



**SHARDA MOTOR INDUSTRIES LIMITED**



*Annual* **REPORT**  
**2007**

## BOARD OF DIRECTORS

N. D. RELAN	<i>CHAIRMAN</i>
AJAY RELAN	<i>Managing Director</i>
SHARDA RELAN	<i>Director</i>
ROHIT RELAN	<i>Director</i>
R. P. CHOWDHRY	<i>Director</i>
R. P. KAPUR	<i>Director</i>
S. P. MARWAHA	<i>Director</i>
G. L. TANDON	<i>Director</i>
O. P. KHAITAN	<i>Director</i>
KISHAN N. PARIKH	<i>Director</i>
S. C. CHOPRA	<i>Executive Director</i>
UDAYAN BANERJEE	<i>Executive Director</i>

## VICE PRESIDENT (F&A) & CFO

PRADEEP RASTOGI

## VICE PRESIDENT (F&A)

D. A. AGGARWAL

## COMPANY SECRETARY

NITIN VISHNOI

## AUDITORS

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

## BANKERS

CANARA BANK  
ICICI BANK  
CITI BANK  
HDFC BANK  
ABN AMRO BANK

## REGISTERED OFFICE

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

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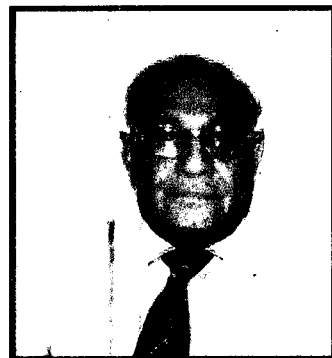
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## *Message From Chairman*

*Dear Shareholders,*

*It gives me great sense of satisfaction and pleasure to see and share the growth of our company in the face of highly competitive times through which Indian automobile sector is passing. This achievement gives us enough confidence that we are heading in the right direction to make Sharda Motor Industries Ltd. the Leader in whichever market it stands.*



*Being Leader is always easier said than done. In highly competitive scenario like ours exist various forces. We need to make sure that we minimize the forces that Pull us back, and enhance the ones that will Push us forth. To do this we need right people with right attitude assessing the dynamics of the market with right technology aiding them to come up with right strategies that will keep us ahead of the competition.*

*Customer is at the helm of the entire system, and Customer Satisfaction has to be the mantra for us. The business processes should be designed such that we are in Win-Win relationship with the Customer, because even Mahatma Gandhi once said, Customer is God. We must aspire to serve our esteemed customers without any compromise. Mr. Narayan Murthy quotes, "Aspiration is the main fuel for progress. Aspirations transform a set of ordinary people into extraordinary achievers."*

*We also need to understand that the geographical boundaries are diminishing very rapidly. Resources like Technology and material are readily available at competitive prices across the globe, but at the same time getting and retaining the right talent is one of the biggest concerns companies face today.*

*We also in our pursuit to become the Market Leaders should embrace best practices on all fronts to attract and retain the best possible talent. It is only the attitude and the efforts that differentiate best from the second best.*

*Technology is also another facet of the business that can add great value to it. We, therefore, should strive for developing state-of-the-art technology that will help us serve the customer in a much better manner.*

*Finally with right people and right technology we require right systems in place to create an atmosphere that will help us extract extraordinary results out of the resources employed.*

*I look forward to the future with confidence and optimism. I strongly feel that your Company's best years are ahead of us.*

*I thank all our stakeholders for their cooperation and look forward to their continued support in our exciting journey onwards and upwards!*

**N. D. Relan**  
Chairman

### *Message From MD*



*Dear Shareholders,*

*The financial year 2006-07 was another land mark year for your Company, your company moved to a new growth trajectory by recording the highest ever revenue and the operating profit. Inspite of the fact that there were some concerns about rising input prices specially steel, which were optimized by taking initiatives to counter these increases through lean manufacturing, value engineering and better supply chain management.*

*Your team SMIL has done a very good job and are gearing up for future with confidence. As you all know that centre for economic growth is shifting to India. We in SMIL are continuously driven by the pledge by excelling our own past performance and expend our origin.*

*In the Director's Report, you must have seen that your company has been awarded by our customers for "Quality, Productivity, Delivering and Innovation".*

*For future expansion, we are working with various car manufacturers in India on very prestigious projects competing with international companies.*

*I look forward for a good future of your company with the help of our Board of Directors and SMIL Team which has demonstrated it's commitment in taking the company to greater heights.*

*I would like to take this opportunity to express my gratitude to our customers, suppliers and bankers and our Stake Holders for their valuable support.*

*Ajay Relan  
Managing Director*

## NOTICE

NOTICE is hereby given that the Twenty-second Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat World at India Habitat Centre, Lodhi Road, New Delhi, on Wednesday the 25<sup>th</sup> July, 2007 at 12:30 P.M. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit & Loss Account for the year ended on that date and Report of the Directors and Auditors thereon.
2. To declare a dividend for the financial year 2006-07
3. To appoint a Director in place of Shri N. D. Relan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Smt Sharda Relan who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint a Director in place of Shri S. C. Chopra who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Shri Udayan Banerjee who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, the retiring auditors of the Company, as Auditors of the Company, to hold office commencing from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Director, to fix their remuneration for the period.

### SPECIAL BUSINESS

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

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendment or re-enactment thereof and subject to such consent, approvals and permissions as may be needed, the remuneration package of Shri S. C. Chopra, Whole-time Director designated as an Executive Director of the Company, be and is hereby revised with effect from 1<sup>st</sup> July’ 2007 till the expiry of his present tenure of appointment i.e. upto 31<sup>st</sup> May’ 2009, in the following manner:-

**Salary : Basic :** Rs. 60,000 per month in the range of Rs. 60,000 per month to Rs. 200,000 per month.

**HRA :** Rs. 36,000 per month in the range of Rs. 36,000 per month to Rs. 120,000 per month

(As may be agreed by the Board of Directors / Remuneration Committee and Shri S.C.Chopra)

**“FURTHER RESOLVED THAT** save as aforesaid the other terms of appointment of Shri S. C. Chopra shall remain unaltered as approved vide Resolution at item No. 10 at Nineteenth Annual General Meeting of the Company held on 22<sup>nd</sup> July, 2004.”

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

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendment or re-enactment thereof and subject to such consent, approvals and permissions as may be needed, the remuneration package of Shri Udayan Banerjee, Whole-time Director designated as an Executive Director of the Company, be and is hereby revised with effect from 1<sup>st</sup> July, 2007 till the expiry of his present tenure of appointment i.e. upto 31<sup>st</sup> May’ 2009, in the following manner:-

**Salary : Basic :** Rs. 60,000 per month in the range of Rs. 60,000 per month to Rs. 200,000 per month.

**HRA :** Rs. 30,000 per month in the range of Rs. 30,000 per month to Rs. 120,000 per month

(As may be agreed by the Board of Directors / Remuneration Committee and Shri Udayan Banerjee)

**“FURTHER RESOLVED THAT** save as aforesaid the other terms of appointment of Shri Udayan Banerjee shall remain unaltered as approved vide Resolution at item No. 12 at Nineteenth Annual General Meeting of the Company held on 22<sup>nd</sup> July, 2004.”

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

Place : New Delhi  
Dated : 26<sup>th</sup> May’ 2007

**NITIN VISHNOI**  
(Company Secretary)

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
3. The Register of the Members and Share Transfer Books of the Company will remain closed from 20<sup>th</sup> July 2007 to 25<sup>th</sup> July 2007 (both days inclusive).
4. Shareholders desirous of obtaining any information/clarification concerning the accounts or intending to raise any query are required to forward the same to the company so as to enable the Management to keep the information ready.
5. The final dividend if approved by members at Annual General Meeting will be paid to those members, whose names appear on the Register of Members on 25<sup>th</sup> July 2007.
6. Pursuant to Section 205A (5) read with Section 205 C of the Companies Act, 1956 (as amended) any money transferred to the unpaid dividend account of a Company remaining unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the fund or the Company. So, you are advised to claim the same from the Company immediately. The due dates of transfer of the following dividends to the Fund are as under:

<b>Financial Year Ended</b>	<b>Date of Declaration of Dividend</b>	<b>Proposed Due date for transfer to IEP Fund</b>
31.03.2000	30.08.2000	10.10.2007
31.03.2001	04.09.2001	03.10.2008
31.03.2002	05.09.2002	04.10.2009
31.03.2003	04.09.2003	03.10.2010
31.03.2004	28.01.2004*	26.02.2011
31.03.2004	22.07.2004	20.08.2011
31.03.2005	27.01.2005*	25.02.2012
31.03.2005	01.08.2005	30.08.2012
31.03.2006	25.10.2005*	23.11.2012
31.03.2006	25.08.2006	23.09.2013
31.03.2007	27.01.2007*	25.02.2014

\* Interim Dividend

7. Members are requested to intimate change, if any, in their postal addresses immediately to:  
Share Transfer Department,  
Sharda Motor Industries Ltd.,  
D-188, Okhla Industrial Area,  
Phase-I, New Delhi 110020
8. Annual Listing fee for the year 2007-08 has been paid to Delhi Stock Exchange wherein shares are listed
9. Members are requested to bring their copy of the Annual Report to the Meeting.

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## 10. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT.

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

Name of Director	Sh. N. D. Relan	Smt Sharda Relan	Sh. S. C. Chopra	Sh Udayan Banerjee
Date of Birth & Age	31.05.1929 78 Years	11.08.1935 71 Years	06.10.1944 62 Years	15.01.1947 60 Years
Nationality	Indian	Indian	Indian	Indian
Appointed on	29.08.1986	29.01.1986	01.06.2004	01.06.2004
Qualifications	B.Com	Graduate	B. Sc, B.E. (Mech.), MBA, PG in Mech. Engg. & Management	M.Sc from IIT Khargpur
Expertise in specific functional areas	Business Management, Accounts, Finance and Capital Market	Corporate Management	Mechanical Engineering & Business Management	Business Management
List of Directorships held in other Companies	1. Bharat Seats Ltd. 2. Relan Indl Finance Ltd. 3. Pebco Motors Ltd 4. Relan Engg. & Automation Ltd. 5. Sharda Pro Acoustics Ltd 6. YMTR Autotech India Ltd. 7. Sharda Sejong Auto Components (I) Ltd 8. Progressive Engg. & Automation (P) Ltd	1. Relan Indl Finance Ltd. 2. Sharda Pro Acoustics Ltd 3. Sharda Auto Solutions (P) Ltd	None	None
Membership / Chairmanship of Committees across other Companies	Audit - Member (1) Remuneration - Member (1) Shareholders Grievance - Member (1)	None	None	None
Shareholding of Non-Executive Directors in Sharda Motor Industries Ltd	N.A. (Since he is an Executive Director)	742520	N.A. (Since he is an Executive Director)	N.A. (Since he is an Executive Director)

By Order of the Board  
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi  
Dated : 26<sup>th</sup> May' 2007

NITIN VISHNOI  
(Company Secretary)



## ANNEXURE TO NOTICE

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

#### ITEM NO.8

The Members of the Company at their 19<sup>th</sup> Annual General Meeting held on 22<sup>nd</sup> July, 2004 approved the appointment of Shri S. C. Chopra as Whole Time Director designated as Executive Director of the Company for a period of five years with effect from 1<sup>st</sup> June, 2004 to 31<sup>st</sup> May, 2009 on the terms of remuneration as detailed in the resolution under Item No. 10 of the Notice of the said meeting and the remuneration package as approved by the said resolution is given hereunder in brief:

Basic : In the range of Rs.45,000 to Rs.60,000 per month.

HRA : In the range of Rs.22,500 to 36,000 per month. (As may be agreed by the Board of Directors / Remuneration Committee and Shri S. C. Chopra)

Entertainment Expenses : Reimbursement of entertainment expenses subject to a maximum of Rs.15,000 per month.

Books & Periodicals : Actual subject to a maximum of Rs.1,000 per month.

Attendant Allowance : Subject to a maximum of Rs.5,000 per month.

Medical for Self & Family : Actual for self and family subject to maximum of Rs.3,000 per month.

Leave Travel Concession : For self and family as per Company Rules.

Earned / Privilege Leave : As per Company Rules. Leaves accumulated but not availed of during his tenure encashable as per Company Rules

Car : Provision for Chauffer Driven Car.

Telephone : Free telephone at residence, personal long distance calls to be paid by him

Provident Fund : Company's Contribution towards Provident Fund, Pension Fund & Superannuation Fund as per the Company Rules.

Gratuity : Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.

Others : Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed upon by the Board of Directors and Shri S.C. Chopra.

But taking into consideration the increased business volumes of the Company and to match the remuneration package of Shri S. C. Chopra, Executive Director with the present prevailing compensation package at this level in the Industry, it is appropriate that the remuneration package of Shri S. C. Chopra should be revised in the light of present conditions. Therefore it is proposed, on the recommendations made by the 'Remuneration Committee' and 'Board of Directors' of the Company in their meetings held on 26<sup>th</sup> May' 2007, the remuneration package of Shri S. C. Chopra be revised with effect from 1<sup>st</sup> July' 2007 till the expiry of his present tenure of appointment i.e. upto 31<sup>st</sup> May, 2009. The details of revision in the remuneration package of Shri S. C. Chopra are mentioned in the proposed resolution at Item No.8 of the Notice convening the meeting.

The Board of Directors of your Company, therefore, recommends the passing of Ordinary Resolution as set out at item No. 8 of Notice convening the meeting.

None of the Directors of the Company is interested in the above resolution except Shri S. C. Chopra himself.

#### ITEM NO.9

The Members of the Company at their 19<sup>th</sup> Annual General Meeting held on 22<sup>nd</sup> July, 2004 approved the appointment of Shri Udayan Banerjee as Whole Time Director designated as Executive Director of the Company for a period of five years with effect from 1<sup>st</sup> June, 2004 to 31<sup>st</sup> May, 2009 on the terms of remuneration as

detailed in the resolution under Item No. 12 of the Notice of the said meeting and the remuneration package as approved by the said resolution is given hereunder in brief:

Basic : In the range of Rs.35,000 to Rs.60,000 per month.

HRA : In the range of Rs.17,500 to 30,000 per month. (As may be agreed by the Board of Directors / Remuneration Committee and Shri Udayan Banerjee.)

Entertainment Expenses	: Reimbursement of entertainment expenses subject to a maximum of Rs.8,000 per month.
Books & Periodicals	: Actual subject to a maximum of Rs.1,500 per month.
Attendant Allowance	: Subject to a maximum of Rs.3,000 per month.
Medical for Self & Family	: Actual for self and family subject to maximum of Rs.3,000 per month.
Leave Travel Concession	: For self and family as per Company Rules.
Earned / Privilege Leave	: As per Company Rules. Leaves accumulated but not availed of during his tenure encashable as per Company Rules
Car	: Provision for Chauffer Driven Car.
Telephone	: Free telephone at residence, personal long distance calls to be paid by him
Provident Fund	: Company's Contribution towards Provident Fund, Pension Fund & Superannuation Fund as per the Company Rules.
Gratuity	: Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.
Others	: Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed upon by the Board of Directors and Shri Udayan Banerjee.

But taking into consideration the increased business volumes of the Company and to match the remuneration package of Shri Udayan Banerjee, Executive Director with the present prevailing compensation package at this level in the Industry, it is appropriate that the remuneration package of Shri Udayan Banerjee should be revised in the light of present conditions. Therefore it is proposed, on the recommendations made by the 'Remuneration Committee' and 'Board of Directors' of the Company in their meetings held on 26<sup>th</sup> May' 2007, the remuneration package of Shri Udayan Banerjee be revised with effect from 1<sup>st</sup> July' 2007 till the expiry of his present tenure of appointment i.e. upto 31<sup>st</sup> May, 2009. The details of revision in the remuneration package of Shri Udayan Banerjee are mentioned in the proposed resolution at Item No.9 of the Notice convening the meeting.

The Board of Directors of your Company, therefore, recommends the passing of Ordinary Resolution as set out at item No. 9 of Notice convening the meeting.

None of the Directors of the Company is interested in the above resolution except Shri Udayan Banerjee himself.

By Order of the Board  
For SHARDA MOTOR INDUSTRIES LTD

Place : New Delhi  
Dated : 26<sup>th</sup> May' 2007

NITIN VISHNOI  
(Company Secretary)

## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Twenty-second Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March' 2007.

### 1. FINANCES:

	Year Ended 31.03.2007	(Rs. in Lacs) Year Ended 31.03.2006
<b>Turnover and Inter-unit Transfers</b>	<b>40463.95</b>	31987.92
Less: Inter-unit Transfer	<b>3704.93</b>	2022.54
<b>Turnover</b>	<b>36759.02</b>	29965.38
Profit before Other Income, Depreciation & Financial Charges	<b>3628.04</b>	3297.29
Add: Other Income	<b>174.39</b>	75.09
Profit before Depreciation, Financial Charges & Provisions	<b>3802.43</b>	3372.38
Less:		
a) Depreciation	<b>932.94</b>	745.08
b) Financial Charges	<b>86.88</b>	61.46
c) Taxation		
- Current Tax	<b>802.92</b>	833.46
- Fringe Benefit Tax	<b>30.00</b>	45.00
- Deferred Tax	<b>179.29</b>	(105.29)
- Adjustments for earlier years	<b>(39.84)</b>	1.90
<b>Add Profit on sale of Exceptional item</b>	<b>431.69</b>	—
<b>Net Profit after Tax</b>	<b>2241.93</b>	1790.77
Add: Profit brought forward from Previous year	<b>2032.48</b>	1145.74
<b>Profit available for appropriation</b>	<b>4274.41</b>	2936.51

### APPROPRIATIONS

Proposed Dividend	<b>297.32</b>	205.68
Tax on Proposed Dividend	<b>50.53</b>	28.85
Interim Dividend	<b>297.32</b>	148.66
Tax on Interim Dividend	<b>41.70</b>	20.85
Transferred to General Reserves	<b>604.49</b>	500.00
Balance carried forward to Balance Sheet	<b>2983.06</b>	2032.48

### 2. OPERATIONS

During the year under review your Company achieved yet another milestone and the turnover and inter unit transfers of the Company touched an all time high of Rs. 404.64 Crores as against Rs. 319.88 Crores for the previous financial year registering an increase of 26.50% over the previous year's turnover.

### 3. DIVIDEND

Your Directors are pleased to recommend a total Dividend of Rs. 10 per Equity Share i.e. @ 100% on the paid-up Equity Share Capital of the Company for the year ended 31<sup>st</sup> March' 2007, this includes an interim dividend of Rs.5 per Equity Share i.e. @ 50% on the paid up Equity Share Capital of the Company paid during the year under review.

Final Dividend of Rs.5 per equity share, if approved at the forthcoming Annual General Meeting, shall be paid out of the profits of the Company to those shareholders whose names appear on 25<sup>th</sup> July, 2007.

The Cash outflow on account of dividend including interim dividend on equity share capital will be Rs. 686.87 Lakhs including dividend tax of Rs. 92.23 (previous year Rs. 354.34 Lakhs including dividend tax Rs. 49.70 Lakhs)

#### **4. AUTHORISED SHARE CAPITAL**

Keeping in view of increased business operations and further future growth plans of the Company, the Company would have to infuse internal and external funds at different points of time in future, therefore, your Company, during the year under report, has strengthened its capital base by increasing its authorized share capital from Rs. 10.00 Crores (divided into one crore equity shares of Rs. 10/- each) to Rs. 25.00 Crores (divided into two crore and fifty lacs equity shares of Rs. 10/- each) through Postal Ballot completed on 16<sup>th</sup> December, 2006. The Shareholders have approved the increase in authorized capital with the requisite majority, and the details of voting pattern has been given under Corporate Governance Report forming part of this report.

#### **5. EXTERNAL COMMERCIAL BORROWINGS (ECB)**

During the year under review, your Company has been sanctioned external commercial borrowing for US\$ 7.50 million from ICICI Bank Ltd for the purpose of meeting expenditure towards ongoing expansion / modernization programmes of the Company. And out of the said US\$ 7.50 million, the Company has received US\$ 5.00 million during the year.

#### **6. DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri N. D. Relan, Smt Sharda Relan, Shri S. C. Chopra and Shri Udayan Banerjee Directors of the Company retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting. In terms of clause 49 of the Listing Agreement with the Stock Exchange, the details of the Directors to be re-appointed are being provided in the Notice of the Annual General Meeting.

#### **7. PARTICULARS OF EMPLOYEES**

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

#### **8. CONSERVATION OF ENERGY**

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

#### **9. TECHNOLOGY ABSORPTION**

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

#### **10. FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

**11. CORPORATE GOVERNANCE**

Your Company reaffirms its commitment to the good Corporate Governance Practices. The endeavor of your Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity, transparency and overall accountability.

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

A certificate from CEO and CFO of the company has been received by the Board certifying the compliances as stipulated in Clause 49 (V) of the Listing Agreement.

A certificate from Auditor of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

**12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management discussion and analysis report forms part of Directors' Report on Annual Accounts and the same is annexed as **Annexure – 'D'**.

**13. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (I) In the preparation of the annual accounts for the year under report, the applicable accounting standards have been followed
- (II) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2007 and of the profit of the Company for the year ended on that date;
- (III) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (IV) The annual accounts have been prepared on a "going concern" basis.

**14. FIXED DEPOSITS**

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

**15. STOCK EXCHANGE INFORMATION**

The Equity Shares of the Company continue to remain listed on the Delhi Stock Exchange Association Limited and the annual listing fees for the financial year 2007-08, has been paid.

**16. INDUSTRIAL RELATIONS**

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

Your Directors wish to place on record their appreciation for the co-operation and valuable contributions made by the employees of the Company at all levels in the organization.

## 17. AUDITORS

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

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

## 18. AUDITORS' REPORT

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

## 19. STATUTORY DISCLOSURES

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

## 20. AWARDS AND RECOGNITIONS

We are happy to mention below the awards and recognitions that your company received during the year 2006-07.

- Best Supply Chain Management (SCM) Award across the automobile sector from Mahindra & Mahindra Ltd.
- Supplier Quality Control Innovation (SQCI) - A Grade Company Award from Samsung India Electronics Ltd.
- Quality Innovation Award from Hyundai Motor India Ltd,

## 21. ACKNOWLEDGEMENTS

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

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from Hyundai Motor India Ltd., Mahinda & Mahindra Ltd., Samsung Electronics India Ltd., Tata Motors, Bharat Seats Ltd., ICICI Bank Limited, Industrial Development Bank of India, Canara Bank, Citi Bank, HDFC Bank, ABN Amro Bank, Kotak Mahindra Bank Ltd and various Departments of Central Government and State Governments.

Your Directors also thank all the shareholders for their continued support. Your Directors look forward to the future with confidence.

For and On behalf of Board  
For **SHARDA MOTOR INDUSTRIES LTD.**

Place :- New Delhi  
Dated : 26<sup>th</sup> May, 2007

**N. D. RELAN**  
Chairman

**ANNEXURE TO DIRECTOR'S REPORT**
**ANNEXURE-A**

Statement of particulars Under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 and forming part of the Report of the Directors for the Year Ended 31<sup>st</sup> March' 2007

A. Employed throughout the year ended 31<sup>st</sup> March' 2007 in receipt of Remuneration not less than Rs.24, 00,000/-

Name	Designation & nature of Duties	Remuneration Received (Rs.)	Qualification & Experience (in No. of Years)	Date of Commencement of Employment	Age	Particulars of last Employment
Shri N. D. Relan	Chairman / Overall Supervision	1,38,75,565	B.Com 55 Yrs	01.07.2003	78 Yrs	Chairman & Whole-time Director-Bharat Seats Ltd.
Shri Ajay Relan	Managing Director / Supervision of business affairs of the Company	1,33,37,356	B.Com (Hons), OPM Program, From Harvard Business School, USA 24 Yrs	01.09.1986	45 Yrs.	First Employment
Shri S. D. Lee	President / Business Development	24,63,987	Commerce Graduate from Dongkuk University, Korea 27 Years	01.04.2002	53 Yrs.	Joint Managing Director-Korin India Limited

B. Employed for part of the year ended 31<sup>st</sup> March' 2007 in receipt of Remuneration not less than Rs.2,00,000/- per month

Name	Designation & nature of Duties	Remuneration Received (Rs.)	Qualification & Experience (in No. of Years)	Date of Commencement of Employment	Age	Particulars of last Employment
Shri Rajan Narayan (resigned on 08.03.2007)	Head - R&D / Supervision of research, design and development activities	37,23,274	B.Tech (Hons) from IIT, Khargpur 42 Years	01.02.2005	65Yrs	Director-Mahindra Construction Co. Ltd.

**Notes :-**

1. Remuneration includes Basic Salary, Allowances, Commission, Company's contribution to provident fund and monetary value of perquisites and excludes earned leave and gratuity unless paid/payable.
2. The nature of employment in all cases is contractual.
3. Shri N. D. Relan and Shri Ajay Relan are relative of Smt Sharda Relan and Shri Rohit Relan, being the Non-Executive Directors of the Company.
4. Sh. N. D. Relan, Chairman, is holding 21.20 % Equity Shares of the Company in pursuance of Section 217(2A) of the Companies Act, 1956 and Rules made thereunder.
5. Sh. Ajay Relan, Managing Director, is holding 28.50 % Equity Shares of the Company in pursuance of Section 217(2A) of the Companies Act, 1956 and Rules made thereunder.
6. Shri Rajan Narayan and Shri S. D. Lee are holding nil Equity Shares in the Company as on 31.03.2007.

## ANNEXURE-B

Disclosure of the Particulars with respect to Technology Absorption and Foreign Exchange Earning and Outgo as required under Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended 31<sup>st</sup> of March, 2007.

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

#### **FORM - B**

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

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

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

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

Development of new technology, product, ranges and designs and improvement of existing manufacturing facilities through advanced analytical methods.

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

- Opening up avenues for more business in future including export potential.
- Catering to the changing needs of customers.
- Technology up-gradation .
- Overall cost reduction, efficiency, improved utilization / productivity of existing manufacturing facilities.
- Compliance of regulatory norms / requirements.
- Enhancement in quality and services to the customers.
- Development of new product design / process.
- Reduction in manufacturing & delivery time.
- Reduction in rejection / waste.

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

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





<b>4. Expenditure on R&amp;D:</b>	<b>(Rs. in Lacs)</b>
	<b><u>2006-07</u></b>
a) Capital	—
b) Recurring	292.03
<b>Total</b>	<b>292.03</b>
c) Total R&D expenditure as a percentage of total sales, net of Excise Duty.	0.96%

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

### **Efforts made in brief:**

- All efforts are being made to implement the in-house developed innovations and improvements for products / processes.
- Laying great emphasis on the absorption of the design and manufacturing technology of automotive components.
- The Company has a team of highly qualified and experienced automobile engineers who are fully committed towards achieving the corporate objective of growth and excellence.
- Continuous efforts are being made in the areas of Quality improvement, waste reduction, process capability in major equipment and cost optimization to specially improve the Market acceptance of Company's products.
- Imparting training programs by foreign technicians in various manufacturing techniques.
- Participating in conferences, seminars and exhibitions.
- Learning technology by working with international technology partners for expansion and modernization programmes.
- Analyzing feedback from users to improve products and services.

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

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

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

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

## **PART-II : DISCLOSURE OF PARTICULARS WITH RESPECT TO FOREIGN EXCHANGE EARNING AND OUTGO**

- 1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for production and services.**

In continuation to last year's initiatives, the Company during the year under review, has started making initial exports of exhaust muffler and fixtures to USA for USD 63706 (INR 28,34,761).

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

- 2. Total Foreign Exchange used and earned**

The information on foreign exchange used and earned, is reported under Note 10 (d) & (e) of Schedule 12B in the 'Notes to Accounts' forming part of the Annual Report of the Company for the year 2006-07.

## **REPORT ON CORPORATE GOVERNANCE**

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the listing agreement with the Stock Exchange. The stipulations mandated by Clause 49 have been fully complied with since its applicability to your company. SEBI through circulars dated 29<sup>th</sup> October' 2004 and 29<sup>th</sup> March' 2005, had suggested changes to the existing Clause 49 and mandated listed companies to comply with the new Clause 49 by 31<sup>st</sup> December, 2006 which your company has complied with. Your company remains committed to maintaining strict compliance with the letter and the spirit of the new Clause 49 and your Directors present the Company's annual report on Corporate Governance for the year ended 31<sup>st</sup> March, 2007 as under:

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

Sharda Motor Industries Ltd. (SMIL) would like to be known as an 'excellent' Company in terms of the quality of governance, the products it manufactures and trades in, in Customer Services, in fair dealings with its stakeholders and in the standards of individual and Company performance."

At SMIL, we continuously strive to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of our operations. Our business culture and practices are founded upon a common set of strong ethical values and these govern our relationships with customers, employees, shareholders, suppliers, bankers, Government Authorities and the communities wherein we operate.

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

SMIL believes that good governance generates goodwill among business partners, customers and investors, earns respect from society and brings about a consistent and sustainable growth for the Company and generates competitive returns for the investors.

SMIL is led by a strong and independent Board, which provides the Company strong oversight and strategic counsel. The company has established systems and procedures to ensure that the Board remains well-informed and well-equipped to fulfill its oversight responsibilities and to provide the management, the strategic direction it needs to create long-term shareholders value.

### **2. BOARD OF DIRECTORS**

The Board of Directors consists of professionals drawn from diverse fields. Presently the Board of Directors of the Company headed by its Executive Chairman Shri N. D. Relan, has eleven other Directors, out of which three Directors are Whole-time Directors i.e. Managing Director and Executive Directors (Two) and eight are Non-Executive Directors out of which six are Independent Directors. The composition of the Board is in conformity of Clause 49 of the Listing Agreement, which stipulates that at least half of the Board should comprise of Independent directors if the Chairman is an Executive Director.

The Independent Directors do not have any material pecuniary relationship or transactions with the Company, its promoters or its management. The Board members possess the skills, experience and expertise necessary to guide the Company.

As mandated by Clause 49, none of the Directors was a member of more than 10 Board level Committees nor they are Chairpersons of more than five such Committees, across all Public Limited Companies in which he /she was a Director.

The Board met six times during the financial year 2006-07, on 29<sup>th</sup> April'2006, 29<sup>th</sup> May'2006, 25<sup>th</sup> July'2006, 24<sup>th</sup> September'2006, 25<sup>th</sup> October'2006 and 27<sup>th</sup> January'2007. The maximum gap between any two meetings was less than four months. All material information is circulated to the Directors before the meeting or placed at the meeting, including the information that are required to be made available to the Board as mentioned under Clause 49 of the Listing Agreement.

The composition of the Board of Directors and their attendance at the Board meetings held during the year ended 31<sup>st</sup> March, 2007 and at the last Annual General Meeting as also the number of other directorships and membership/chairmanships of committees are tabulated hereunder:

S. No.	Name of the Director & Designation	Category of Directorship	No of Board Meetings attended during 2006-07	Attendance at Last AGM held on 25 <sup>th</sup> August, 2006	Directorship of other Companies#	Membership/ Chairmanship in Board Committees of other Companies##
1.	Shri N. D. Relan (Chairman)	Promoter / Executive	6	YES	7	3
2.	Shri Ajay Relan (Managing Director)	Promoter / Executive	6	YES	6	-
3.	Smt. Sharda Relan (Director)	Promoter / Non-Executive	6	YES	2	-
4.	Shri Rohit Relan (Director)	Promoter / Non-executive	6	YES	6	-
5.	Shri R. P. Chowdhry (Director)	Independent/ Non-Executive	6	YES	-	-
6.	Shri R. P. Kapur (Director)	Independent/ Non- Executive	4	NO	-	-
7.	Shri S. P. Marwaha (Director)	Independent/ Non- Executive	6	YES	-	-
8.	Shri G. L. Tandon (Director)	Independent/ Non- Executive	5	YES	5	1(1)*
9.	Shri O. P. Khaitan (Director)	Independent/ Non- Executive	5	YES	7	3(2)*
10.	Shri Kishan N Parikh (Director)	Independent/ Non- Executive	1	NO	3	-
11.	Shri S C Chopra (Executive Director)	Non-Independent/ Executive	2	YES	-	-
12.	Shri Udayan Banerjee (Executive Director)	Non-Independent / Executive	4	YES	-	-

# Includes Directorships of other Public Limited Companies only.

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

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

### 3. AUDIT COMMITTEE

The Audit Committee of the Company acts as a link between Management, Auditors, Board of Directors of the Company and has full access of the financial information of the Company. The powers, role and terms of reference of the Audit Committee covers the areas as mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms referred by the Board of Directors.

The Audit Committee at present comprises four Independent Non-Executive Directors of the Company. All the four members of Committee have adequate financial & accounting knowledge and background. Shri S. P. Marwaha, Chairman of the Committee, is a fellow member of the Institute of Chartered Accountants of India, and has vast experience of over 59 years.

During the year 2006-07 four Committee meetings were held on 29<sup>th</sup> May' 2006, 25<sup>th</sup> July' 2006, 25<sup>th</sup> October' 2006 and 27<sup>th</sup> January' 2007.

The composition of the Committee and their attendance at the Committee meetings held during the year ended 31<sup>st</sup> March 2007 are as under:

S. No.	Member Director & Designation	Category	No of Meetings attended during 2006-07
1	Shri S P Marwaha (Chairman)	Independent Non-Executive	4
2	Shri R P Chowdhry (Member)	Independent Non-Executive	4
3	Shri R P Kapur (Member)	Independent Non-Executive	4
4	Shri G L Tandon* (Member)	Independent Non-Executive	1

\* Inducted by the Board of Directors at their meeting held on 25<sup>th</sup> October' 2006

The Committee inter-alia discussed the following financial matters:

- Reviewed un-audited financial results for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> Quarter and half-Year before their submission to the Board;
- Reviewed audited financial results for the financial year ended 31<sup>st</sup> March, 2006 before their submission to the Board;
- Reviewed Directors' Responsibility Statement and Management Discussion and Analysis report for the year 2005-06;
- Reviewed statutory compliances with the Accounting Standards, Companies Act, 1956, Listing Agreement, SEBI and other legal requirements of applicable laws of the Country.
- Reviewed related party transactions for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> Quarter and half year;
- Recommended to the Board, the re-appointment of Statutory Auditors including fixation of audit fees;
- Reviewed performance of statutory auditors and adequacy of internal control system with the management;
- Reviewed the Company's financial risk and management policies.

The Minutes of the Committee meetings were regularly placed before the Board. Chairman of the Committee was present at the last Annual General Meeting held on 25<sup>th</sup> August, 2006.

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

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

## 4. REMUNERATION COMMITTEE:-

As on 31<sup>st</sup> March, 2007 the Remuneration Committee comprises four Independent Non-Executive Directors of the Company.

During the year 2006-07 One Committee meeting was held on 29<sup>th</sup> May' 2006.

The composition of the Committee and their attendance at the Committee meeting held during the year ended 31<sup>st</sup> March 2007 are as under:

S. No.	Member Director & Designation	Category	Whether meeting attended
1	Shri R P Kapur (Chairman)	Independent Non-Executive	YES
2	Shri R P Chowdhry (Member)	Independent Non-Executive	YES
3	Shri S P Marwaha (Member)	Independent Non-Executive	YES
4	Shri O. P. Khaitan* (Member)	Independent Non-Executive	N.A.

\* Inducted by the Board of Directors at their meeting held on 25<sup>th</sup> October' 2006

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

The Committee inter-alia discussed the following matters:

- To review the appointment / re-appointment of Executive and Non-Executive Directors;
- To review and recommend the remuneration/ compensation packages of Executive and Non-Executive Directors;
- To review and recommend to the Board the remuneration policy for the company;
- To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time;
- To ensure the compliance of provisions of the Companies Act, 1956 concerning the Managerial Remuneration.

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

## REMUNERATION POLICY

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

- a) Employment scenario
- b) Remuneration package of the industry
- c) Remuneration package of the managerial talent of other industries

From the last few years, efforts are being made to link the annual variable pay of Executive Directors with the performance of the Company in general and their individual performance for the relevant year measured against Specific Key Result Areas which are aligned to the Company's objectives.

The remuneration, tenure of appointment/re-appointment of the Executive Directors including their salary, commission and perquisites are paid in accordance with the terms and conditions approved by the Board of Directors (on the basis of recommendations of the Remuneration Committee) and the Shareholders of the Company in General Meeting and such other approvals as may be necessary under the Companies Act, 1956.

The Non-Executive Directors are paid sitting fees and commission in certain cases in accordance with the provisions of Section 198 and 309 of the Companies Act, 1956.

The remuneration policy of the Company is aimed at rewarding performance based on periodic review of achievements. The overall philosophy is to keep the employees motivated to deliver higher performance within the targeted wage bill.

#### REMUNERATION OF DIRECTORS

Remuneration of Executive Directors largely consists of fixed component like Salary, allowances, perquisites and commission being the variable component. The details of remuneration paid to Directors of the Company during 2006-07 are tabulated hereunder:

##### EXECUTIVE DIRECTORS

(Rs/- Lacs)

Name of Director	Salary	Commission	Perks	Total
Shri N. D. Relan	84.00	16.00	39.44	139.44
Shri Ajay Relan	78.00	20.00	35.43	133.43
Shri S. C. Chopra	10.71	-	4.30	15.01
Shri Udayan Banerjee	9.81	-	2.34	12.15
<b>Total</b>	<b>182.52</b>	<b>36.00</b>	<b>81.51</b>	<b>300.03</b>

##### NON-EXECUTIVE DIRECTORS

(Rs./- Lacs)

Name of Director	Sitting fee	Commission	Total
Smt. Sharda Relan	0.60	15.00	15.60
Shri Rohit Relan	0.60	15.00	15.60
Shri R. P. Chowdhry	0.85	-	0.85
Shri R. P. Kapur	0.65	-	0.65
Shri S. P. Marwaha	0.85	-	0.85
Shri G. L. Tandon	0.55	-	0.55
Shri O. P. Khaitan	0.50	-	0.50
Shri Kishan N Parikh	0.10	-	0.10
<b>TOTAL</b>	<b>4.70</b>	<b>30.00</b>	<b>34.70</b>

#### Notes:

- 1) The service contract for Executive Directors of the Company is 5 years from the date of their appointment;
- 2) At present the Company does not have any Employee Stock Option Scheme;
- 3) Notice period is three calendar months or lesser notice in writing as may be agreed mutually.

- 4) There is no separate provision for payment of severance fee under the resolutions governing the appointment of Executive Directors;
- 5) The Commission paid to Non-Executive directors is approved by the Board of Directors and Shareholders of the Company within the limits stipulated under the Companies Act, 1956;
- 6) Non-Executive Directors did not have any pecuniary relationship or transactions vis-à-vis the Company except the payment of dividend on the Equity Shares held by them in the Company and the details as reported under Clause no. 12 of Schedule 12 B of Notes to Accounts in the Annual Report of the Company.
- 7) Details of the shares held by Non-Executive Directors as on 31<sup>st</sup> March' 2007 are tabulated hereunder:

S. No.	Name of Non-Executive Director	No. of Shares held
1	Smt. Sharda Relan	742520
2	Shri Rohit Relan	523218
3	Shri R. P. Kapur	36000
4	Shri R. P. Chowdhry	600
5	Shri S. P. Marwaha	60
6	Shri G. L. Tandon	Nil
7	Shri O. P. Khaitan	Nil
8	Shri Kishan N Parikh	Nil

## 5. SHAREHOLDERS GRIEVANCE COMMITTEE:-

The Committee at present comprises four Independent Non-Executive Directors of the Company. During the year 2006-07, one Committee meeting was held on 25<sup>th</sup> October, 2007.

The composition of the Committee and their attendance at the Committee meeting held during the year ended 31<sup>st</sup> March 2007 are as under:

S. No.	Member Director & Designation	Category	Whether meeting attended
1.	Shri R P Chowdhry (Chairman)	Independent Non-Executive	YES
2.	Shri R P Kapur (Member)	Independent Non-Executive	YES
3.	Shri S P Marwaha (Member)	Independent Non-Executive	YES
4.	Shri O. P. Khaitan* (Member)	Independent Non-Executive	N.A.*

\* Inducted by the Board of Directors at their meeting held on 25<sup>th</sup> October' 2006

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

- Issue of Duplicate Share Certificates;
- Non-receipt of Annual Report, declared dividend, Share Certificates and pertaining to transfer / transmission of Shares etc.;



- Monitors expeditious redressal of investors grievances;
- The Committee also considers the request of the Shareholders for splitting/ consolidation/ renewal of certificate as may be referred by the Share Transfer Committee.

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

The status on Shareholders Complaints received and resolved during the year under report are tabulated hereunder:

Nature of Complaint	Received	Resolved	Pending
Non-receipt of Balance Sheet	05	05	Nil

The Company has acted upon all valid requests for share transfer / transmission received during the year under report and no such transfer / transmission is pending as on 31<sup>st</sup> March, 2007.

#### 6. GENERAL BODY MEETINGS:-

Particulars of Annual General Meetings held during the last three years

AGM NO.	Year	Venue	Date	Time	No. of Special Resolutions
21 <sup>st</sup>	2005-2006	India Habitat Centre, New Delhi	25.08.2006	12:30 PM	Four
20 <sup>th</sup>	2004-2005	India Habitat Centre, New Delhi	01.08.2005	12:30 PM	Two
19 <sup>th</sup>	2003-2004	India Habitat Centre, New Delhi	22.07.2004	12:00 Noon	Five

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

#### RESOLUTIONS PASSED THROUGH POSTAL BALLOT:

During the year, the Company had taken shareholders approval by way of Special Resolutions and Ordinary Resolutions through Postal Ballot as per the details provided hereunder:

1. Special Resolution for alteration in Object Clause of the Memorandum of Association and an Ordinary Resolution for enhancing the borrowing limits and to mortgage/charge the properties of the Company. The voting pattern on the above items was as follows:

Date of Announcement of Results	Business for which Postal Ballot conducted	Type of Resolution	Total Valid Votes Cast	Votes Cast in favour	Votes cast against the Resolutions
02.06.2006	Alteration of Object Clause	Special	4897476	4897476 (82.36%)	Nil
02.06.2006	Mortgage/Charge the properties	Ordinary	4893876	4893876 (82.30%)	Nil

Mr. Sunil K. Grover, Company Secretary in Practice was appointed as scrutinizer for conducting the Postal Ballot for all the aforesaid matters. The aforesaid resolutions had therefore been approved by the shareholders with the requisite majority.

2. Special Resolutions were passed for increasing the authorized share capital of the company from Rs. 10 Crores, divided into one crore equity shares of Rs. 10/- each, to Rs. 25 Crores divided into two crores and fifty lacs equity shares of Rs. 10/- each and for altering the share capital clause of the Memorandum & Articles of Association. The voting pattern on the above items was as follows:

Date of Announcement of Results	Business for which Postal Ballot conducted	Type of Resolution	Total Valid Votes Cast	Votes Cast in favour	Votes cast against the Resolutions
16.12.2006	Increase in authorized capital and alteration of the Memorandum & Articles of Association	Special	5168876	5168876 (86.93%)	Nil

Mr. B. B. Virmani, Company Secretary in Practice was appointed as scrutinizer for conducting the Postal Ballot for the aforesaid matters. The aforesaid resolution had therefore been approved by the shareholders with the requisite majority.

None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

## 7. DISCLOSURES:-

- I. The Board has received disclosures from Key managerial personnel relating to material, financial and commercial transactions where they and / or their relatives have personal interest. The particulars of transactions between the Company and its related parties as per the Accounting Standards 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India(ICAI) are set out in Clause No. 12 of Schedule 12 B of Notes to Accounts in the Annual Report. However, these transactions are not likely to have any conflict with the Company.
- II. The information relating to the Directors being re-appointed at the ensuing Annual General Meeting, are furnished in the Notice of the Annual General Meeting of the Company.
- III. No penalties or strictures have been imposed on the Company by the Stock Exchange or Securities and Exchange Board of India (SEBI) or any statutory authority on any matter related to capital markets during the last three years.
- IV. In the preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied, have been set out in the Notes to Accounts.

## 8. CODE OF CONDUCT

The Board of Directors has adopted the Code of Conduct for Board Members and Senior Management Personnel of the Company. The said Code has been communicated to Directors and the Members of the Senior Management Personnel of the Company. They have affirmed their compliance with the code of conduct for the year ended 31<sup>st</sup> March, 2007. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

## 9. MEANS OF COMMUNICATION:-

- \* The un-audited quarterly / half yearly financial results are announced within one month of the end of the quarter as stipulated under Clause 41 of the Listing Agreement. The aforesaid financial results are reviewed by the Audit Committee and taken on record by the Board of Directors and are communicated to the concerned Stock Exchange by way of hard copy, soft copy and also newspaper cutting of the published results;

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

## **10. GENERAL SHAREHOLDERS' INFORMATION**

### **A. Annual General Meeting to be held:**

Day	: Wednesday
Date	: 25 <sup>th</sup> July, 2007
Time	: 12:30 PM
Venue	: India Habitat Centre, Lodi Road, New Delhi

### **B. Financial Calendar April 01 to March 31**

First Quarterly Results	: Before end of July, 2007
Second Quarterly Results	: Before end of October, 2007
Third Quarterly Results	: Before end of January, 2008
Audited yearly Results for the Year ended 31 <sup>st</sup> March, 2008	: Before end of June, 2008.

### **C. Date of Book Closure :**

20<sup>th</sup> July, 2007 to 25<sup>th</sup> July, 2007 (Both days inclusive)

### **D. Dividend Payment:**

An interim dividend of Rs.5 per Equity Share i.e. 50% on the paid up equity capital of the Company for the financial year 2006-07, was paid on 1<sup>st</sup> February, 2007. The final dividend @ Rs.5 per Equity Share will be paid within the prescribed statutory period, subject to declaration by the shareholders at the ensuing Annual General Meeting.

### **E. Listing on Stock Exchanges:**

At present, the Equity Shares of the Company are listed on Delhi Stock Exchange Assoc. Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi-110002. Annual Listing fee for the year 2007-08 has been paid to the Stock Exchange.

### **F. Stock Code :**

The Delhi Stock Exchange Assoc.Ltd. : 19102

**G High/Low in each month of last F.Y.**

There was no transaction in the company's share during the last financial year. The last available quoted rate was Rs.13/-

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

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

**I Registrar & Transfer Agent**

The Company has its in-house Share Department located at its Registered Office which handles all matters relating to shares of the Company including transfer / transmission of shares, payment of dividend, sub-division / consolidation of share certificates and investor grievances.

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

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

As per the provisions of amended Companies Act, 1956, facility for making nomination facility is available for shareholders in respect of shares held by them. The shareholders may obtain forms from the Share Department of the Company.

The Company is required to transfer dividends which have been remained unpaid/unclaimed for a period of seven years to the Investor Education and Protection Fund established by the Government. The Company will accordingly be required to transfer in the year 2007, the final dividend for the year ended March 31, 2000 which have remained unclaimed/unpaid.

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

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

**K Shareholding**
**D) Distribution of Shareholding as on 31.03.2007**

S.No.	No. of Equity Shares held	Shareholders Nos.	% of Shareholders	No. of Shares held	% of Shareholding
1	Upto – 500	178	44.279	44420	0.747
2	501 – 1000	51	12.687	38356	0.645
3	1001 – 2000	50	12.438	76630	1.288
4	2001 – 3000	30	7.463	86100	1.448
5	3001 – 4000	7	1.741	25500	0.429
6	4001 – 5000	8	1.990	36450	0.613
7	5001 – 10000	21	5.224	162150	2.727
8	10001 & Above	57	14.178	54767200	92.103
	<b>Total</b>	<b>402</b>	<b>100.00</b>	<b>5946326</b>	<b>100.00</b>

**II) Shareholding Pattern as on 31.03.2007**

	CATEGORY	NO.OF SHARES HELD	% TO TOTAL
<b>A.</b>	<b>PROMOTERS HOLDING</b>		
	<b>1. Promoters</b>		
	- Indian Promoters	<b>4811476</b>	<b>80.915</b>
	- Foreign Promoters	-	-
	<b>2. Persons acting in concert</b>		
	<b>Sub-Total</b>	<b>4811476</b>	<b>80.915</b>
<b>B.</b>	<b>NON-PROMOTERS HOLDING</b>		
	<b>1. Institutional Investors</b>		
	a.) Mutual Funds and UTI	-	-
	b.) Banks, Financial Institutions, Insurance Companies, (Central/ State Govt. Institutions, Non Govt. Institutions)	-	-
	c.) Foreign Financial Investors	-	-
	<b>Sub-Total</b>	<b>-</b>	<b>-</b>
	<b>II. Others</b>		
	(a) Private Corporate Bodies	<b>101850</b>	<b>1.712</b>
	(b) Indian Public	<b>1033000</b>	<b>17.373</b>
	(c) NRI/ OCBs	-	-
	(d) Any Other	-	-
	<b>Sub-Total</b>	<b>1134850</b>	<b>19.085</b>
	<b>Grand Total</b>	<b>5946326</b>	<b>100.000</b>

**L. Dematerialization of Shares & liquidity**

Shares of the Company are still in physical form since the Company has not received any reply for the letter sent to Delhi Stock Exchange about the demat requirement for shares of the Company from the Stock Exchange.

**M Outstanding GDRs / ADRs / Warrants : Not Issued.**

## N. Plant Locations:

1. Plot No.276, Udyog Vihar, Phase-VI, Gurgaon (Haryana)
2. Plot No.558,559, Surajpur Bypass Indl.Area, Greater Noida, U.P.
3. Plot No.4, Sector-31, Greater Noida, Distt. Gautam Budh Nagar, (U.P.)
4. (Exhaust System Division), G-20, SIPCOT Indl. Park, Irrungattukottai, Sriperumpudur Taluk, Kancheepuram Distt., Chennai-602105
5. Plot No.112, M.I.D.C., Satpur, Nasik-7, Maharashtra
6. Plot No. 4, Sector-2, I.I.E. Ranipur, Haridwar (Uttanchal)
7. 58 KM, Delhi Jaipur Highway, Behind Terry Soft, Village & P. O. Binola-122413
8. Mahindra World City, Changalpattu Taluk, Kancheepuram Dist. Industrial Park, Tamilnadu-603002
9. Plot No. 52/1, 52/2, 53/2A, 54A, 54B, 54C & 54D, Behind Ceat Company, Satpur, Nashik – 422007

## O. Address for Investors Correspondence:

Shareholders desiring to communicate with the Company on any matter relating to the shares of the Company may either visit in person or write quoting their folio number at the following address:

**Shri Nitin Vishnoi**

Company Secretary & Compliance Officer

Sharda Motor Industries Ltd

D-188, Okhla Industrial Area, Phase-I,

New Delhi – 110 020

Tel : 011-26811958, 26811967/968

Fax : 011-26811676

Communication may also be sent by e-mail at the following address:

1. [smil@shardamotor.com](mailto:smil@shardamotor.com)

2. [smilgrd@shardamotor.com](mailto:smilgrd@shardamotor.com) (exclusively for the purpose of registering complaints by the investors)

## DECLARATIONS

### Compliance with Code of Conduct

According to Clause 49 of the Listing Agreement, I, AJAY RELAN, Managing Director of Sharda Motor Industries Ltd, hereby declare that the Board Members and Senior Management Personnel of the Company have affirmed their compliance with the Code of Conduct of the Company during the year 2006-07.

For Sharda Motor Industries Ltd

(AJAY RELAN)

Chief Executive Officer

### CEO/CFO Certification

According to Sub-Clause V of Clause 49 of the Listing Agreement, we have certified to the Board that for the financial year ended March 31, 2007, the Company has complied with the requirements of the said sub-clause.

For Sharda Motor Industries Ltd

(PRADEEP RASTOGI)

Chief Financial Officer

(AJAY RELAN)

Chief Executive Officer

New Delhi : 26<sup>th</sup> May, 2007

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

To the Members of

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

We have examined the compliance of the conditions of Corporate Governance by Sharda Motor Industries Limited, for the year ended on 31<sup>st</sup> March 2007, as stipulated in clause 49 of the Listing agreement of the said Company with the stock exchange.

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

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

We state in respect of the investor grievances received during the year ended 31<sup>st</sup> March 2007, that five complaints were received and all the five were resolved as per the records maintained by the company and presented to the Shareholders Grievance Committee of the Company.

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

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

Place : New Delhi  
Dated : 26<sup>th</sup> May, 2007

**SANDEEP DINODIA**  
Partner (M. No. 83689)

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Sharda Motor Industries Limited (SMIL) engaged in the business of manufacturing automotive parts and white goods, is a constituent of the Relan Group. The Management of your company has presented below its analysis covering the Company's performance and Results of Operations during the year under review and its outlook for the future. Business continuously improved throughout 2006-07. This outlook is based on the assessment of the current business environment and assumptions and expectations of future events. It may vary due to future economic and other developments in India and abroad. The actual results may differ materially from those expressed in the statement.

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

Three consecutive years of high growth clearly signals that the Indian Economy is moving onto a higher growth trajectory. Early indicators for 2007-08 also suggest another year of high growth of around 8-9 percent. And all agree that a compound annual growth rate of 8 percent needs to be sustained over a longer period of time. If that were to happen for a decade or more, it would result in significant structural changes like higher literacy rates, increased employment opportunities, higher growth in earning patterns and wider spread of the automobile industry.

During the year 2006-07, the Indian economy scaled new heights and continued its high growth performance and played a predominant role and the GDP registered a remarkable growth rate as indicated in the monetary policy of RBI. The worldwide economic boom also gave a fillip to all important sectors of industry including automotive sector. Industrial recovery firmed up and broadened, driven mainly by manufacturing sector. Stock markets were buoyant with the Indian bourses outperforming many international stock indices. The buoyancy in the Automotive Industry during the year 2006-07, was aided by productivity gains, cost cutting by corporates, trade expansion and financial stability. The rupee has got stronger against USD during the year. With increase in inflation rate, interest rates were high during the year under review as compared to previous year's rates. The Union Budget 2007 presented in the Parliament, contains a hike in the Education Cess and has cut down the Central Sales Tax by 1% respectively.

During the year 2006-07, your Company has achieved another milestone and has been able to touch the turnover to the tune of Rs. 404.64 Crores as against Rs. 319.88 Crores for the previous financial year registering an increase of 26.50% against an expectation of 10%.

The thrust being placed by the Government on the development of infrastructure and manufacturing sectors should result in an impressive growth in the automobile industry too. Companies are now placing greater emphasis on product innovation, technology, process improvement and operational efficiency to combat the rising trend witnessed in the prices of raw materials and other inputs, which continues to be an area of concern. In this prevailing environment, your Company continues to follow its philosophy to provide the highest quality products to its customers and your Company projects a further growth of 7.5% in its turnover for the next financial year 2007-08. The company has set up a new production unit at Nashik which has commenced commercial production and also in process of setting up of new manufacturing unit at Chennai as a part of its ongoing expansion plan.

#### B. OPPORTUNITIES & THREATS

Opportunities and threats are two sides of the same coin in this industry. In view of anticipated investments in automotive sectors, it is expected that the demand for the Company's products will continue to increase. The Company's strength are a dynamic and progressive leadership, a young team, nine factories across the country close to the customers driving supply chain advantages, world class



technical tie up with state of the art suppliers, superior manufacturing practices supported with world class quality systems, JIT and JIS delivery practices, quick response to product change and new development, bold and aggressive marketing strategies, a well integrated and in house R&D set up, giving it a preferred supplier status to automotive and white goods manufacturers. The Company continued to stress on improving internal efficiencies, optimizing product mix across plants, maximizing asset utilization and managing a complex flow of materials across plants. During 2006-07, improvements in these processes helped SMIL sustain its profit margins in a backdrop of increase in costs of basic raw materials like steel.

The Government is continuing to emphasize on development of the infrastructure and streamlining the manufacturing sector which should translate to a growth in the automobile sector. The Company's activities are increasingly focused on the automotive segment and white goods segment. The trend of rising prices of raw materials, and other inputs, expensive import of steel are areas of concern for the Indian automotive industry. India is one of the fastest growing economies and consequently, most of the international players are focusing on the business opportunities available here. The domestic market will therefore continue to face intensifying competition, caused by the entry of more international players, as well as by local players strengthening their operations. This may result in increased pressures on margins and delivery time.

To protect against the possibility of competition, the Company is continuously making efforts towards specific cost improvement aimed at protecting its competitive prices. Your Company has a committed team of people at all levels, ready to face the challenges and a well established customers' network. The newly developed products along with the products that are in the pipeline have enough potential to generate additional revenue for the company in the current financial year.

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

Segment-wise performance has been reported under Note 11 of Schedule-12B forming part of Annual Report for the year ended 31<sup>st</sup> March' 2007.

#### **D. RISKS AND CONCERNS**

Risk is inherent in business activity, particularly one largely dependent on the steel industry. Major portion of the inputs used by your Company are steel based and their prices are linked to movement of steel prices. The management of your Company is continuously analyzing and evaluating the various risks associated with the Company's business and has adopted risk management practices to minimize the adverse impact of these risks on the business. Both external and internal developments are assessed regularly as the Company is exposed to Regulatory risk, Operational risks Legal and Statutory risks, Business risks, Assets risks and financial risks.

Nearly 30% of the raw material requirement of the Company is imported and is subject to exchange fluctuation risk. However, the Company is efficiently managing its foreign exchange fluctuation risk.

The management constantly scans the major areas like Customers requirements & preferences; Quality improvement, Government policies, global developments, competition from new market players, global developments with respect to steel inputs, technological changes, currency and interest rate changes, etc. Business risks and uncertainties are identified and prioritized. Appropriate de-risking strategies are planned and implemented.

Operational Risks are the market concentration, input availability and price volatility.

Contractual liability, statutory compliances under various corporate laws of the country, stringent legislation on pollution and emission requirements will increase production costs for the Automotive Sector.

Retention of talented manpower appears to be another area of concern in view of buoyant job market.

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

The Company has in place adequate systems of internal control. These controls have been designed to provide a reasonable assurance with regard to maintaining proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with global best practices in these areas as well.

The Company has an Audit Committee of the Board of Directors headed by a Non-Executive Independent Director, inter alia, to oversee the Company's financial reporting process, disclosure of financial information, performance of statutory auditors, functions, related parties transactions as well as other areas requiring mandatory review as per amended Clause 49 of the Listing Agreement with the Stock Exchange.

The audit findings and recommendations are considered by the Board of Directors of the Company. The Audit Committee's observations are acted upon by the Management.

In order to strengthen the internal control systems, the Entrepreneurs Resource Planning (ERP) system is being implemented by the Company for all its units.

The Statutory Auditors have also opined in their report that there is an adequate internal control system commensurate with the size of the Company.

## **F. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

In the preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The accounting policies which are consistently applied have been set out in Significant Accounting Policies and Notes to Accounts under Schedule 12 forming part of the Balance Sheet and Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March, 2007. The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Account. The Financial highlights of the Company, has been given in the Directors' Report under the heading 'FINANCES'.

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

The Company values and appreciates the dedication and drive with which its employees have contributed towards improved performance during the year under review. The Company continued its focus on acquiring and developing its human capital, based on recognition that productive and high-performing employees are the Company's most valuable assets in building up a robust organization. The Company is placing strong and extra emphasis on continuous basis, towards reviewing skills, training, retraining & critical requirements based on the business needs of the future and retention of suitable talent, having due regard to up gradation of manufacturing technologies that are comparable with elsewhere in the world. In order to address the concern on retaining talent, under buoyant employment conditions, from time to time your Company restructure its compensation package to all the management staff based on appraisals and performance resulting in improving the performance levels.

Your Company has excellent relations with its employees during the year under review. The employee involvement initiatives were reviewed for the year. Your Company regards Health and Safety of all its employees as its primary concern.

As at 31<sup>st</sup> March' 2007, the total number of employees on Company's roll stood at 587.

## **H. CAUTIONARY STATEMENT**

Certain statements in the 'Management Discussion and Analysis' describing the Company's views about the industry, objectives, expectations / predictions etc. may be forward looking within the meaning

of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. The Company's operations may be affected with the supply and demand situations in the automobile industry-global or domestic or both, significant changes in political and economic environment in India, or key markets abroad, input prices and their availability, changes in Government policies/ regulations, tax laws and other factors such as Industrial relations and economic developments etc. Investors should bear the above in mind.

#### **I STATUTORY COMPLIANCE**

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

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

## AUDITOR'S REPORT

To the Shareholders of

### **M/s SHARDA MOTOR INDUSTRIES LIMITED**

We have audited the attached Balance sheet of **M/S SHARDA MOTOR INDUSTRIES LIMITED**, as at **31<sup>st</sup> March 2007** and the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 {as amended by the Companies (Auditor's Report) (Amendment) Order, 2004} issued by the Central Government of India, in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c) The Company's Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2007;
  - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

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

Place : New Delhi  
Dated : 26<sup>th</sup> May'2007

**SANDEEP DINODIA**  
Partner (M. No : 83689)

**ANNEXURE TO THE AUDITORS' REPORT**  
(Referred to in paragraph 3 of our audit report of even date)

- i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management at appropriate intervals. In our opinion, the program is reasonable having regard to the size of the Company and the nature of the fixed assets. No material discrepancies were noticed on such verification as compared to book records.
- (c) In our opinion, the company has not disposed off substantial part of Fixed Assets during the year and going concern status of the company is not affected.
- ii) (a) On the basis of information and explanation provided by the management, Inventories have been physically verified by the management during the year except the inventories in transit and lying with the third parties. In our opinion, frequency of verification is reasonable.
- (b) In our opinion, frequency and the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the company is maintaining proper records of inventory. We have been explained that discrepancies noticed on physical verification as compared to book records were not material and the same have been properly dealt with in the books of account.
- iii) (a) According to information and explanation given to us, the Company has not granted any loans to Companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956 during the year.
- (b) According to information and explanation given to us, the Company has taken unsecured loans from four parties entered in the register maintained u/s 301 of the Companies Act, 1956 during the year. The amount involved in the transactions is Rs 118,700,000 (Maximum amount due during the year is Rs. 118,700,000 and closing balance is Rs NIL) The rate of interest and other terms and conditions on which such loan has been taken are not prima facie prejudicial to the interest of the Company. The company is regular in repayment of principal and interest amount as stipulated.
- (c) During the year, the company has received mobilization advance from its customer covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and year end balance of such advances is Rs.7,600,000.
- (d) In our opinion and according to the information and explanations given to us, rate of interest and other terms and conditions on which such mobilization advance has been received are not prima facie prejudicial to the interest of the Company.
- (e) The aforesaid mobilization advance, as also informed by the management, will be adjusted against the supplies to the said customer.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets, sales of goods and services. According to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.

- v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that the particulars of contracts or arrangements that need to be entered into a register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to explanation given to us, transactions made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
- vi) The Company has not accepted any deposits during the year from the public as defined in Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) On the basis of records produced, we are of opinion that prime facie, the cost records and accounts prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 has been maintained by the Company, but, we were not required to carry out and have not carried out any detailed examination of such records and accounts.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable to it. There was no undisputed amount outstanding at the year end for a period more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited on account of any dispute, are as follows:

S.No.	Name of the Statute	Nature of Dues	Amount(Rs.)	Period to which the amt. relates	Forum where the dispute is pending
1	Central Excise Act, 1944	Utilization of Additional Excise Duty (GSI)	1,119,810	Upto 2003	Adjudicating Authority of Central Excise.
2	U. P. Entry Tax Act	Entry Tax	227,265	2001 to 2003	Appellate Authority UP Trade Tax

- x) The Company has no accumulated losses as at 31<sup>st</sup> March, 2007 and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) On the basis of information and explanation provided by the management, the Company has not made any default in the repayment of dues to the financial institutions and banks. During the year, the Company has not availed any loan from the debenture holders.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, during the year under audit.



- xiii) In our opinion considering the nature of activities carried on by the company during the year, the provision of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to it.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- xv) On the basis of information and explanation provided, the Company has not given guarantee for loans taken by other from the bank during the year
- xvi) On the basis of records available and information and explanation given to us , the terms loans have been applied for the purpose for which they were raised.
- xvii) On the basis of information and explanation given to us and an overall examination of the balance sheet, we report that no funds raised on short-term basis have been used for long-term investments by the Company.
- xviii) According to information and explanation given to us, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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

Place : New Delhi  
Dated : 26<sup>th</sup> May'2007

**SANDEEP DINODIA**  
Partner (M. No : 83689)

## BALANCE SHEET AS AT 31ST MARCH' 2007

		AMOUNT (Rs.)	
PARTICULARS	SCHEDULE	AS AT	AS AT
		31.03.2007	31.03.2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholder Funds</b>			
Share Capital	1	59,463,260	59,463,260
Reserves & Surplus	2	748,326,243	592,819,313
<b>Loan Funds</b>			
Secured Loans	3	287,572,464	101,389,273
Unsecured Loans		-	2,800,000
Deferred Tax Liability(Net)		54,487,650	36,558,565
(See Note 13 of Schedule 12(B))			
		<u>1,149,849,617</u>	<u>793,030,411</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>	4		
Gross Block		1,346,808,153	951,894,574
Less: Depreciation/Amortization		442,028,759	353,363,835
<b>Net Block</b>		<u>904,779,394</u>	<u>598,530,739</u>
Capital Work In Progress		64,882,755	25,904,170
(Including Capital Advances)			
<b>Investments</b>	5	13,921,548	36,543,180
<b>Current Assets, Loans &amp; Advances</b>	6		
Inventories		234,347,422	220,601,693
Sundry Debtors		430,558,699	347,127,181
Cash & Bank Balances		12,070,452	5,619,071
Other Current Assets		14,074,711	5,321,650
Loans & Advances		348,011,884	281,970,662
		<u>1,039,063,168</u>	<u>860,640,257</u>
<b>Less: Current Liabilities &amp; Provisions</b>	7		
Current Liabilities		563,479,546	459,110,608
Provisions		311,612,297	273,141,035
		<u>875,091,843</u>	<u>732,251,643</u>
<b>Net Current Assets</b>		163,971,325	128,388,614
<b>Miscellaneous Expenditure</b>	8	2,294,595	3,663,708
(To the extent not written off or adjusted)			
		<u>1,149,849,617</u>	<u>793,030,411</u>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	12		

As per our report attached.  
**For S. R. DINODIA & CO.,**  
**CHARTERED ACCOUNTANTS**

(SANDEEP DINODIA)  
 Partner (M. No. 83689)

PLACE : NEW DELHI  
 DATED : 26<sup>th</sup> May'2007

(PRADEEP RASTOGI)  
 Vice President ( F&A ) & CFO

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

(NITIN VISHNOI)  
 Company Secretary

For and on behalf of  
 the Board of Director

(N. D. RELAN)  
 Chairman

(AJAY RELAN)  
 Managing Director



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH' 2007**

PARTICULARS	SCHEDULE	AMOUNT (Rs.)	
		YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
<b>INCOME</b>			
Turnover and Inter -unit Transfers		4,046,395,447 ✓	3,198,792,123
Less: Inter-Unit Transfers		370,492,768	202,254,030
		3,675,902,679 ✓	2,996,538,093
Less : Excise & Education Cess recovered		631,526,224 ✓	507,888,296
Less : Excise Duty on Finished Good		705,202 ✓	230,019
		3,043,671,253	2,488,419,778
Other Income	9	17,438,561	7,509,371
		3,061,109,814	2,495,929,149
<b>EXPENDITURE</b>			
Cost of goods Traded		187,755,028 ✓	60,196,373
Manufacturing & Other Expenses	10	2,491,698,192	2,097,070,847
Financial Charges (Net)	11	8,687,948	6,145,990
Miscellaneous Expenditure Written off		1,369,113 ✓	1,375,712
		2,689,510,281	2,164,788,922
<b>Profit Before Depreciation, Taxation &amp; Exceptional Item</b>		371,599,533	331,140,227
Depreciation/Amotization		93,294,485 ✓	74,508,423
<b>Profit Before Taxation &amp; Exceptional Item</b>		278,305,048	256,631,804
<b>Profit on Sale of Exceptional Item</b>		43,169,407	-
<b>Profit Before Taxation</b>		321,474,455	256,631,804
Less : Provision for tax			
- Current Tax		80,000,000	83,000,000
- Deferred Tax Charged (Released)		17,929,085	(10,529,358)
- Fringe Benefit Tax		3,000,000	4,500,000
Less : Provision for wealth tax		291,807	345,670
Less : Prior Period Adjustment (Net)			
(See Note 6 of Schedule 12 (B))		44,873	48,530
Less : Tax Adjustment For Earlier Years (Net)		(3,984,251)	189,824
<b>Profit after tax</b>		224,192,941	179,077,138
Surplus brought forward from last year		203,248,393	114,574,463
<b>Profit available For Appropriation</b>		427,441,334	293,651,601
<b>APPROPRIATIONS</b>			
Transferred to General Reserves		60,449,080	50,000,000
Proposed Dividend		29,731,630	20,567,825
(As per the details as set out in the Directors Report)			
Interim Dividend		29,731,630	14,865,815
Tax on Interim Dividend		4,169,861	2,084,931
Tax on Proposed Dividend		5,052,890	2,884,637
Balance Carried To Balance Sheet		298,306,243	203,248,393
		427,441,334	293,651,601
<b>Basic / Diluted Earning Per Share (Rs.)</b>		37.70	30.12
(See Note No.14 of Schedule 12B)			

**Significant Accounting Policies & Notes to Accounts**

As per our report attached.

**For S. R. DINODIA & CO.,**  
**CHARTERED ACCOUNTANTS**

**(SANDEEP DINODIA)**  
Partner (M. No. 83689)

PLACE : NEW DELHI  
DATED : 26<sup>th</sup> May'2007

**(PRADEEP RASTOGI)**  
Vice President ( F&A ) & CFO

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

**(NITIN VISHNOI)**  
Company Secretary

For and on behalf of  
the Board of Director

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

**(AJAY RELAN)**  
Managing Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH' 2007

PARTICULARS	AMOUNT (Rs.)	
	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation & Extraordinary items	318,556,317	256,048,141
Adjustment for:		
Exchange Fluctuation Profit/(Loss)	2,714,258	583,661
Depreciation written off	93,294,485	74,508,423
Interest Income	(97,102)	(280,009)
Interest Expenses	8,785,050	6,425,999
Dividend Income	(3,157,257)	(4,385,042)
(Profit) / Loss on Sale of Fixed Assets (Net)	(51,523,161)	(29,787)
(Profit) / Loss on Sale of Investments (Net)	(1,703,553)	455
Prior period Adjustments	(44,873)	(48,530)
Miscellaneous Expenses written off	1,404,762	1,375,712
Operating profit before working capital changes	368,228,926	334,199,023
Adjustment for		
Decrease / (Increase) in Trade & Other receivables	(83,431,516)	(85,888,412)
Decrease / (Increase) in Increase in Inventories	(13,745,729)	411,658
Decrease / (Increase) in Advances and other current assets	(49,359,947)	(24,379,633)
Increase / (Decrease) in Trade Payable	112,561,840	48,947,230
Cash Generated from operation	334,253,574	273,289,866
Direct Taxes paid (Net)	(85,627,360)	(90,773,892)
<b>Net Cash flow from Operating Activities</b>	<b>248,626,214</b>	<b>182,515,974</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	64,815,023	426,091
Purchase of Fixed Assets/Technical know-how	(451,813,588)	(178,320,254)
Interest Received	97,102	280,009
Sale of Investment	24,325,185	(20,723,484)
Dividend Income	3,157,257	4,385,042
<b>Net Cash used in Investing Activities</b>	<b>(359,419,021)</b>	<b>(193,952,596)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings	183,383,191	38,839,525
Interest Paid	(8,785,050)	(6,425,999)
Dividend paid	(57,353,953)	(33,759,337)
<b>Net Cash used in Financing Activities</b>	<b>117,244,188</b>	<b>(1,345,811)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>6,451,381</b>	<b>(12,782,433)</b>
<b>CASH &amp; CASH EQUIVALENTS-OPENING BALANCES</b>	<b>5,619,071</b>	<b>18,401,504</b>
<b>CASH &amp; CASH EQUIVALENTS-CLOSING BALANCES</b>	<b>12,070,452</b>	<b>5,619,071</b>
Cash & Cash Equivalents include :		
Cash in hand	7,316	16,083
Cheques in hand		
Balances with Scheduled Banks		
- In Current Account	11,540,762	5,109,658
- In Deposit Account	148,430	141,218
- In Margin Money Account	373,944	352,112
	<b>12,070,452</b>	<b>5,619,071</b>

NOTE: Figures in brackets represent outflows

As per our report attached.  
For S. R. DINODIA & CO.,  
CHARTERED ACCOUNTANTS

(SANDEEP DINODIA)  
Partner (M. No. 83689)

PLACE : NEW DELHI  
DATED : 26<sup>th</sup> May' 2007

(PRADEEP RASTOGI)  
Vice President ( F&A ) & CFO

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

(NITIN VISHNOI)  
Company Secretary

For and on behalf of  
the Board of Director

(N. D. RELAN)  
Chairman

(AJAY RELAN)  
Managing Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

PARTICULARS	AMOUNT (Rs.)	
	AS AT 31.03.2007	AS AT 31.03.2006

**SCHEDULE 1 : SHARE CAPITAL**

<b>Authorised</b>		
25,000,000 (P.Y. 10,000,000)	<u>250,000,000</u>	<u>100,000,000</u>
Equity Shares of Rs. 10/- each		
<b>Issued, Subscribed &amp; Paid up</b>		
5,946,326 Equity Shares* (P.Y. 5,946,326)		
of Rs.10/- each fully paid up	<u>59,463,260</u>	<u>59,463,260</u>
	<u>59,463,260</u>	<u>59,463,260</u>

\* **Out of the above Share**

- i) 4,953,163 (P. Y. 4,953,163) equity share of Rs. 10/- each are issued as fully paid up bonus shares by way of capitalisation of General Reserve.
- ii) 3161 (P. Y. 3161) equity shares allotted for consideration other than cash.

**SCHEDULE 2 : RESERVES & SURPLUS**

a) Capital Reserve	<u>20,000</u>		20,000
b) General Reserve			
- As per last Balance Sheet	389,550,920	369,282,550	
- Less: Capitalized by way of issue of 2973163 Equity Shares of Rs. 10/- each as fully paid-up Bonus Shares		29,731,630	
- Amount transferred from Profit and Loss Account	<u>60,449,080</u>	<u>50,000,000</u>	<u>389,550,920</u>
	<u>450,000,000</u>		<u>389,570,920</u>
	<u>450,020,000</u>		<u>389,570,920</u>
c) Profit & Loss Account Balance Carried Forward	<u>298,306,243</u>		<u>203,248,393</u>
	<u>748,326,243</u>		<u>592,819,313</u>

## SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AMOUNT (Rs.)	
	AS AT 31.03.2007	AS AT 31.03.2006
<b>SCHEDULE 3 : SECURED LOANS</b>		
<b>From Banks</b>		
- Cash Credit	65,697,815	90,792,657
- Term Loan -:		
- External Commercial Borrowing	218,500,000*	
<b>From Financial Institution</b>		
- Term Loan	-	7,810,000
<b>Others</b>		
- Vehicle Loan	3,374,649 **	2,786,616
	<u>287,572,464</u>	<u>101,389,273</u>
<b>UNSECURED LOANS</b>		
- From Directors	-	2,800,000
	-	<u>2,800,000</u>
	<u>287,572,464.00</u>	<u>104,189,273</u>

\* As restated in accordance with AS -11 "The Effects of changes in Foreign Exchange Rates" issued by the ICAI., Repayable Within One Year( Rs.Nil )

\*\* Repayable within one year Rs. 1,277,013/- (P. Y. 855,012/-)

**Note : The aboves are secured against :**

**1) Cash Credit**

Secured by charge on Inventories, Book Debts and Equitable Mortgage of Leasehold Land and Building, Plant & Machinery and other assets at G-20, SIPCOT Industrial Complex, Chennai, Plot No. 112, MIDC Satpur, Nashik and also by personal guarantee of directors.

**2) Vehicle Loan**

Secured against hypothecation of respective assets.

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

Company is in the process of creating Mortgage/Hypothecation on the respective assets as stitulated in the facility agreement signed between ICICI Bank and the company. The brief description on such securities are given vide Note No.16 of Schedule 12 (B).



**SCHEDULES FORMING PART OF BALANCE SHEET**  
**SCHEDULE 4 : FIXED ASSETS**

AMOUNT (Rs.)

GROSS BLOCK					DEPRECIATION/AMORTIZATION				NET BLOCK	
PARTICULARS	AS AT 01.04.06	ADDITION	SALE/ ADJUSTMENT	AS AT 31.03.07	AS AT 01.04.06	DURING THE YEAR	SALE/ ADJUSTMENT	AS AT 31.03.07	AS AT 31.03.07	AS AT 31.03.06
TANGIBLE ASSETS										
Land										
- Lease Hold	49,292,439	1,430,600	1,422,036	49,301,003	2,033,208	125,903	215,460	1,943,651	47,357,352	47,259,231
- Lease Hold (Haridwar)	8,752,436	7,205	-	8,759,641	-	89,218	-	89,218	8,670,423	-
- Free Hold	30,724,092	1,525,920	-	32,250,012	-	-	-	-	32,250,012	39,476,528
Buildings	182,248,981	91,711,071	3,675,746	270,284,306	68,602,174	13,391,063	3,051,730	78,941,507	191,342,799	113,646,807
Temp. Structure	189,400	330,119	-	519,519	189,400	330,119	-	519,519	-	-
Plant & Machinery	519,235,032	206,501,002	12,441,139	713,294,895	216,089,314	50,784,654	1,220,983	265,652,985	447,641,910	303,145,718
Office Furniture & Equipment	41,777,445	10,151,131	-	51,928,576	20,280,288	7,214,503	-	27,494,791	24,433,785	21,497,157
Electric Fitting	61,991,568	46,406,780	191,505	108,206,843	24,538,386	7,236,188	7,229	31,767,345	76,439,498	37,453,182
Vehicle	57,683,181	4,946,481	190,998	62,438,664	21,631,065	10,261,083	134,159	31,757,989	30,680,675	36,052,116
INTANGIBLE ASSETS										
Technical Knowhow	-	48,914,800	-	48,914,800	-	3,609,686	-	3609686	45305114	-
Software	-	-	-	-	-	-	-	-	-	-
Development	-	909,894	-	909,894	-	252,068	-	252,068	657,826	-
Total	951,894,574	412,835,003	17,921,424	1,346,808,153	353,363,835	93,294,485	4,629,561	442,028,759	904,779,394	598,530,739
Previous Year	794,977,135	158,449,906	1,532,467	951,894,574	279,991,574	74,508,423	1,136,162	353363835	598530739	514985561
Capital Work in Progress	25,904,170	64,882,755	25,904,170	64,882,755	-	-	-	-	64882755	25904170

**Notes :**

1. Status of Land Situated at Haridwar amounting to Rs. 8,752,436/- has been changed to Lease Hold from Free Hold since the Lease has been Registered in the name of company during the accounting year.
2. Capital Work-in Progress including Capital Advances Rs.64,882,755 (P. Y. 25,904,170)
3. Addition includes Borrowing cost capitalised amounting to Rs. 922,257/- (P. Y. Nil)

## SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AMOUNT (Rs.)	
	AS AT 31.03.2007	AS AT 31.03.2006

## SCHEDULE 5 : INVESTMENTS

(See Note No. 10 (e) of Schedule 12 (B) of Notes to the Accounts)  
(Valued at cost unless there is a permanent fall in value thereof)

## ALONG TERM

## I Non-Trade Investments

## a) Investment In Equity Shares

## i. QUOTED

36 Equity Shares of Reliance Industries Ltd. of Rs. 10/- each, fully paid up (P.Y. 36)	6,099	6,099
Nil Equity Shares of Reliance Capital Ventures Ltd. of Rs. 10/- each, fully paid up (P.Y.56)	-	485
56 Equity Shares of Reliance Communication Ventures Ltd. of Rs. 10/- each, fully paid up (P.Y.56)	5,899	5,899
Nil Equity Shares of Reliance Energy Ventures Ltd. of Rs. 10/- each, fully paid up (P.Y.56)	-	828
56 Equity Shares of Reliance Natural Resources Ltd. of Rs. 10/- each, fully paid up (P.Y.56)	667	667
Nil Equity Shares of Orient Ceramics Ind. Ltd. of Rs. 10/- each, fully paid up (P.Y. 5,240)	-	52,400
Nil Equity Shares of Gas Authority of India Ltd. of Rs. 10/- each fully paid up (P. Y. 9,000)	-	1,861,650
Nil Equity Shares of J. P. Associates of Rs. 10/- each, fully paid up (P.Y.200)	-	39,520
Nil Equity Shares of L & T of Rs. 10/- each, fully paid up (P.Y.150)	-	150,000
Nil Equity Shares of Essar Steel of Rs. 10/- each, fully paid up (P.Y.300)	-	12,150
Nil Equity Shares of JK Cement Ltd. of Rs. 10/- each, fully paid up (P.Y.20)	-	3,060
Nil Equity Shares of Videocon India Ltd. of Rs. 10/- each, fully paid up (P.Y.18)	-	7,650
*4 Equity Shares of Reliance Energy Ltd. of Rs. 10/- each, fully paid up (P.Y.Nil)	55	-
** 2 Equity Shares of Reliance Capital Ltd. of Rs. 10/- each, fully paid up (P.Y.Nil)	728	-

## ii. UNQUOTED

490,000 Equity Shares (P.Y. 490,000) of Relan Industrial Finance Ltd. of Rs. 10/- each, fully paid up	4,900,000	4,900,000
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PARTICULARS	AMOUNT (Rs.)	
	AS AT 31.03.2007	AS AT 31.03.2006
<b>b) Investment In Preference Shares</b>		
<b>QUOTED</b>		
200 Preference 0.01 Shares of Essar Steel of Rs. 10/- each, fully paid up(P.Y.200)	8,100	8,100
<b>II Trade Investments</b>		
<b>Investment In Quoted Equity Shares (In Associate Co.)</b>		
900,000 Equity Shares (P.Y. 900,000) of Bharat Seats Ltd. of Rs. 10/- each, fully paid up	9,000,000	9,000,000
<b>B CURRENT INVESTMENTS</b>		
<b>Investment in Non-Trade Mutual Fund</b>		
Nil Can Bank Mutual Fund-Can Floating Rate Short Term (P.Y. 996,849.0550 units of Rs. 10 each )	-	10,222,787
Nil LICMF Floating Rate Fund-Short Term-Dividend (P.Y 502,983.363 units of Rs. 10 each l)	-	5,071,923
Nil TATA floating Rate Fund- Short Term-Income/Bonus (P.Y 515,632.39 units of Rs. 10 each )	-	5,199,962
	<u>13,921,548</u>	<u>36,543,180</u>
Aggregate book value of Quoted Investment	9021548	11,148,508
Aggregate book value of Unquoted Investment	4,900,000	25,394,672
Aggregate Market value of Quoted Investment	82,164,291	97,581,441
* Issue of Equity Shares in terms of the schem of amalgamation and arrangement of Reliance Energy Ventures Ltd. with the Reliance Energy Ltd		
** Issue of Equity Shares in terms of the schem of amalgamation and arrangement of Reliance Capital Ventures Ltd. with the Reliance Capital Ltd.		

## SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AMOUNT (Rs.)	
	AS AT 31.03.2007	AS AT 31.03.2006
<b>SCHEDULE 6 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>1. Inventories</b>		
(As taken, valued and certified by the management )		
- Raw material	149,109,583 ✓	161,716,180
- Consumables Stores	4,639,546 ✓	3,793,761
- Work-in-progress	39,886,975 ✓	33,179,418
- Finished Goods	9,266,153 ✓	4,887,327
- Finished Goods ( Trading)	26,888,152 ✓	15,326,660
- <b>Goods In Transit</b>		
Raw Material	4,557,013 ✓	1,698,347
	<u>234,347,422</u>	<u>220,601,693</u>
<b>2. Sundry Debtors</b>		
(Unsecured Considered Good)		
{Refer Note 2 of Schedule 12(B)}		
Outstanding for a period exceeding six months	4,615,432	4,301,340
Other Debts	425,943,267	342,825,841
	<u>430,558,699</u>	<u>347,127,181</u>
<b>3. Cash &amp; Bank Balances</b>		
Cash in hand	7,316	16,083
<b>Balances with Scheduled Banks</b>		
- In Current Account	11,540,762	5,109,658
- In Deposit Account (Including interest accrued)		
Pledged	148,430 ✓	141,218
- In Margin Money Account(Pledged)	373,944 ✓	352,112
	<u>12,070,452</u>	<u>5,619,071</u>
<b>4. Other Current Assets</b>	<u>14,074,711</u>	<u>5,321,650</u>
	<u>14,074,711</u>	<u>5,321,650</u>
<b>B. LOANS &amp; ADVANCES</b>		
<b>Advances</b>		
Unsecured considered good unless otherwise stated		
Advances and other amounts recoverable in cash or in kind or for value to be received		
- Considered good	45,021,290 ✓	39,408,069
- Considered doubtful	-	5,980,760
	<u>45,021,290</u>	<u>45,388,829</u>
Less: Provision for Doubtful Advances	-	5,980,760
	<u>45,021,290</u>	<u>39,408,069</u>
<b>Security Deposit</b>	8,448,791	5,163,806
Balance with Central Excise Authorities	42,433,774	10,725,415
Advance Tax ( Including T.D.S.)	252,108,029	226,673,372
	<u>348,011,884</u>	<u>281,970,662</u>



**SCHEDULE FORMING PART OF THE BALANCE SHEET**

PARTICULARS	AMOUNT (Rs.)	
	YEARENDED 31.03.2007	YEARENDED 31.03.2006

**SCHEDULE 7 : CURRENT LIABILITIES & PROVISIONS**

<b>A. Current Liabilities</b>		
Sundry Creditors {Refer Note 5 of Schedule 12 (B)}	416,447,065	286,082,924
Statutory Dues	30,993,429	22,000,802
Expenses Payable	39,704,299	33,041,299
Other Liabilities	74,827,982	117,255,606
Unclaimed Dividend *	1,506,771	729,977
	<u>563,479,546</u>	<u>459,110,608</u>
<b>B. Provisions</b>		
Wealth Tax	291,807	345,670
Income Tax	249,500,000	230,500,000
Warranty Claims	22,425,970	14,338,903
Leave Encashment	4,610,000	4,504,000
Proposed Dividend	29,731,630	20,567,825
Tax on Proposed Dividend	5,052,890	2,884,637
	<u>311,612,297</u>	<u>273,141,035</u>

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

**SCHEDULE 8 : MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Preliminary Expenses	-	25,548
Technical fees	2,294,595	3,638,160
	<u>2,294,595</u>	<u>3,663,708</u>

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

PARTICULARS	AMOUNT (Rs.)	
	YEARENDED 31.03.2007	YEARENDED 31.03.2006

**SCHEDULE 9 : OTHER INCOME**

Dividend Received From Long Term Investments:		
On Trade Investment	2,700,000	2,700,000
On Non Trade Investment	43,075	137,328
	<u>2,743,075</u>	<u>2,837,328</u>
Dividend Received From Current Investments:		
From Non-Trade Investment	414,182	1,547,714
Profit on Sale of Current Non-Trade Investment (Net)*	1,703,553	(455.00)
Profit on sale of fixed asset	8,353,754	29,787
Excess Provision Written Back(Net)	1,155,576	2,231,634
Miscellaneous Income	3,068,421	863,363
	<u>17,438,561</u>	<u>7,509,371</u>

\* a) Net off Securities Transaction Tax Rs. 4,641/-.(P.Y.Nil)

b) Net off Loss Rs.2,233/-.(P.Y.Rs.9,656/-)

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

PARTICULARS	AMOUNT (Rs.)	
	YEARENDED 31.03.2007	YEARENDED 31.03.2006

**SCHEDULE 10 : MANUFACTURING & OTHER EXPENSES**

<b>1. Consumption of Raw Material</b>	<b>Sub-total</b>	<b>1,990,345,646</b>	<b>1,715,615,830</b>
<b>2. Decrease in Stock- In -Trade/Work -In- Progress</b>			
Opening stock			
Finished goods	4,887,327		1,769,518
Less:Excise Duty	590,575		360,556
	4,296,752		1,408,962
Work-In-Progress	33,179,418		18,393,674
<b>Total</b>	<b>37,476,170</b>		<b>19,802,636</b>
Closing stock			
Finished goods	9,266,153		4,887,327
Less:Excise Duty	1,295,777		590,575
	7,970,376		4,296,752
Work-In-Progress	39,886,975		33,179,418
	47,857,351		37,476,170
	<b>Sub-total</b>	<b>(10,381,181)</b>	<b>(17,673,534)</b>
<b>3. Manufacture, Administrative &amp; Other Expenses</b>			
- Salary/Wage & Other Benefits to Staff	122,842,382		102,479,640
- Contribution to Provident & Other Fund	8,126,064		5,191,017
- Staff Welfare	11,417,206		8,483,685
- Power & Fuel	38,487,186		31,692,898
- Other Manufacturing Exp.	117,509,347		86,168,034
- Research & Development Expenses	29,202,965		25,707,134
- Rent, Rates & Taxes	15,280,018		10,676,195
- Insurance Charges	4,342,291		4,159,772
- Royalty	13,600,120		14,292,077
- Communication Expenses	6,130,255		4,896,035
- Amt. written off/back (net)	1,232,706		(605,446)
- Legal & Professional Charges	2,003,451		3,715,551
- <b>Repair &amp; Maintenance</b>			
- Machinery *	21,663,349		11,004,667
- Building	4,230,237		280,479
- Others	7,898,367		6,954,778
- Travelling & Conveyance	40,011,081		25,589,132
- Auditor's Remuneration	897,920		451,820
- Other Expenses	21,639,677		22,100,152
- Selling & Distribution Exp.	45,219,105		35,890,931
	<b>Sub-total</b>	<b>511,733,727</b>	<b>399,128,551</b>
<b>Total (1+2+3)</b>	<b>2,491,698,192</b>		<b>2,097,070,847</b>

\* Includes Stores & Spares Consumed of Rs.9,883,936/- . (P.Y Rs.7,568,635/-)

**SCHEDULE 11: FINANCIAL CHARGES (NET)**

Interest on		
- Fixed Loan	1,442,399	2,952,315
- Others	6,283,748	2,679,725
Bank Charges	1,058,903	793,959
	8,785,050	6,425,999
Less: Interest received	97,102	280,009
TDS Rs. Nil.(P.Y. 53,722/-)	8,687,948	6,145,990

**SCHEDULE FORMING PART OF THE BALANCE SHEET & PROFIT & LOSS ACCOUNT****SCHEDULE 12 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT****A. SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements are prepared under the historical cost convention in accordance with all material aspects of applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Company is following the accrual basis of accounting.

**2. Use of Estimates**

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

**3. Recognition of Income / Expenditure**

Sales are recognized at the point of dispatch of goods to customers. It includes excise duty but exclude sales tax and trade discount. Purchase of material is recognized on the basis of acceptance of material at the respective location.

Further, sales include revision in prices received from customers with retrospective effect. Similarly, Price revision of material purchased has also been included in purchases. Further adjustments, if any, are made in the year of final settlement.

**4. Fixed Assets**

- i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of freight, duties, taxes and incidental expenses and interest on loans attributable to the acquisition of assets up to the date of commissioning of assets.
- ii) Capital work in progress and machinery in transit are carried at direct cost, related incidental expenses and interest on borrowings thereon but excluding refundable taxes and duties thereon.

**5. Intangible Assets**

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

**6. Depreciation / Amortization**

- Depreciation is provided at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956 by following the written down value method.
- Assets costing upto Rs. 5,000/- are fully depreciated in the year of acquisition.
- Cost of Leasehold land is amortised over the period of lease.

## 7. Foreign Exchange Transactions

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

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

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statement are recognized as income/expense in the period in which they arise except in cases where they relate to the acquisition of fixed assets from outside India in such cases they are adjusted to the carrying cost of such assets.

## 8. Investments

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

## 9. Valuation of Inventories

Inventories are valued as under:

Stores, spare parts and raw materials	:	At lower of cost or net realizable value, cost computed on FIFO Basis.
Work in progress and finished goods	:	At lower of cost, or net realisable value, cost computed on FIFO basis. Cost includes cost of conversion and other appropriate overheads incurred in bringing the inventory to their present location and condition.
Scrap	:	At "Net Realisable Value"

## 10. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying fixed assets are capitalized as part of the cost of assets. All other borrowing costs are charged to revenue.

## 11. Expenditure on Research and Development

The revenue expenditure on research and development is charged as an expense in the year in which it is incurred. However capital expenditure on research and development is treated in the same way as other fixed assets.

## 12. Retirement Benefits

Retirement benefits are dealt with in the following manner:

- For gratuity benefits, the company has adopted Group Gratuity Scheme of the Life Insurance Corporation of India and amount paid has been debited under the profit & loss account.
- Based on actuarial valuation, provision is made for liability for accumulated leave encashment benefit on retirement.
- Company's contribution towards provident fund is charged to the Profit & Loss Account for the year.

## 13. Taxes on Income

### Current Tax

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

### **Deferred Tax**

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

### **14. Warranty**

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

### **15. Cash Flow**

Cash Flow statement is prepared as per the indirect method prescribed under "Accounting Standard-3" "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

### **16. Contingencies/Provisions**

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

## **B. NOTES TO ACCOUNT**

### **1. (a) Contingent Liabilities**

- (i) Foreign Letters of Credit Rs. 160,208,508/- (Previous year Rs. 26,871,934/-). Inland Letters of Credit Rs. NIL (Previous year Rs. 3,009,496/-).
- (ii) Demand of Rs. 1,119,810/- (Previous year Rs. 1,119,810/-) under Excise Rules, against which the Company has filed an appeal before CESAT. The order was set aside by the honorable CESAT and remanded back to the adjudicating authority.
- (iii) Liability for interest Rs. 4,324,397/- (Previous year Rs. 3,041,758/-) payable to Greater Noida Authority, which is disputed by the Company.
- (iv) Entry tax of Rs. 227,265/- (Previous year Rs. 338,811/-) for the financial year 2000-01, 2001-02 & 2002-03 against which the company has filed an appeal before Appellate Authority UP Trade Tax.

- (b) Estimated value of contracts remaining to be executed on capital account not provided for in the accounts, net of advance is Rs. 28,567,199/- (Previous Year Rs. 48,733,964/-).

- 2. Debtors includes Rs. 41,544,092/- (Previous Year Rs. 25,783,794/-) and the maximum amount due at any time during the year Rs. 39,765,972/- (Previous year Rs. 33,837,099/-) from companies/firms in which directors are interested.
- 3. The balances of debtors, creditors, loans and advances are awaiting confirmation.
- 4. In the opinion of the Board, the current assets, loans and advances are approximate of the value stated if realized in the ordinary course of business. The provision for all the known liabilities are adequate and not in excess of the amount reasonably necessary.
- 5. Sundry creditors include Rs. 22,038,051/- due to small scale industrial undertaking. The names of small industrial undertaking to whom the Company owes a sum which is outstanding for more than 30 days as at 31st March 2007 are Anmee Tech Private Limited, Ateq Systems Analytic India Pvt Ltd, Auto

Mech, Auto Wheels, Avdhoot Enterprises, Chaitanya Industries, Chakradhar Printing Press, Dham Fasteners, Elta Tools & Dies, Essae Teraoka Ltd., Excellent Engineers, Ghuge Pest Control, Gorwadkar Industries, Krishna Autocomp, Mogora Cosmic Pvt. Ltd., Precision Forging & Stamping, Prescon Pvt. Ltd., Right Tight Fasteners Pvt Ltd, Shubham Engineering Works, Shweta Print-Pack (P) Ltd, Tushar Industry, Western Pressing Pvt. Ltd., Ajay Enterprises, A.K. Tools, Ambika Press Metal, Anand Arc Electros Pvt. Ltd, Auto shell foundry, Sbhushan Engineers, Digambar Industries, Fan Services, Jayess Industries, K-Air Speciality Gases Pvt. Ltd, Kharkar Die Works Pvt. Ltd, Maheshwari Forging, Om Engineering, Pm Electro auto Pvt. Ltd, R.K.H.Tools, Seam Engineers, Supreme Autoshell India Pvt. Ltd, Suyash Engineering, Vijay Rolling Mills, Zigma Paints (P) Limited, Automotive Industries, Bhagyashree Engineering Pvt. Ltd, Chishty Engineers Pvt. Ltd, Devi Enterprises, Sanjit Instruments Pvt. Ltd, Sanjyot Metal Industries, Satpuda Engineering Pvt. Ltd., Shraddha Industries, Shrijay Udyog, SR Fibreglass Auto Pvt. Ltd., Star Industries, Gandhi Spring Gurgaon, Lakshmi Industries, Mechciv Engineers, New Pragati Udyog, Sandhar Industries, S.M.Industries, Vinyroyal Plasticoates, Ex-Serviceman Packaging, Asian Engineering, Aswin Automats, Ideal Toolings, Shri Bhuvaneswari Industries, Sria Industries, Sri Kamatchi Electricals & Controls, Annai Engineering & Handling Co., RTM Industries.

**6. Detail of prior period adjustment (net) is as follows:**

	Amount in Rs.	
<u>Expenditures (Dr.)</u>	<u>2006-07</u>	<u>2005-06</u>
Freight Inward	-	2,115
Repairs and Maintenance	-	21,017
Incentive	44,873	-
Insurance	-	2,071
License Fees	-	7,500
Legal & Professional Expenses	-	15,827
<b>Prior Period Adjustment (Dr.) Total</b>	<b>44,873</b>	<b>48,530</b>

**7. Payment to Auditors**

Audit Fees	450,000	300,000
Tax Audit Fees	200,000	110,000
Service Tax	97,920	41,820
Management Services	150,000	90,000
Certification	-	27,550
Taxation Matters	64,364	21,000
Out of Pocket Expenses	28,500	24,700

**8. Managerial Remuneration to Directors**

Salary	18,252,000	15,312,000
Perquisites	8,151,145	4,560,429
Commission	6,600,000	11,100,000
Sitting Fees	470,000	257,000

**Note: -**

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

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

<b>Profit as per Profit and Loss account</b>		<b>278,305,048</b>
<b>Add:</b>		
i MD's & Whole-time Director's remuneration & Commission	30,003,145	
ii Commission paid to part-time Directors	3,000,000	
iii Director's Sitting Fees	470,000	
iv Provision for Warranty Claim(Net)	8,087,067	41,560,212
		<b>319,865,260</b>
<b>Less :</b>		
i Profit on sale of Investments (Net)		1,703,553
ii Profit on Sale of Fixed Assets (Net)		8,353,754
iii Exchange Fluctuation on Foreign Currency Loan		2,400,000
<b>Net Profit under Section 349</b>		<b>307,407,953</b>
Overall Limit of 11% (Including Comm. to part-time Directors)		33,814,875
Overall Limit of 10% (For all Whole-time Directors)		30,740,795
Limit for Individual Director of 5%		15,370,398
Limit of Commission to Part Time Directors 1%		3,074,080

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

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

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

Amount (Rs.)

		Actual Production	Opening Stock		Turnover		Closing Stock	
PARTICULARS	Unit	Qty	Qty	Value	Qty	Value	Qty	Value
<b>A) AUTOMOTIVE COMPONENTS</b>								
- Metal Parts	PCS	5,429,791 (4,891,991)	3,628 (2,017)	2,651,340 (1,760,674)	5,425,712 (4,890,380)	2,562,363,979 (2,099,749,876)	7,707 (3,628)	8,240,351 (2,651,340)
- Fabric	PCS	392,735 (371,549)	1,116 (32)	1,525,273 (8,844)	393,498 (370,465)	476,689,987 (412,995,084)	353 (1,116)	652,644 (1,525,273)
<b>B) WHITE GOODS</b>	PCS	1,010,321 (677,800)	0 (0)	0 (0)	1,010,321 (677,800)	301,081,980 (305,535,553)	0 (0)	0 (0)
<b>C) OTHERS</b>				710,714 (0)		25,628,861 (35,308,546)		373,158 (710,714)
<b>D) JOB WORK</b>						108,443,675 (100,522,077)		

## B) Quantitative Information With Regard To Actual Turnover of Goods Traded

Amount (Rs.)								
PARTICULARS	Unit	Purchased	Opening Stock		Turnover		Closing Stock	
A) AUDIO VIDEO SYS.	PCS	2,303 (10,247)	10,645 (4,875)	15,326,660 (16,368,802)	6,142 (4,477)	25,348,427 (26,780,845)	6,806 (10,645)	24,408,941 (15,326,660)
B) OTHERS		11,653,091 (1,052,851)	0 (0)	0 (0)	11,653,091 (1,052,851)	176,345,770 (15,646,112)	0 (0)	2,479,211 (0)
<b>TOTAL(A+B)</b>				<b>20,213,987</b> (18,138,320)		<b>3,675,902,679</b> (2,996,538,093)		<b>36,154,305</b> (20,213,987)

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

### iii) a) Consumption of raw -material

Particulars	Unit	2006-07		2005-06	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Steel	Kgs	13,843,083	781,101,352	12,831,677	712,853,978
Fabric	Mtrs.	1,376,933	222,798,795	1,344,998	207,502,424
Others	-		986,445,499	-	795,259,428
<b>Total</b>			<b>1,990,345,646</b>		<b>1,715,615,830</b>

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

Particulars	2006-07		2005-06	
	Rupees	%	Rupees	%
Imported	696,089,512	34.97	529,965,506	30.90
Indigenous	1,294,256,134	65.03	1,185,650,324	69.10
<b>Total</b>	<b>1,990,345,646</b>	<b>100.00</b>	<b>1,715,615,830</b>	<b>100.00</b>

### c) CIF Value of Import

Amount in (Rs.)		
Particulars	2006-07	2005-06
Capital Goods	71,804,605	5,285,158
Raw Material	60,14,47,452	462,248,634
<b>Total</b>	<b>673,252,057</b>	<b>467,533,792</b>

### d) Expenditure in Foreign Currency:

Amount in (Rs.)		
Particulars	2006-07	2005-06
Foreign Traveling	12,852,225	12,020,703
Royalty	10,445,863	12,266,354
Research & Development	6,143,676	3,996,900
Technical Knowhow / Guidance Fee / Consultancy	70,355,666	923,728
Subscription & Fee	115,050	98,640
Testing Fees	1,529,031	2,431,083



**e) Earning in Foreign Currency:**

Amount in (Rs.)

Particulars	2006-07	2005-06
F.O.B. Value of Exports	2,834,761	-
<b>Total</b>	<b>2,834,761</b>	<b>-</b>

**f) Statement showing Purchase/Sale of Shares during the year ended 31<sup>st</sup> March' 2007**

S.N.	Name of the Company	Opening Stock Units	Invested Units	Redeemed Units	Closing Balance Units
1	Orient Ceramics	5,240	-	5,240	-
2	ESSAR Steel	300	-	300	-
3	GAIL India	9,000	-	9,000	-
4	Jay Prakash Associates	200	-	200	-
5	J K Cement	20	-	20	-
6	L & T	150	-	150	-
7	Ultratech	120	-	120	-
8	Videocon Ind.	18	-	18	-
9	Swaraj Mazda	-	5,000	5,000	-

**g) Statement showing Purchase/Sale of Mutual Fund Units during the year ended 31<sup>st</sup> March' 2007**

S.N.	Scheme	Opening Stock	Invested	Redeemed	Closing Balance
		Units	Units	Units	Units
1	Dws Money Plus fund	0	1,004,883.425	1,004,883.425	-
2	Tata FRF ST Inc/Bonus	515,632.398	10,911.367	526,543.765	-
3	Can FRST Dividend Fund	996,849.055	-	996,849.055	-
4	LIC MF FRF STF- Dividend Reinvestment	502,983.363	12,324.574	515,307.937	-

**11. Segment wise Reporting**

**(a) Composition of Business Segments:**

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

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

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

AMOUNT (Rs.)

Particulars	Year Ended 31st March, 2007				Year Ended 31st March, 2006			
	Automotive Components & Accessories	White Goods	Others	Total	Automotive Components & Accessories	White Goods	Others	Total
External Sales	3,354,728,627	295,528,769	25,645,283	3,675,902,679	2,664,221,695	305,535,553	26,780,845	2,996,538,093
Inter Segment Sales	-	-	-	-	-	-	-	-
Other Income	8,980,506	10,000	30,919	9,021,425	2,239,515	38,945	-	2,278,460
Un-allocated Income	-	-	-	49,882,990*	-	-	-	5,231,366
Profit on sale of Investments (Net)	-	-	-	1,703,553	-	-	-	(455)
<b>Segment Revenue</b>	<b>3,363,709,133</b>	<b>295,538,769</b>	<b>25,676,202</b>	<b>3,736,510,647</b>	<b>2,666,461,210</b>	<b>305,574,498</b>	<b>26,780,845</b>	<b>3,004,047,464</b>
<b>Segment Results</b>	<b>413,146,746</b>	<b>24,065,844</b>	<b>(7,787,506)</b>	<b>429,425,084</b>	<b>315,831,170</b>	<b>27,956,295</b>	<b>(9,048,793)</b>	<b>334,738,672</b>
Un-allocated Expenses	-	-	-	99,262,681	-	-	-	71,960,878
Operating Profit	-	-	-	330,162,403	-	-	-	262,777,794
Interest Expenses (Net)	-	-	-	8,687,948	-	-	-	6,145,990
Current Income Tax	-	-	-	80,000,000	-	-	-	83,000,000
Fringe Benefit Tax	-	-	-	3,000,000	-	-	-	4,500,000
Deferred Tax	-	-	-	17,929,085	-	-	-	(10,529,358)
Provision for Wealth Tax	-	-	-	291,807	-	-	-	345,670
Prior Period Adjustments (Net)	-	-	-	44,873	-	-	-	48,530
Tax adjustment for earlier year (Net)	-	-	-	(3,984,251)	-	-	-	189,824
<b>Profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224,192,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,077,138</b>
<b>Segment Assets</b>	<b>1,703,974,562</b>	<b>217,799,988</b>	<b>28,491,027</b>	<b>1,950,265,577</b>	<b>1,201,419,393</b>	<b>206,043,006</b>	<b>25,862,699</b>	<b>1,433,325,098</b>
Un-allocated Assets	-	-	-	72,381,284	-	-	-	88,292,936
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,022,646,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,521,618,034</b>
<b>Segment Liabilities</b>	<b>731,237,337</b>	<b>92,047,444</b>	<b>1,370,913</b>	<b>824,655,694</b>	<b>532,848,596</b>	<b>54,975,231</b>	<b>56,544,233</b>	<b>644,368,060</b>
Un-allocated Liabilities	-	-	-	15,651,629	-	-	-	64,430,801
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>840,307,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708,798,861</b>
<b>Capital Expenditure</b>	<b>396,858,621</b>	<b>15,831,140</b>	<b>145,242</b>	<b>412,835,003</b>	<b>144,741,830</b>	<b>13,005,915</b>	<b>702,161</b>	<b>158,449,906</b>
<b>Depreciation/ Amortisation</b>	<b>81,155,980</b>	<b>13,316,609</b>	<b>191,009</b>	<b>94,663,598</b>	<b>62,506,652</b>	<b>13,316,610</b>	<b>60,873</b>	<b>75,884,135</b>

\* It includes Rs. 43,169,407 being profit on sale of fixed assets which has been treated as exceptional item in annexed Annual accounts.

**12. Disclosure in pursuance of AS-18 Related Party Disclosure**
**I List of related parties with whom the Company had transactions during the year**

<b>Associate Companies/Concern</b>	<b>Nature of Relationship</b>
i) Relan Industrial Finance Ltd.	Associate Company
ii) Bharat Seats Ltd.	Associate Company
iii) Sharda Enterprises	Associate Concern
iv) N.D.Relan (HUF)	Associate Concern
v) Ajay Relan (HUF)	Associate Concern
vi) Rohit Relan (HUF)	Associate Concern

<b>Key Management Personnel</b>	<b>Nature of Relationship</b>
i) Shri. N.D Relan	Chairman
ii) Shri. Ajay Relan	Managing Director
iii) Smt. Sharda Relan	Director (Promoter)
iv) Shri. Rohit Relan	Director (Promoter)
v) Shri S C Chopra	Executive Director
vi) Shri Udayan Banerjee	Executive Director

**Relatives of key management personnel**

- i) Smt. Mala Relan
- ii) Smt.Ritu Relan
- iii) Ms Aashita Relan
- iv) Mr.Aashim Relan
- v) Mr.Rishabh Relan
- vi) Mr.Pranav Relan
- vii) Mr.Ayush Relan

## II. Transaction with Associate Companies/Concern/Key Management Personnel/Relatives of key management personnel

Transaction value in Rs.

S.No.	Nature of Transactions	Associate Companies	Associate Concern	Key Management Personnel	Relative of Key Management Personnel
i)	Sales during the year	767,892,171 (598,372,463)	- (-)	- (-)	- (-)
ii)	Purchases During the year	- (652,794)	- (-)	- (-)	- (-)
iii)	Loans taken during the year	- (-)	- (-)	118,700,000 (7,300,000)	- (-)
iv)	Loan repaid during the year	- (-)	- (-)	121,500,000 (42,000,000)	- (-)
v)	Interest paid on loans during the year	- (-)	- (-)	2,021,602 (562,049)	- (-)
vii)	Rent paid during the year	- (-)	9,000,000 (5,850,000)	3,000,000 (3,000,000)	- (-)
viii)	Remuneration	- (-)	- (-)	33,003,145 (30,972,429)	1,544,000 (540,000)
ix)	Sale of Investment	5,623,882 (-)	- (-)	- (-)	- (-)
x)	Dividend Received	2,700,000 (2,700,000)	- (-)	- (-)	- (-)
xi)	Dividend Paid	- (-)	3,528,362 (468,000)	21,314,209 (12,598,680)	17,228,082 (10,183,400)
xii)	Purchase of Fixed Assets	- (1,554,922)	- (-)	- (-)	- (-)
xiii)	Advance received against supply of goods during the year	7,600,000 (-)	- (-)	- (-)	- (-)
xiv)	Charges Paid during the year	- (8,552)	- (-)	- (-)	- (-)
xv)	Net Outstanding Loans payable as on 31.03.2007	- (-)	- (-)	- (2,800,000)	- (-)

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

**13. Deferred Taxation (AS 22)**

**Deferred Tax Liability (DTL) : -**  
arising on account of timing difference

	<b>Total upto 31.03.2006 (Rs.)</b>	<b>For the year 2006-07 (Rs.)</b>	<b>Total upto 31.03.2007 (Rs.)</b>
1) Depreciation	43,039,461	20,862,519	63,901,980
<b>Total</b>	<b>43,039,461</b>	<b>20,862,519</b>	<b>63,901,980</b>

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

1) Expenditure under section 43B of the Income Tax Act, 1961	1,654,421	137,322	1,791,743
2) Others	4,826,475	2,796,112	7,622,587
<b>Total</b>	<b>6,480,896</b>	<b>2,933,434</b>	<b>9,414,330</b>

<b>Net Deferred Tax Liability/(Assets)</b>	<b>36,558,565</b>	<b>17,929,085</b>	<b>54,487,650</b>
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**14. Earning per Share (AS '20')**

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

	<b>2006-07</b>	<b>2005-06</b>
Profit/(loss) attributable to the equity shareholders (Rs.) - (A)	<b>224,192,941</b>	179,077,138
Basic/weighted average number of Equity shares outstanding during the year - (B)	<b>5946326</b>	5946326
Nominal value of equity shares (Rs.)	<b>10</b>	10
Basic/diluted earnings per share (Rs.) (A) / (B)	<b>37.70</b>	30.12

**15. Previous year's figures have been reclassified/regrouped, wherever necessary, to make them comparable**
**16. Security creation arrangement with regard to External Commercial Borrowings.**

- Mortgage in favour of the Security Trustee in a form satisfactory to the Security Trustee of the Borrower's immovable properties pertaining to the Project Situated at a) Mahindra World City, Changalpattu Taluk, Kanchepuram Dist. Industrial Park, Tamilnadu-603002, b) Plot No. 52/1,52/2,53/2A,54A,54B,54C & 54D, Behind Ceat Company, Satpur, Nashik-422007, being financed out of the proceeds of the Facility, both present and future;
- An exclusive charge by way of hypothecation in favour of the Security Trustee of the Borrower's movables pertaining to the Projects Situated at a) Mahindra World City, Changalpattu Taluk, Kanchepuram Dist. Industrial Park, Tamilnadu-603002, b) Plot No. 52/1,52/2,53/2A,54A,54B,54C & 54D, Behind Ceat Company, Satpur, Nashik-422007 being financed out of the proceeds of the Facility (save and except book debts), including movable machinery, machinery spares, tools and accessories, both present and future;
- A first mortgage ranking *pari passu*, in favour of the Security Trustee in a form satisfactory to the Security Trustee of all the Borrower's immovable properties at the existing factories situated at G-20, SIPCOT Industrial Park, Irungattukottai, Sriperumbudur, Chennai in the state of Tamil Nadu and Plot no. 112, MIDC, Satpur, Near Mahindra & Mahindra Plant, Nashik in the State of Maharashtra, both present and future; and



- iv) A first charge by way of hypothecation in favour of the Security Trustee of all the Borrower's movables at the existing factories situate at G-20, SIPCOT Industrial Park, Irungattukottai, Sriperumbudur, Chennai in the State of Tamil Nadu and Plot no. 112, MIDC, Satpur, Near Mahindra & Mahindra Plant, Nasik in the State of Maharashtra (save and except book debts), including movable machinery, machinery spares, tools and accessories, both present and future, subject to prior charges created and/ or to be created in favour of the Borrower's bankers on the Borrower's stocks of raw materials, semi-finished and finished goods, consumable stores and such other moveables as may be agreed to by the Security Trustee for securing the borrowings for working capital requirements in the ordinary course of business.

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

Particulars	Balance as at April 1,2006	Additions during the year the year	Amounts used/paid/ reversed during the year	Balance as at March 31,2007
Provision for warranty	14,338,903	11,963,093	3,876,026	22,425,970

As per our report attached.  
For **S. R. DINODIA & CO.,**  
**CHARTERED ACCOUNTANTS**

(**SANDEEP DINODIA**)  
Partner (M. No. 83689)

PLACE : NEW DELHI  
DATED : 26<sup>th</sup> May'2007

(**PRADEEP RASTOGI**)  
Vice President ( F&A ) & CFO

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

(**NITIN VISHNOI**)  
Company Secretary

For and on behalf of  
the Board of Director

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

(**AJAY RELAN**)  
Managing Director

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

### 1. Registration Details

Registration No. 

L	7	4	8	9	9	D	L	1	9	8	6	P	L	C	0	2	3	2	0	2
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

State Code 

5	5
---	---

Balance Sheet

Date 

3	1
---	---

0	3
---	---

2	0	0	7
---	---	---	---

Day

Month

Year

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

Public Issue

	N	I	L
--	---	---	---

Bonus Issue

	N	I	L
--	---	---	---

Right Issue

	N	I	L
--	---	---	---

Private Placement

	N	I	L
--	---	---	---

### III. Capital Raised during the year (Amount in Rs. Thousands)

Total Liabilities

2	0	2	4	9	4	1
---	---	---	---	---	---	---

Source of Funds

Paid-Up Capital

		5	9	4	6	3
--	--	---	---	---	---	---

Secured Loans

	2	8	7	5	7	2
--	---	---	---	---	---	---

Deferred Tax Liability

		5	4	4	8	8
--	--	---	---	---	---	---

Application of Funds

Net Fixed Assets\*

	9	6	9	6	6	2
--	---	---	---	---	---	---

Net Current Assets

	1	6	3	9	7	1
--	---	---	---	---	---	---

Total Assets

2	0	2	4	9	4	1
---	---	---	---	---	---	---

Reserves & Surplus

	7	4	8	3	2	6
--	---	---	---	---	---	---

Unsecured Loans

		N	I	L
--	--	---	---	---

Investments

		1	3	9	2	2
--	--	---	---	---	---	---

Misc. Expenditure

			2	2	9	5
--	--	--	---	---	---	---

\* Includes Capital Advances.

### IV. Performance of Company (Amount in Rs. Thousand)

Turnover / Income

3	0	6	1	1	1	0
---	---	---	---	---	---	---

Profit/Loss Before Tax

		2	7	8	3	0	5
--	--	---	---	---	---	---	---

+

-

Please tick Appropriate box (+) for Profit (-) for loss

Earning per Share in Rs.

		3	7		7	0
--	--	---	---	--	---	---

Total Expenditure

2	7	8	2	8	0	5
---	---	---	---	---	---	---

Profit/Loss After Tax

		2	2	4	1	9	3
--	--	---	---	---	---	---	---

Dividend rate %

1	0	0
---	---	---

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

Item Code No. (ITC Code)

8	7	0	8	9	2	0	0
---	---	---	---	---	---	---	---

Product

E	X	H	A	U	S	T	S	Y	S	T	E	M
---	---	---	---	---	---	---	---	---	---	---	---	---

Description

F	O	R	A	U	T	O	M	O	B	I	L	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

9	4	0	1	2	0
---	---	---	---	---	---

Product

S	E	A	T	C	O	V	E	R	F	O	R
---	---	---	---	---	---	---	---	---	---	---	---

Description

A	U	T	O	M	O	B	I	L	E	S
---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

8	7	0	8
---	---	---	---

Product

P	A	R	T	&	A	C	C	E	S	S	O	R	I	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Description

F	O	R	M	O	T	O	R	V	E	H	I	C	L	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

(PRADEEP RASTOGI)

Vice President (F&A) & CFO

(D. A. AGGARWAL)

Vice President (F&A)

(N. D. RELAN)

Chairman

Place : New Delhi

Dated : 26<sup>th</sup> May' 2007

(NITIN VISHNOI)

Company Secretary

(AJAY RELAN)

Managing Director



**REGISTERED OFFICE :**  
D-188, OKHLA INDUSTRIAL AREA  
PHASE-I, NEW DELHI - 110 020

Tel. : 011-29541681, 29541437, 9873000211