVENDRA JAIN	Mukesh Jain
PARTNER	Managing Director	Director
Place : INDORE	Raina Ajmera	
Date : 30.06.2008	Company Secretary	

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Porwal Auto Components Ltd. for the period ended 31st March 2008. The statement has been prepared by the company in accordance with the listing agreement required by the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the company covered by our report of even date to the members of the company.

FOR ASSG & ASSOCIATES
CHARTERED ACCOUNTANTS

SANJAY GUPTA
PARTNER

PLACE: INDORE
DATE: 30.06.2008

PORWAL AUTO COMPONENTS LIMITED

Registered Office :
Kanti Mansion, 6 Murai Mohalla, Indore

PROXY FORM

R. F. No. No. of Shares.....

I/We

of

Being a member of **PORWAL AUTO COMPONENTS LTD.** holding Ordinary Share(s) hereby

appoint of

of failing him/her of

as my/our proxy to vote for me/us on my/our behalf at the 16th Annual General Meeting of the Company, to be held on 24th September, 2008 and at any adjournment meeting thereof.

As witness my/our hand(s) this day of 2008.

Signature

Re. 1
Revenue
Stamp

Note :

If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.

ATTENDANCE SLIP

16th Annual General Meeting on 24th September, 2008

R. F. No.

Mr. / Mrs. / Miss

(Shareholders Name in Block Letters)

I / We certify that I/We am/are registered shareholder / proxy for the registered shareholder of the Company.

I / We hereby record my/our presence at the 16th Annual General Meeting of the Company at Hotel President, RNT Marg, Indore on 24th September, 2008.

(If signed by proxy, his name should be written in block letters)

(Shareholders / Proxy's Signature)

Note :

- Shareholders / Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and hand over them at the entrance after affixing their signatures on them.
- If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.