

BOARD OF DIRECTORS

CHAIRMAN

Sunil Kant Munjal

MANAGING DIRECTOR

Neeraj Munjal

DIRECTORS

Satyanand Munjal

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Bhagwan Dass Narang

Surrinder Lal Kapur

Vinayshil Gautam

FINANCE TEAM

Davendra Ujlayan, *GM – Finance & Accounts & Company Secretary*

Sanjeev Chaba, *AGM-Finance & Accounts*

AUDITORS

S. S. Kothari Mehta & Co.

Chartered Accountants

146-149, Tribhuvan Complex

Ishwar Nagar, Mathura Road

New Delhi – 110065

BANKERS

HSBC Limited

IDBI Limited

ICICI Bank Limited

REGISTERED OFFICE

2A/3, Asaf Ali Road

New Delhi – 110 002

PLANT

58th Km. Stone

Delhi – Jaipur Highway

Village: Binola – 122 413

Dist.: Gurgaon (Haryana)

SHARE TRANSFER AGENTS

MCS Limited

Shri Venkatesh Bhawan, W-40

Okhla Industrial Area, Phase II,

New Delhi -110 020

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NOTICE

Notice is hereby given that the 3rd Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Friday, the 19th day of September, 2008 at 11.00 a.m. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi, to transact the following business:

[A] ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit & Loss Account for the period ended on that date along with the Report of the Directors and the Auditors thereon.
2. To declare dividend to the equity shareholders for the period ended March 31, 2008.
3. To appoint a Director in place of Mr. Vijay Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B.D. Narang, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring auditors to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to fix their remuneration.

[B] SPECIAL BUSINESS

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

‘RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, subject to such approvals as may be necessary, the Company hereby approves the revision in the remuneration of Mr. Neeraj Munjal, Managing Director with effect from April 1, 2008 for the remainder of his tenure in the manner as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED THAT except as stated in explanatory statement annexed below, other terms and conditions of appointment as approved by the shareholders at the Annual General Meeting held on 20th September 2006 shall remain unchanged.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are incidental thereto or as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit without further reference to the Company in General Meeting.”

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions of the Companies Act, 1956, a sum not exceeding 0.2% per annum of the net profits of the Company, calculated in accordance with the provisions of the Section 198, 349 and 350 of the Act or Rs. 5 Lac per annum, whichever is less, be paid to and distributed amongst the Non-Executive Independent Directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respect of the profits of the Company for each year of the period of 5 years commencing on 1st April 2008.”

By Order of the Board of Directors
FOR SHIVAM AUTOTECH LIMITED

DAVENDRA UJLAYAN
**GM (FINANCE & ACCOUNTS) &
COMPANY SECRETARY**

New Delhi
Date: : 25th July 2008

Registered Office:
2A/3, Asaf Ali Road
New Delhi – 110 002

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.**
2. In order to be valid, proxies duly stamped, should be lodged with Company at its Registered Office not later than forty eight hours before the commencement of the Annual General Meeting.
3. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting along with their copies of the Annual Report.
4. Corporate Members are requested to send a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representatives to attend and vote at the Annual General Meeting.
5. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of person seeking appointment/reappointment as Directors under item no.3 & 4 above, are annexed hereto.
6. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, which sets out details relating to

- Special Business to be transacted at the meeting, is annexed hereto.
7. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 15, 2008, to Friday, September 19, 2008 (both days inclusive).
 8. In accordance with SEBI's directions vide their Circular No. DCC/FITT/Cir-3/2001 dated October 15, 2001, arrangements have been made to credit your dividend amount directly to bank account of members through the Electronic Clearing Service (ECS).
In case of holding in physical form, please furnish your bank details in the ECS Mandate Form enclosed separately and return to our Registrars, MCS Limited on or before 13th September 2008. The said details in respect of the shares held in electronic form should be sent to your respective Depository Participant and not to the Registrar as the Registrar is obliged to use only the data provided by the Depository while making payment of dividend.
 9. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 19th September 2008 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before 13th September 2008; (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 13th September 2008.
 10. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the meeting.

ANNEXURE TO NOTICE

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

ITEM NO. 6

Increase in Remuneration of Mr. Neeraj Munjal, Managing Director

Mr. Neeraj Munjal was appointed as Managing Director of the company w.e.f. April 1, 2006 for a period of five years. He holds Diploma in Business Management from Bradford & Ilkley Community College, England, besides having Bachelors Degree

in Commerce. Mr. Munjal has over 20 years of experience in auto component sector and served as Whole Time Director of Munjal Auto Industries Limited and Chief executive of Hero Exports.

Shareholding in the Company: Nil

In April, 2008, the Board of Directors and the Remuneration Committee has approved the proposal of increase in his remuneration, subject to the approval of the members. All other terms and conditions of his appointment will remain unchanged.

Increased remuneration will be subject to the overall limits as prescribed under Section 198, 309 and 310 of the Companies Act, 1956 read with Schedule XIII of the said Act and will be effective from April 1, 2008.

The increased remuneration of Mr. Neeraj Munjal is set out as under:

- (a) **Basic Salary:** Rs. 1,75,000 per month.
- (b) **Commission:** Not exceeding 1.25% of net profits of the Company in any financial year, subject to a maximum of Rs. 20 lakhs.
- (c) **Benefits, Perquisites & Allowances:** Perquisites and allowances as detailed in draft agreement proposed to be entered into with Mr. Neeraj Munjal.

None of the directors, except Mr. Neeraj Munjal and Mr. Satyanand Munjal, being relative of Mr. Neeraj Munjal, may be deemed to be concerned / interested in this Resolution.

The resolution is accordingly recommended for the approval of the Members.

THE ABOVE MAY ALSO BE TREATED AS AN ABSTRACT OF TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.

ITEM NO. 7

Commission to Non-Executive Independent Directors

Taking into account the increase in company's activities and consequent increase in the responsibilities of Non-Executive Independent directors, it is proposed that in terms of Section 309(4) of the Companies Act, 1956 the Directors be paid, for each of the five financial years of the Company commencing from 1st April 2008, commission not exceeding 0.2% per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 or Rs. 5 Lac per annum in aggregate, whichever is less. This remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.

All the Independent Directors of the Company, namely Mr. B.D. Narang, Mr. Surrinder Lal Kapur and Mr. Vinayshil Gautam are concerned or interested in the Resolution at Item No. 7 of the Notice to the extent of the remuneration that may be received by them.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT

(In pursuance of Clause 49 of Listing Agreement)

| | | |
|---|--|--|
| Name of Director | MR. VIJAY MUNJAL | MR. BHAGWAN DASS NARANG |
| Date of Birth | 17.11.1944 | 12.04.1945 |
| Date of Appointment | 29.07.2005 | 20.09.2006 |
| Qualifications | Graduate | Post Graduate in Agriculture Economics |
| Expertise in specific functional areas | Mr. Vijay Munjal is presently Managing Director (International Marketing) of Hero Cycles Limited. He has around 35 years experience in bicycle and automobile industry. | Mr. Bahgwan Dass Narang has around 32 years of experience in banking industry. He held coveted position of the Chairman & Managing Director of Oriental Bank of Commerce. |
| List of Companies in which outside Directorship held* | 1. Highway Ind. Ltd. 2. Hero Cycles Ltd. 3. Majestic Auto Ltd. 4. Munjal Auto Inds. Ltd. 5. Satyam Auto Components Ltd. 6. Rockman Ind. Ltd. 7. Hero Financial Services Ltd. 8. Hero Corporate Services Ltd. 9. Munjal Showa Ltd. 10. Hero Honda Finlease Ltd. 11. Hero Motors Ltd. 12. Sunbeam Auto Ltd. 13. Hero Management Service Ltd. | 1. IST Steel & Power Ltd. 2. Afcon Infrastructure Ltd. 3. Jubilee Hill Landmark Projects Limited 4. Dish TV India Limited 5. Va tech Wabag Ltd. 6. Amar Ujala Publications Ltd. |
| Chairman / Member of Committees of Board of | NIL | 1. Amar Ujala Publications Ltd. Member – Remuneration Committee |
| Directors of other companies of which he is a Director** | | 2. Dish TV India Ltd. Chairman – Audit Committee |
| No. of Shares held | NIL | NIL |

*Excluding private limited companies.

** Only Audit Committee & Shareholders Grievance Committee considered.

By Order of the Board of Directors
FOR **SHIVAM AUTOTECH LIMITED**

New Delhi

Date: 25th July 2008

Registered Office:

2A/3, Asaf Ali Road
New Delhi – 110 002

DAVENDRA UJLAYAN
GM (FINANCE & ACCOUNTS) &
COMPANY SECRETARY

DIRECTORS' REPORT

TO THE MEMBERS OF SHIVAM AUTOTECH LIMITED

The Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2008.

FINANCIAL RESULTS

The highlights of the financial performance of the Company are as under:

| Particulars | 2007-08 | 2006-07 |
|---|----------------|----------------|
| Sales & Other Income | 14472.50 | 15172.05 |
| Profit before Depreciation and Interest | 3276.73 | 3777.49 |
| Depreciation | 1176.51 | 1039.93 |
| Interest | 292.22 | 331.69 |
| Profit before Taxation | 1768.53 | 2445.34 |
| Provision for Taxation (Deferred & Current) | 622.38 | 849.07 |
| Profit after Taxation | 1146.15 | 1596.27 |
| Profit available for appropriations | 1146.15 | 1596.27 |
| Appropriations | | |
| Amount transferred to General Reserve | 300 | 300 |
| Proposed Dividend on Equity Shares | 150 | 250 |
| Tax on Dividend | 25.49 | 42.49 |
| Profit after Appropriations | 670.66 | 1003.78 |

PERFORMANCE

During the year, the Sales of the Company were Rs. 14438.45 Lac. Operating Profit (PBDIT) of the company for the year was Rs. 3276.73 Lac. The Profit before Tax (PBT) was Rs. 1768.53 Lac and Profit after Tax (PAT) was Rs. 1146.15 Lac. Considering the pressure on commodities prices, which remained all through the year and impacted the input costs considerably, the performance achieved by the company during the year can be regarded as satisfactory.

The Year 2007-08 was sluggish for the Automobile Industry in India in general and the Motorcycles Industry in particular. According to the figures released by the Society of Indian Automobile Manufacturers (SIAM) motorcycles sales in India during 2007-08 were down by 11.90 percent at 5.77 million units, against 6.55 million units in the previous year. High interest costs & squeeze on the financing of motorcycles by banks/NBFCs across the country were major contributory factors to the decline of sales in motorcycles during the year 2007-08. To add to the woes, last year's trend of hardening of the commodities and intermediate goods continued this year as well and almost entire chunk of the increased processing costs were absorbed in the cost of production resulting in severe squeeze on the Gross Margins of almost all automotive sector companies across the sectors/segments.

DIVIDEND

The Directors recommend a Dividend of Rs. 1.5 per equity share for the year (previous year Rs. 2.50 per share). If approved by the shareholders in the forthcoming Annual General Meeting, the Dividend will absorb Rs. 1.50 Crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 25.49 Lacs.

BUSINESS PROSPECTS

Indian economy's juggernaut continued to roll in year 2007-08 like it has been doing for the last few years. Its overall GDP growth of 9.1%, which is still one of the best amongst major economies of the world. Albeit some areas of concern have

(Rs. In Lacs)

emerged towards the end of the fiscal 2007-08 with rising inflation and food / oil prices.

Amidst this challenging environment on both marketing front and rising input prices, your company has taken a strong initiative on expanding the base of the customer and cost containment measures. This will help the company to steer its growth in the coming year.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexures 'A' and 'B' respectively to this Report. All the board members and senior managerial personnel have affirmed compliance with the code of conduct for the F.Y. 2007-08.

A certificate from the Statutory Auditors of the Company regarding the compliance of the conditions of Corporate Governance by the Company stipulated under Clause 49 of the Listing Agreement is also attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) the accounting policies which have been selected have been 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

March 31, 2008 and of the profits 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.

FIXED DEPOSITS

During the year, the Company has not accepted any deposit under Section 58A and Section 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

FINANCE

The company has met with its working capital requirement largely from internal resources during the year. In order to part-finance its new Haridwar Plant in Uttarakhand, the company has tied up 20 million dollar ECB loans from HSBC & ICICI Bank during the year. These ECB loans have fully been hedged for both principal and interest cost and thereby the company has insulated itself from the fluctuation in the foreign currency market.

HARIDWAR PLANT

During the year the company has commenced the work to set up a greenfield manufacturing facility at Haridwar, Uttarakhand to manufacture cold & warm forging components, Gears & Shafts for the Automobile and other Industries. This new plant's construction is on course and is slated go on stream in the second half of current year 2008-09. It will have state of the art technology and machinery, equipped to cater to the in most exacting requirement for the cold/warm forging components for automobile and other industries.

Haridwar plant will also have improved logistics on account of being in proximity of its most important customer viz. Hero Honda Motors Ltd., which has just commenced its new Two-Wheeler plant at Haridwar. On account of special fiscal incentives announced by the Central Government for new industrial units in Uttarakhand, the Haridwar unit of the company will be able to avail various fiscal / concessional benefits under the excise, income-tax and sales tax, etc.

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Vijay Munjal and Mr. Bhagwan Dass Narang retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

Shareholders are requested to re-appoint M/s S. S. Kothari Mehta & Co., Chartered Accountants as Auditors of the Company and authorize the Audit Committee to fix their remuneration. They have furnished to the Company requisite Certificate under Section 224(1B) of the Companies Act, 1956 and are therefore eligible for re-appointment as Auditors of the Company.

AUDITORS' REPORT

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

COST AUDIT

The Audit of the Cost Accounts of the Company for the F.Y. 2007-08, has been conducted by the Cost Auditor and the Cost Audit Report will be submitted to the Ministry of Corporate Affairs, Government of India.

The Directors have appointed M/s Gurdeep Singh & Associates, Cost Accountants, as Cost Auditors to audit the accounts relating to "Engineering Industries" for the year ending 31st March 2009.

ENVIRONMENT

Your Company is committed in maintaining the highest standards of environment compliances and therefore has adopted a systematic approach towards environment management. Company's all operational decisions continue to be taken keeping in mind their sensitivity to the surrounding environment, which help in maintaining and improving the overall environment in and around Company's plant.

Your company takes pleasure to inform that during the year it has become a constituent of a very important and responsible initiative of Hero Honda Motors Limited toward the commitment to environment, viz. GREEN SUPPLY-CHAIN MANAGEMENT PROGRAMME.

Your Company has complied with the applicable environmental regulations; its effluents & wastes are treated properly and monitored constantly before safely disposing them off in conformity with the environmental regulations prescribed by statutory authorities. During the year, Company has received necessary environmental consents/approvals for air, water and hazardous waste discharge from the Pollution Control Authority.

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

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as per Annexure – 'D' and forms an integral part of this Report.

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure – 'C' included in this report.

INDUSTRIAL RELATIONS

Industrial relations have remained cordial throughout the year in the Company.

HEALTH AND SAFETY

Safety is a prime responsibility and concern. Your Company is committed for safety and health of its employees and other persons who may be affected by its operations. It's company's belief that safe working practice leads to motivated workforce and higher productivity and to that end, all possible safety measures are put in place to eliminate accidents at its factory, and improve upon safety record. Safe working culture across the company is ensured by:

- Integrating safety and health in all activities.
- Ensuring compliance with all applicable legislative requirements.
- Encouraging employees to ensure safety at their workplaces.
- Continuous improvements in safety performance through precautions besides participation & training of employees.

ACKNOWLEDGMENTS

Company would like to thank its clients, vendors, investors and bankers for their continued support during the year. In particular

to its principal customer Hero Honda Motors Limited, the company is thankful for continuing to repose faith as an *direct online supplier* and including it as an integral part of the supply chain management.

We would like to place on record our appreciation of the contribution made by employees at all levels. Their diligent hard work, cooperation and support is a backbone of all endeavors of the company.

We also thank the Government of India, and Customs and Excise Departments, the Income Tax Department, the Industrial & Labour Department, Government of Haryana and other government agencies for the support company has been receiving over the years, and is looking forward to their continued support/guidance in times to come.

For and on behalf of the Board

SUNIL KANT MUNJAL
CHAIRMAN

Place: New Delhi

Date: July 25, 2008

ANNEXURE 'A' TO DIRECTORS' REPORT MANAGEMENT DISCUSSION & ANALYSIS REPORT

Indian economy's juggernaut has continued to roll in the year 2007-08 as well like it has been doing now for the last few years. Its overall growth in GDP at 9.1 % this year is not only impressive, but if you take a band of last 4 years' growth in GDP in excess of 8% in each of its years, it's by far the best ever achieved in independent India. More hearteningly, within its economy, Industry and service sector in particular have notched up much more impressive average growth rates of upward of 9% during this period. Agriculture sector in 2007-08 too rebounded with an impressive growth of 5% after being relatively laggard in the last two years.

Among the more obvious manifestations of such a sustained growth in the GDP of India are found to be in the higher disposable income of a large section of the Indian population and with that the rising aspiration levels of the people across the regions. Alongside almost all sectors of industry that have benefited from this phenomenon, automobile industry too has reaped the fruits as it continues to show a robust growth, a part of the continuing growth stories of the previous few years. Access to finance at affordable rates until last year, rise in the aspirational values of middle-class, slew of new models and variants launches offered by the two-wheeler industry, backed up by aggressive marketing through attractive promotion schemes have all contributed to the larger volume of sales in the automobile industry.

Albeit some areas of concerns have emerged toward end of fiscal 2007-08 with overall growth of the two wheeler industry having slackened, in fact in the two-wheeler industry there has been a decline in number of units sold to 5.77 million as against 6.55 million last year— largely due to steadily rising interest rates and banks/NBFCs reducing their new exposure to two-wheeler financing in the last one year or so.

INDUSTRY STRUCTURE AND DEVELOPMENT

Automobile Industry has continued to be on growth mode especially two wheeler motorcycle segment which account more than 80 percentage of the total market share of vehicles by volume.

Motor cycles sales declined to 5.77 million units in 2007-08, perhaps first time in last decade. Principal customer of the Company i.e. Hero Honda Motors Limited, though bucked the industry trend of a decline and just about maintained the sales numbers of previous year. It continues to be the industry leader with over 50 percent market share.

In the current year's first quarter, there is some revival in the two-wheeler industry. But it would be interesting to watch the developments closely as the year rolls on.

OPPORTUNITIES AND THREATS

Major plank of your Company's business is derived from the two-wheeler industry and therefore it can expect to continue to grow at a healthy rate only if the two-wheeler industry shows potential for further penetration in the market. There is an overall optimism for the two-wheeler industry to notch a healthy growth in the years to come because the household incomes - in urban

as well as rural India - will continue to grow handsomely, like it has witnessed over the last decade, and with it the consumer spends - especially on non-food items and durables. Therefore the long-term story for two-wheelers will continue to be good.

Input costs and the volatility of metal pricing, especially those of steel and consumables continue to be a worrying aspect for automobile industry including components' manufacturers like your Company. Volume increase and scaling up operations can nullify or absorb input cost increase to certain extent. Overall the margins will continue to be under pressure. Increase in International oil prices - more than 100 percent increase from its July 2007 level - is another major concern, which threatens to bring in inflationary pressure in all economies of the world including India and in turn, can dampen the growth potential in future.

OUTLOOK

Company has further stepped up its investment to enhance the operational capacities and to embrace the new and exciting opportunities for additional business within the focused segments of automobile industry. Ongoing efforts to improve in all areas of operations and greater focus on the core values of its business should augur well for the future of your Company. It would continue to grow, barring unforeseen contingencies, in the years that lie ahead.

Its state of the art technology and plant & machinery at new upcoming greenfield factory at Haridwar, Uttarakhand will enhance capacity for the supplies to its principal customer Hero Honda Motors (HHML), whose new factory at the same place has become operational from this year.

RISKS AND CONCERNS

Though the Company is equipped with guidelines and controls in place for constant monitoring and timely action to mitigate the adverse impact, if any, a sudden downturn in business environment due to external factors like oil price shock and consequent inflationary pressure and / or uncontrolled spiral of input costs, the risk of squeeze of operating margins remains.

While the Company continues to derive benefit from the impressive growth and performance of its principal customer HHML, the risk of any adverse development in HHML business may affect your Company's performance.

INTERNAL CONTROLS AND ADEQUACY

Your Company has an adequate system of internal controls commensurate with the size and nature of business of the Company to ensure adequate protection of the Company's resources, provision of accurate and speedy financial statement and reports and compliance with the Company policies and procedures, and legal obligations.

Your Company has a balanced organization structure, well-defined authority levels and set guidelines and rules for conducting business transactions and to promote ethical conduct. The Company's Internal Auditors conduct audit to ensure

adequacy of internal control systems, adherence to management instructions and policies and compliance with laws and regulations of the country. The Internal Audit Reports are circulated to the Management who initiates action where appropriate and the action taken reports of the management is considered and discussed by the Audit Committee.

HUMAN RESOURCES

During the year under review, Company continued with initiatives to develop its employees at professional and personal levels. A sizeable number of employees have undergone training that accord an opportunity to sharpen their skills, improve their performance and widen their perspective.

Specific training on various production process solutions continued to be imparted to relevant employees so that they can develop further their technical competence, a *sine-qua-non* to emerge stronger and seize emerging business opportunities.

Company has also put in place a system of performance appraisal to ensure a direct link between employees' performance and their variable pay as well as training needs. Company has a strong belief that to attract, retain and nurture the optimal talent, effective management of human capital is imperative and to that end, it consistently strives toward improvement in the standards of environment, occupational health and safety of all its employees at the work place. This not only improves productivity but also provides a safe and healthy environment and an atmosphere of congeniality.

CAUTIONARY STATEMENT

Above averments are forward looking in nature, based on certain assumptions and expectations of the future events that are subject to risks / uncertainties and unanticipated travails. Therefore, the actual performance / results and trends may differ materially from the historical results.

ANNEXURE 'B' TO DIRECTORS' REPORT

Report On Corporate Governance

A. MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's purpose is business and to maximize long-term stakeholders' value including the society at large. The Company's philosophy of Corporate Governance is aimed at assisting the management in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability, integrity.

2. BOARD OF DIRECTORS

(a) Composition of the Board

The present strength of the Board is nine Directors. The Chairman of the Board is a non-executive Director. The Board comprises of one executive Director and eight non-executive Directors, of whom three are independent.

Six Directors namely Mr. Satyanand Munjal (Non-Executive Director), Mr. Brijmohan Lall Munjal (Non-Executive Director), Mr. Om Prakash Munjal (Non-Executive Director), Mr. Vijay Munjal (Non-Executive Director), Mr. Sunil Kant Munjal (Non-Executive Chairman) and Mr. Neeraj Munjal (Managing Director) belong to the promoter family of the Hero Group, which owns 74.80% equity in the Company. Apart from these, the rest of the Board constitutes of Non-Executive Independent Directors. The directors bring to the Board wide range of experience & skills.

(b) Board / Committee Meetings and procedure

Board Meetings and Attendance of each Director at the Board Meetings and the last Annual General Meeting

During the Financial Year 2007-08, five meeting of the Board of Directors were held on 26th April 2007, 22nd June 2007, 30th July 2007, 30th October 2007 and 25th January 2008. The maximum interval between any two meetings during this period was 93 days and the gap between any two Board Meetings did not exceed four months.

The details of attendance of Directors in the Board meetings are as under:

| Name of Directors | No. of Board Meetings held | No. of Board Meetings attended | Attendance at last AGM |
|---------------------------|----------------------------|--------------------------------|------------------------|
| Mr. Satyanand Munjal | 5 | - | No |
| Mr. Brijmohan Lall Munjal | 5 | 1 | No |
| Mr. Om Prakash Munjal | 5 | - | No |
| Mr. Vijay Munjal | 5 | - | No |
| Mr. Sunil Kant Munjal | 5 | 5 | Yes |
| Mr. Neeraj Munjal | 5 | 5 | Yes |
| Mr. Bhagwan Dass Narang | 5 | 5 | Yes |
| Mr. Surrinder Lal Kapur | 5 | 5 | Yes |
| Dr. Vinayshil Gautam | 5 | 5 | No |

The information as required under Annexure I A to Clause 49 of the Listing Agreement is made available to the Board of Directors. Board members are given agenda papers alongwith necessary documents and information in advance of each meeting of the Board. Adequate information is circulated as part of the Board papers and is also made available at the Board Meeting to enable the Board to take informed decisions.

(c) Number of other Companies or Committees the Director is a Director / Member / Chairman of

None of the Directors holds directorship in more than 10 listed companies. Further none of them holds membership of more than 10 Committees of the Boards nor is any Director a Chairman of more than 5 Committees of Board.

| Name | Category | No. of Outside Directorships in Public Ltd. Companies | No. of Committee Memberships (including Chairmanship) | No. of Committee Chairmanship |
|---------------------------|---------------|---|---|-------------------------------|
| Mr. Satyanand Munjal | Non-Executive | 4 | - | - |
| Mr. Brijmohan Lall Munjal | Non-Executive | 8 | - | - |
| Mr. Om Prakash Munjal | Non-Executive | 10 | - | - |

| | | | | |
|---|-----------------------------|----|---|---|
| Mr. Vijay Munjal | Non-Executive | 13 | 1 | - |
| Mr. Sunil Kant Munjal <i>Chairman</i> | Non-Executive | 14 | 4 | 1 |
| Mr. Neeraj Munjal <i>Managing Director</i> | Executive | - | - | - |
| Mr. Bhagwan Dass Narang | Non-Executive & Independent | 6 | 4 | 1 |
| Mr. Surrinder Lal Kapur | Non-Executive & Independent | 7 | 6 | 3 |
| Dr. Vinayshil Gautam | Non-Executive & Independent | 4 | 4 | 1 |

None of the Non-Executive Directors hold any shares (as own or on behalf of other person on beneficial basis) in the Company.

Notes:

- Private Limited Companies, foreign companies and companies u/s 25 of the Companies Act, 1956 are excluded for the above purposes.
- Only audit committee and shareholder's grievance committee are considered for the purpose of committee positions as per listing agreement.

RE-APPOINTMENT OF DIRECTORS

Mr. Vijay Munjal and Mr. Bhagwan Dass Narang, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Relevant Information pursuant to Clause 49(IV)(G)(i) regarding Directors proposed to be re-appointed at the Annual General Meeting is given in the Notice of the AGM being sent alongwith the Annual Report.

3. AUDIT COMMITTEE

The constitution, quorum, scope etc. of the Audit Committee is in line with the Companies Act, 1956 and provisions of Listing Agreement. All the members of Audit Committee are qualified and having insight to interpret and understand financial statements.

(a) Composition of the Audit Committee and attendance of members

The Audit Committee comprises mainly of Independent Directors and the composition is compatible with the Listing Agreements. Meetings of the Audit Committee were held on 23rd May 2007, 22nd June 2007, 30th July 2007, 30th October 2007 and 25th January 2008.

| Name | Designation | Category of Directorship | Attendance out of 5 meetings held |
|-------------------------|-------------|-----------------------------|-----------------------------------|
| Mr. Surrinder Lal Kapur | Chairman | Non-Executive & Independent | 5 |
| Mr. Bhagwan Dass Narang | Member | Non-Executive & Independent | 5 |
| Dr. Vinayshil Gautam | Member | Non-Executive & Independent | 5 |
| Mr. Sunil Kant Munjal | Member | Non-Executive | 5 |

The Company Secretary acts as the Secretary of the Committee.

Quorum of the Audit Committee is two non-executive directors. Mr. Surrinder Lal Kapur is the Chairman of the Audit Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

(b) Terms of Reference

The terms of reference of the Audit Committee are wide enough to cover the matters specified for the Audit Committee under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956 and are as follows:

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment, replacement and removal of the statutory auditors and fixation of the audit fees.
- Reviewing with the management, the annual financial statements with specific reference to matters required to be included in the Directors' Responsibility Statement, changes, if any, in accounting policies and practices and reasons for the same, major accounting entries, compliance with listing and other legal requirements relating to financial statements and qualifications in the draft audit report.
- Reviewing the quarterly and yearly financial results before submission to the Board for approval.
- Reviewing the adequacy of the internal control systems, internal audit function and company's financial and risk management policies.
- Review of Foreign Exchange Exposure.

- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with internal auditors any significant findings and follow up thereon.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

4. SHAREHOLDERS' GRIEVANCE COMMITTEE

During the year, 4 (four) meetings of the Shareholders' Grievance Committee were held on 22nd June, 2007, 30th July, 2007, 30th October, 2007 and 25th January 2008. The composition of the Shareholders' Grievance Committee is as follows:

| Name of the Member | Designation | Category of Directorship | Attendance out of 4 meetings held |
|-------------------------|-------------|-----------------------------|-----------------------------------|
| Mr. Bhagwan Dass Narang | Chairman | Non-Executive & Independent | 4 |
| Mr. Surrinder Lal Kapur | Member | Non-Executive & Independent | 4 |
| Mr. Neeraj Munjal | Member | Executive | 4 |

Scope of the Committee

Redressing of the Shareholders / Investors complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc.

Compliance Officer

Mr. Davendra Ujlayan - GM (Finance & Accounts) & Company Secretary

Details of shareholders' complaints received during the F.Y. 2007-08 and their status are as follows:

| Nature of Complaint / Query | Total Received | Total Replied / Resolved | Pending |
|---|----------------|--------------------------|---------|
| 1. Inquiry pertaining to non receipt of shares after transfer | 4 | 4 | --- |
| 2. Request for issue of duplicate share certificates | 1 | 1 | --- |
| 3. Non-receipt of share certificate | 7 | 7 | --- |
| 4. Non receipt of dividend / Revalidation of dividend warrants | 16 | 16 | --- |
| 5. Communication relating to Transfer / Transmission / Name Deletion / Demat of Shares | 19 | 19 | --- |
| 6. Miscellaneous i.e. Credit of Shares in Demat A/c's, Quarterly results, Change of Address, Bank Details | 8 | 8 | --- |

5. REMUNERATION COMMITTEE

(a) Terms of Reference

The Remuneration Committee reviews and recommends the payment of annual salaries, commission and other employment conditions of Executive Directors to the Board for approval. The Committee takes into consideration performance parameters, growth in business as well as profitability and practices prevailing in the similar industry, while fixing appropriate remuneration packages.

(b) Composition of the Remuneration Committee and attendance of members

The Remuneration Committee comprises mainly of Independent Directors. During the year, the Committee met once on 26th April, 2007 to consider the increase in remuneration of Mr. Neeraj Munjal, Managing Director of the Company.

| Name | Designation | Category of Directorship | Attendance at one meeting held |
|-------------------------|-------------|-----------------------------|--------------------------------|
| Dr. Vinayshil Gautam | Chairman | Non-Executive & Independent | 1 |
| Mr. Bhagwan Dass Narang | Member | Non-Executive & Independent | 1 |
| Mr. Surrinder Lal Kapur | Member | Non-Executive & Independent | 1 |
| Mr. Sunil Kant Munjal | Member | Non-Executive | 1 |

(c) Remuneration Policy

The remuneration is fixed considering various parameters such as qualification, expertise, experience, prevailing remuneration in the industry and financial position of the Company. The remuneration structure comprises of Basic Salary, Commission, Perquisites & Allowances and Contribution to Provident Fund etc.

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees of Rs. 20,000/- for each meeting of the Board and Rs. 10,000/- for each meeting of the Audit Committee, Shareholders' Grievance Committee and Remuneration Committee attended by them. The Non-Executive Independent Directors are paid sitting fees of Rs. 20,000/- for attending each meeting of Committee of Board of Directors.

Details of Remuneration Paid to Managing Director

(Amount in Rs.)

| Executive Director(s) | Salary | Commission | Perquisites & Allowances | Contribution to PF Fund | Total |
|-----------------------|-------------|---------------|--------------------------|-------------------------|-------------|
| Mr. Neeraj Munjal | 18,00,000/- | 18,37,020/- * | 18,00,000/- | 2,25,000/- | 56,62,020/- |

Notes:

- The agreement between the Company and the Managing Director is for a period of five years. Either party is entitled to terminate the Agreement by giving not less than 180 days' notice in writing to the other party.
- *Commission is payable @1% of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 or Rs. 20 lakhs, whichever is less.
- Presently, the Company does not have Stock Option Scheme.

Details of Remuneration Paid to Non-Executive Directors

| Name of Non-Executive Directors | Sitting fees | | Total |
|---------------------------------|---------------|-------------------|---------|
| | Board Meeting | Committee Meeting | |
| Mr. Sunil Kant Munjal | 100,000 | 60,000 | 160,000 |
| Mr. Bhagwan Dass Narang | 100,000 | 140,000 | 240,000 |
| Mr. Surrinder Lal Kapur | 100,000 | 140,000 | 240,000 |
| Dr. Vinayshil Gautam | 100,000 | 80,000 | 180,000 |
| Mr. Brijmohan Lall Munjal | 20,000 | - | 20,000 |

6. GENERAL BODY MEETINGS

Annual General Meeting

Date, time and location where the last two *Annual General Meetings were held are as under:

| Year | Type | Date | Venue | Time | Whether Special resolution passed in previous AGM |
|---------|------|------------|--|------------|--|
| 2005-06 | AGM | 20.09.2006 | Essex Farms 4, Aurobindo Marg New Delhi | 11:30 a.m. | Yes 1. Appointment of Shri Neeraj Munjal as Managing Director of the Company. 2. Borrowing powers of the Board of Directors u/s 293(1)(d) of the Companies Act, 1956 upto Rs. 100 Crores. 3. Contribution to charitable and other funds upto Rs. 25 Lacs u/s 293(1)(e) of the Companies Act, 1956. 4. Authorising Board of Directors u/s 293(1)(a) of the Companies Act, 1956 upto Rs. 100 Crores. |
| 2006-07 | AGM | 29.08.2007 | Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road New Delhi | 11:30 a.m. | NIL |

* Since incorporation only two AGM's of the company were held

7. DISCLOSURES

- There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note 17 of Notes to Accounts to the financial statements in the Annual Report.

- b) The guidelines / accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) have been followed in preparation of the financial statements of the Company.
- c) There were neither any non-compliance by the Company on any matters relating to capital markets; nor did the Company attract any penalties or strictures by the Stock Exchanges, SEBI or any statutory authority.
- d) Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
- e) The Code of Conduct applicable to all Directors and employees of the Company has been posted on the Company's website. For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said codes.

8. MEANS OF COMMUNICATION

- a) The quarterly results are published in widely circulating national and local newspapers such as The Economic Times, Business Standard, in English and Navbharat Times, in Hindi.
- b) The Company's results are displayed on the Company's website i.e. www.shivamautotech.com. The website also displays the Distribution Schedule and Shareholding Pattern pursuant to Clause 35 of the Listing Agreement.

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

| | |
|-------|---|
| Date | 19 th September 2008 |
| Day | Friday |
| Time | 11.00 A.M. |
| Venue | Tivoli Garden Resort Near Chattarpur Mandir Chattarpur Road New Delhi-110001 |

| | |
|-----------------------|--|
| Financial Year | April 1 to March 31 |
| | i) First Quarter Results – last week of July |
| | ii) Second Quarter Results – last week of October |
| | iii) Third Quarter Results – last week of January |
| | iv) Fourth Quarter Results – last week of April |
| | v) Results for the year ended March 31, 2008 – July 2008 |

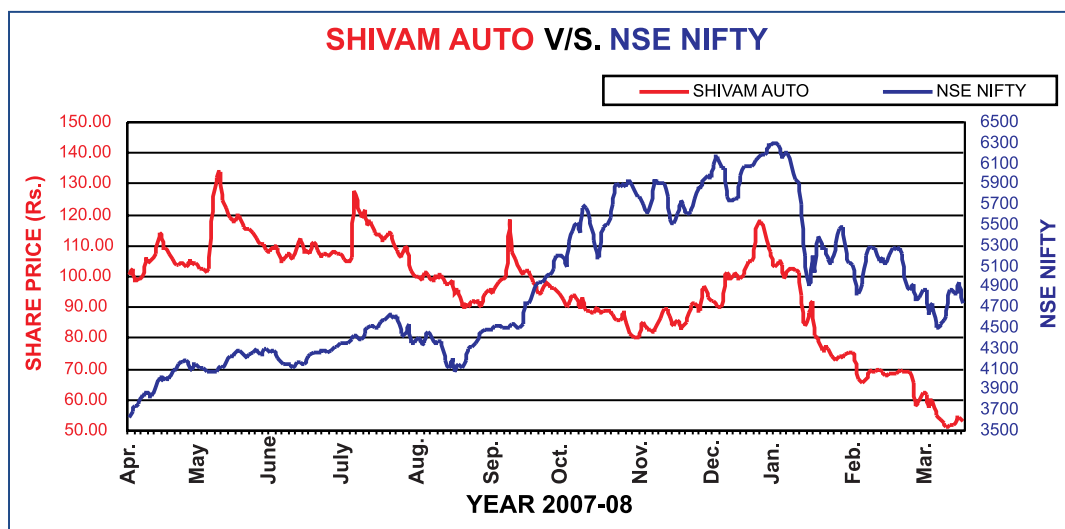
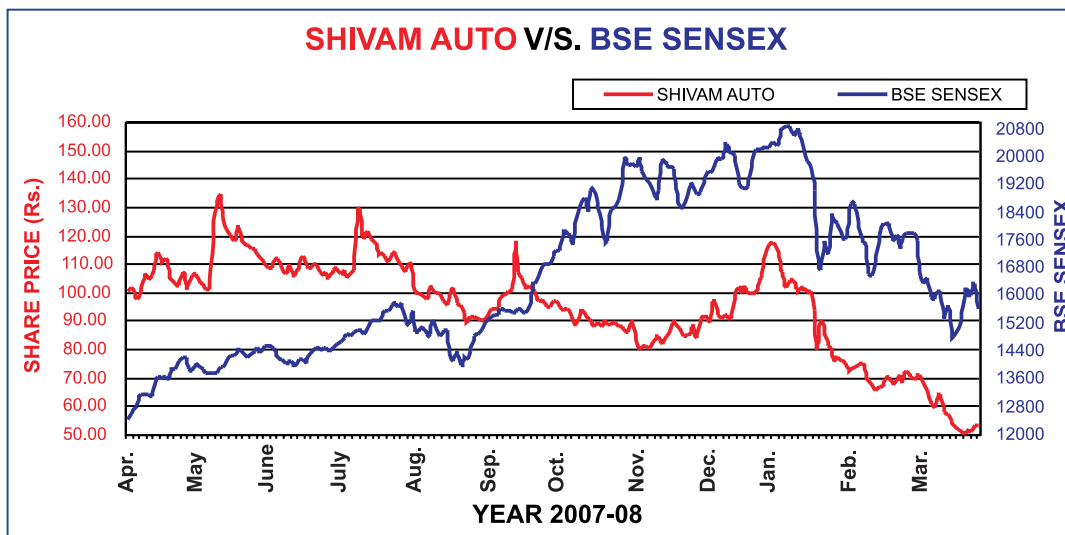
| | |
|------------------------------|--|
| Dates of Book Closure | Monday, September 15, 2008 to Friday, September 19, 2008 (both days inclusive) |
|------------------------------|--|

| | |
|-------------------------------|-----------------------|
| Dividend Payment Dates | Within 30 days of AGM |
|-------------------------------|-----------------------|

| | |
|-----------------------------------|--|
| Listing on Stock Exchanges | The Bombay Stock Exchange Limited The National Stock Exchange of India Limited The Annual Listing Fees for 2008-2009 have been paid to both the Stock Exchanges. |
|-----------------------------------|--|

| | |
|--|--|
| Stock Code | 532776 – The Stock Exchange, Mumbai SHIVAMAUTO – The National Stock Exchange |
| Demat ISIN Number for NSDL and CDSL | INE 637H01016 |

| Month | Bombay Stock Exchange (BSE) | | | | | National Stock Exchange (NSE) | | | | |
|---------|-----------------------------|------------|-----------|------------|----------------|-------------------------------|------------|-----------|------------|----------------|
| | High (Rs.) | Date | Low (Rs.) | Date | Monthly Volume | High (Rs.) | Date | Low (Rs.) | Date | Monthly Volume |
| Apr' 07 | 129.20 | 16-04-2007 | 95.00 | 05-04-2007 | 30,197 | 126.00 | 16-04-2007 | 93.50 | 02-04-2007 | 42,370 |
| May' 07 | 143.00 | 11-05-2007 | 100.00 | 09-05-2007 | 85,232 | 145.00 | 14-05-2007 | 96.05 | 09-05-2007 | 140,708 |
| Jun' 07 | 118.00 | 11-06-2007 | 103.80 | 20-06-2007 | 39,395 | 117.10 | 27-06-2007 | 104.00 | 13-06-2007 | 17,398 |
| Jul' 07 | 139.00 | 10-07-2007 | 103.60 | 05-07-2007 | 123,202 | 142.00 | 10-07-2007 | 103.15 | 06-07-2007 | 116,813 |
| Aug'07 | 105.40 | 07-08-2007 | 88.00 | 27-08-2007 | 38,585 | 106.55 | 02-08-2007 | 85.00 | 27-08-2007 | 45,569 |
| Sept'07 | 123.00 | 13-09-2007 | 92.00 | 03-09-2007 | 112,776 | 120.25 | 12-09-2007 | 90.50 | 10-09-2007 | 102,749 |
| Oct' 07 | 100.00 | 03-10-2007 | 72.00 | 17-10-2007 | 50,530 | 104.00 | 01-10-2007 | 81.00 | 29-10-2007 | 43,057 |
| Nov'07 | 97.00 | 29-11-2007 | 79.15 | 01-11-2007 | 45,463 | 96.35 | 29-11-2007 | 77.00 | 02-11-2007 | 32,865 |
| Dec'07 | 118.00 | 31-12-2007 | 86.10 | 12-12-2007 | 519,877 | 117.00 | 31-12-2007 | 87.25 | 04-12-2007 | 369,902 |
| Jan'08 | 124.75 | 03-01-2008 | 64.25 | 22-01-2008 | 200,180 | 128.00 | 02-01-2008 | 67.40 | 29-01-2008 | 145,223 |
| Feb'08 | 78.95 | 01-02-2008 | 60.15 | 20-02-2008 | 63,752 | 81.00 | 01-02-2008 | 62.00 | 01-02-2008 | 81,796 |
| Mar'08 | 73.35 | 03-03-2008 | 50.45 | 24-03-2008 | 114,097 | 72.25 | 04-03-2008 | 47.00 | 24-03-2008 | 415 |

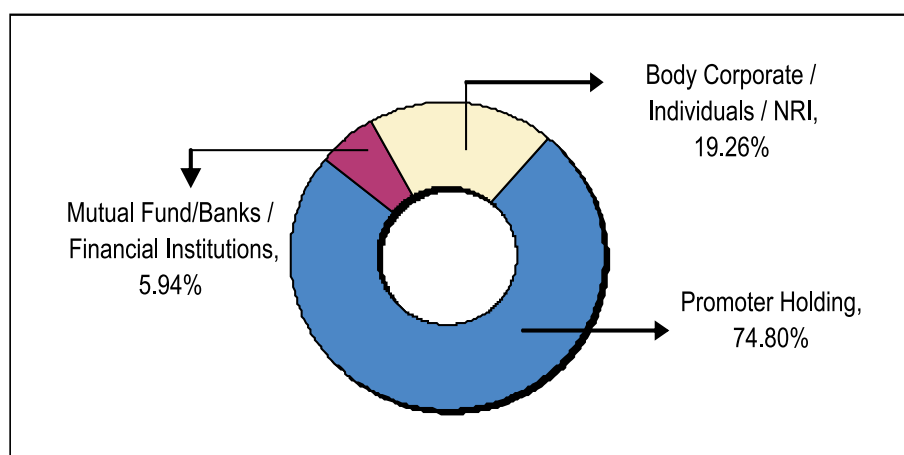


DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2008

| No. of shares held | No. of shareholders | | No. of shares | |
|--------------------|---------------------|---------------|-----------------|---------------|
| | Numbers | % | Numbers | % |
| Up to 500 | 7483 | 93.90 | 870740 | 8.71 |
| 501 – 1000 | 244 | 3.06 | 193823 | 1.94 |
| 1001 – 2000 | 128 | 1.61 | 187864 | 1.88 |
| 2001 – 3000 | 38 | 0.48 | 97331 | 0.97 |
| 3001 – 4000 | 11 | 0.14 | 39751 | 0.40 |
| 4001 – 5000 | 12 | 0.15 | 58557 | 0.58 |
| 5001 – 10000 | 26 | 0.33 | 201495 | 2.02 |
| 10001 – 50000 | 14 | 0.17 | 214138 | 2.14 |
| 50001 - 100000 | 3 | 0.04 | 229911 | 2.30 |
| 100001 & above | 10 | 0.12 | 7906390 | 79.06 |
| Total | 7969 | 100.00 | 10000000 | 100.00 |

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2008

| Categories | Holders (No.) | No. of shares held | % of shareholding |
|--|---------------|--------------------|-------------------|
| PROMOTER HOLDING | | | |
| Indian Promoters (Bodies Corporate) | 11 | 7479595 | 74.80 |
| Total Promoter Holding | 11 | 7479595 | 74.80 |
| PUBLIC HOLDING | | | |
| Institutions | | | |
| • Mutual Funds | 5 | 538545 | 5.39 |
| • Banks, Financial Institutions | 6 | 55391 | 0.55 |
| Non-Institutions | | | |
| • Bodies Corporate | 283 | 317779 | 3.18 |
| • Individuals | 7590 | 1553011 | 15.53 |
| • NRIs | 74 | 55679 | 0.55 |
| Total Public Holding | 7958 | 2520405 | 25.20 |
| Grand Total | 7969 | 10000000 | 100.00 |



Dematerialisation of Shares and Liquidity

The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. As on 31st March 2008, 84.24 % of the total Equity Capital is held in the demat form with NSDL and CDSL.

Physical and Demat Shares:

| | As on 31/03/2008 | % |
|----------------------------|-------------------|---------------|
| No. of Shares held by NSDL | 7,452,727 | 74.47 |
| No. of Shares held by CDSL | 978,566 | 9.77 |
| Physical Shares | 1,568,707 | 15.76 |
| TOTAL | 10,000,000 | 100.00 |

Registrar and Transfer Agents **MCS Limited**
Sri Venkatesh BhawanW – 40, Okhla Industrial Area, Phase-II, New Delhi-110 020
Tel: 011-41406149-52 Fax No: 011-41709881
E-mail: admin@mcsdel.com

Share Transfer System All the transfers received are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month. Share Transfers are registered and returned within the prescribed period if documents are complete in all respects.

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity Not Issued

Plant Location 58th Km Stone, Delhi – Jaipur Highway
Village – Binola, Distt. Gurgaon – 122 413, Haryana

Address for correspondence Mr. Davendra Ujlayan GM (Finance & Accounts) & Company Secretary
58th Km Stone, Delhi – Jaipur Highway
Village – Binola, Gurgaon – 122 413
Tel. Nos.: 0124-2379444-6
E-mail ID: davendra@shivamautotech.com

B. NON-MANDATORY REQUIREMENTS

The Company has not adopted the non-mandatory requirements as specified in Annexure – I D of the Listing Agreement to the extent applicable except clause (2) relating to Remuneration Committee.

CEO & CFO CERTIFICATE

We hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of Internal Control Systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit committee:
 - (i) Significant changes in Internal Control over financial reporting during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

Place: New Delhi
Date: 25th July 2008

(Neeraj Munjal)
Managing Director

(Davendra Ujlayan)
GM (Finance & Accounts) &
Company Secretary

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF SHIVAM AUTOTECH LIMITED

We have reviewed the implementation of Corporate Governance procedures by Shivam Autotech Limited during the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s), with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

On the basis of our review and according to the information and explanations given to us, and the representations made by Directors and the Management, the conditions of Corporate Governance as stipulated in Corporate Governance Clause 49 of the listing agreement(s) with the stock exchange(s) have been complied with by the Company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

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. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K. TULSIAN
(PARTNER)
Membership No. 89907

New Delhi
Date: 25th July 2008

ANNEXURE 'C' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008.

| S. No | Name and Qualification | Designation | Remuneration (In Rs.) | Exp. (Years) | Age (Years) | Date of Commencement of Employment | Previous Employment & Designation |
|-------|----------------------------------|-------------------|-----------------------|--------------|-------------|------------------------------------|--|
| 1. | Mr. Neeraj Munjal B.Com, DIBM | Managing Director | 56,62,020/- | 20 | 41 | 01.04.2006 | Munjal Auto Industries Ltd. Executive Director |

NOTES:

1. Remuneration includes Basic Salary, Commission, other allowances and taxable value of perquisites and Company's contribution to provident fund.
2. The abovementioned appointment is on contractual basis.
3. Managing Director Mr. Neeraj Munjal is related to Mr. Satyanand Munjal, a Director of the Company.

ANNEXURE 'D' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988

(a) Conservation of Energy

The Company has continued its efforts to conserve energy by adopting the following measures:

- i) Elimination of waste at every stage of use.
- ii) Preventive maintenance of various equipment to keep them in good condition.
- iii) Improvement in power factor.

(b) Technology Absorption, Adaptation and innovation

The Company is continuously undertaking developmental activities. Engineering Department of the Company is continuously working on development of components and also development of alternate processes to enhance:

- i) Productivity and quality improvements.
- ii) Improved process performance and better cost management.
- iii) Enhancement of safety and better environment protection.

(c) Foreign Exchange Earnings and outgo

(Rs. In Lacs)

| | F.Y. ended on March 31, 2008 |
|-------------------------------------|------------------------------|
| (a) Total Foreign Exchange Earnings | 4.88 |
| (b) Total Foreign Exchange Outgo | 2934.50 |

AUDITORS' REPORT

TO THE MEMBERS OF SHIVAM AUTOTECH LIMITED

We have audited the attached Balance Sheet of Shivam Autotech Limited as at 31st March, 2008 and also the Profit & Loss Account and the Cash Flow Statement of the Company 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 have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (Collectively the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, 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 & Loss Account and Cash Flow Statement, dealt with by this report, comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting policies and Notes thereon, 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.S. KOTHARI MEHTA & CO.**

Chartered Accountants

(ARUN K. TULSIAN)

Partner
M.No.89907

Place: New Delhi

Dated: 25th July 2008

ANNEXURE TO AUDITORS' REPORT

(Annexure referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. There were no discrepancies noticed on such verification between the physical balances and fixed assets records.
(c) Fixed assets disposed off during the year were not substantial.
2. (a) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of inventory. Further stocks in the possession and custody of third parties as at 31st March 2008 have been verified by the management with reference to confirmations or statement of account or correspondence of the third parties. In our opinion, the frequency of such verification is reasonable.
(b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
(c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not granted any loan, secured or unsecured, to Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) The company has taken unsecured loan in the nature of advance against supplies, from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 1687.50 lacs and year end balance of such loan was Rs NIL. Apart from this, the company has not taken any other loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
(c) In our opinion, other terms and conditions of such loan are, prima facie, not prejudicial to the interest of the Company.
(d) In respect of the aforesaid loan, the company was regular in repayment of principal amount and interest due thereon as per the terms of the acceptance.
4. In our opinion, and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees five lakhs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.
9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues have been generally regularly deposited with the appropriate authorities

during the year and there are no such undisputed statutory dues outstanding as on the date of Balance Sheet for a period exceeding six months from the date they became payable.

- (b) According to the information & explanations given to us and as per the books and records examined by us, there are no dues in respect of Excise Duty, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Income Tax and Cess which have not been deposited on account of any dispute.
10. The company is in existence for less than 5 years. However, there are no accumulated losses of the Company at the end of the financial year. There are no cash losses during the financial year and in the immediately preceding financial year.
 11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank.
 12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. The Company does not fall within the category of Chit fund / Nidhi / Mutual Benefit fund / Society and hence the related reporting requirements are not applicable.
 14. The Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.
 15. The company has not given any guarantees for loans taken by others from bank or financial institution.
 16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained.
 17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short-term basis have not been applied for long term investments.
 18. 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.
 19. The Company has not issued any debentures nor has any outstanding debentures during the year.
 20. The Company has not raised any money by way of public issues during the year.
 21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

For **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants

(ARUN K. TULSIAN)
Partner
M.No.89907

Place: New Delhi

Dated: 25th July 2008

BALANCE SHEET AS AT MARCH 31, 2008

| | Schedules | As at 31st March, 2008 | As at 31st March, 2007 |
|---|-----------|---------------------------|---------------------------|
| SOURCES OF FUNDS | | | |
| (1) Shareholders' funds | | | |
| (a) Share Capital | 1 | 100,000,000 | 100,000,000 |
| (b) Reserves & Surplus | 2 | 575,930,691 | 472,892,315 |
| (2) Loan Funds | | | |
| Secured Loans | 3 | 1,213,667,892 | 481,369,509 |
| (3) Deferred Tax Liability | | | |
| (Refer note 14 of Schedule 12) | | 64,686,619 | 71,329,893 |
| TOTAL | | 1,954,285,202 | 1,125,591,717 |
| APPLICATION OF FUNDS | | | |
| (1) Fixed Assets | | | |
| Gross Block | 4 | 1,535,912,434 | 1,204,989,653 |
| Less: Depreciation | | 447,825,749 | 334,139,743 |
| Net Block | | 1,088,086,685 | 870,849,910 |
| Capital Work in Progress | | 450,767,446 | 14,250,644 |
| | | 1,538,854,131 | 885,100,554 |
| (3) Current Assets, Loans & Advances | 5 | | - |
| (a) Inventories | | 106,880,597 | 83,130,227 |
| (b) Sundry Debtors | | 217,772,736 | 210,226,890 |
| (c) Cash & Bank Balances | | 243,295,422 | 4,589,812 |
| (d) Loans & Advances | | 286,092,606 | 443,896,831 |
| | | 854,041,361 | 741,843,760 |
| Less: Current Liabilities & Provisions | 6 | | |
| (a) Current Liabilities | | 213,662,573 | 334,113,556 |
| (b) Provisions | | 224,947,717 | 167,239,041 |
| Net Current Assets | | 415,431,071 | 240,491,163 |
| TOTAL | | 1,954,285,202 | 1,125,591,717 |

Notes on Accounts & Accounting Policies 12

As per our report of even date
for **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K. TULSIAN
Partner
Membership No. 89907

For and on behalf of the Board

Sunil Kant Munjal
Neeraj Munjal
Bhagwan Dass Narang
Surrinder Lal Kapur
Vinayshil Gautam
Davendra Ujlayan

Sanjeev Chaba

Chairman
Managing Director
Director
Director
Director
GM (Finance & Accounts)
& Company Secretary
AGM (Finance & Accounts)

Place: New Delhi
Date: 25th July, 2008

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

| | | | (Amount in Rs.) |
|--|-----------|---|---|
| | Schedule | For the year ending 31st March, 2008 | For the year ending 31st March, 2007 |
| INCOME | | | |
| Gross Sales | | 1,443,844,652 | 1,511,142,761 |
| Less:- Excise duty | | 201,961,181 | 214,101,374 |
| Net Sales | | <u>1,241,883,471</u> | <u>1,297,041,387</u> |
| Other Income | 7 | 3,405,645 | 6,062,729 |
| Increase/(Decrease) in Stocks of Finished goods & WIP | 8 | (1,760,290) | 6,860,748 |
| | | <u>1,243,528,826</u> | <u>1,309,964,864</u> |
| EXPENDITURE | | | |
| Raw Material & Components Consumed | | 327,637,214 | 352,191,237 |
| Remuneration and Benefits to Employees | 9 | 103,792,760 | 91,122,470 |
| Manufacturing & Other Expenses | 10 | 484,425,420 | 488,901,620 |
| Interest & Other Financial Charges | 11 | 33,168,955 | 29,221,871 |
| Depreciation | 4 | 117,651,323 | 103,992,706 |
| | | <u>1,066,675,672</u> | <u>1,065,429,904</u> |
| Profit/(Loss) For The Period Before Taxation | | <u>176,853,154</u> | <u>244,534,959</u> |
| Less: Provisions for- | | | |
| Income Tax-Current | | 67,305,133 | 76,749,477 |
| Deferred Tax | | (6,643,273) | 6,926,235 |
| Wealth Tax | | 139,771 | 64,220 |
| Fringe Benefit Tax | | 1,436,969 | 1,168,376 |
| Profit after Tax | | <u>114,614,554</u> | <u>159,626,652</u> |
| Add: Profit brought forward from previous year | | 197,730,553 | 97,352,651 |
| Net Profit available for appropriation | | <u>312,345,107</u> | <u>256,979,303</u> |
| Less: Appropriations | | | |
| Amount transferred to General Reserve | | 30,000,000 | 30,000,000 |
| Proposed Dividend on Equity Shares | | 15,000,000 | 25,000,000 |
| Provision for Dividend Distribution Tax | | 2,549,250 | 4,248,750 |
| Balance carried over to Balance Sheet | | <u>264,795,857</u> | <u>197,730,553</u> |
| Basic & Diluted Earning Per Share face value Rs.10/- each | | <u>11.46</u> | <u>15.93</u> |
| Notes on Accounts & Accounting Policies | 12 | | |

As per our report of even date
for **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K. TULSIAN
Partner
Membership No. 89907

For and on behalf of the Board
Sunil Kant Munjal
Neeraj Munjal
Bhagwan Dass Narang
Surrinder Lal Kapur
Vinayshil Gautam
Davendra Ujlayan

Sanjeev Chaba

Chairman
Managing Director
Director
Director
Director
GM (Finance & Accounts)
& Company Secretary
AGM (Finance & Accounts)

Place: New Delhi
Date: 25th July, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|------------------------|------------------------|
| Cash Flow from operating activities | | |
| Profit Before Tax and extra ordinary items | 176,853,154 | 244,534,959 |
| Adjustments for : | | |
| Add | | |
| Depreciation | 117,651,323 | 103,992,706 |
| Loss on sale of Fixed Assets | 1,697,196 | 3,728,435 |
| Lease Rent paid | - | 918,864 |
| Interest Expenses | 33,168,955 | 29,221,871 |
| | 329,370,628 | 382,396,835 |
| Less | | |
| Gain on Foreign Exchange Rate Fluctuations | 99,533 | 13,448 |
| Interest Income | 181,904 | 20,305 |
| Profit on Sale of Investments | 285,368 | 2,248,127 |
| Dividend Income | 35,643 | 388,108 |
| | 602,447 | 2,669,989 |
| Operating Profit before working capital changes | 328,768,181 | 379,726,846 |
| Add | | |
| <u>Increase in Current Liabilities / Decrease in Current Assets</u> | | |
| Current Liabilities | - | 197,033,937 |
| Debtors | 7,545,846 | 511,270 |
| Working Capital Finance from Banks | 65,364,219 | 73,489,534 |
| Other current Assets | 157,804,225 | - |
| Provisions for Liability | 57,708,675 | 80,204,321 |
| | 288,422,966 | 351,239,063 |
| Less | | |
| <u>Decrease in Current Liabilities / Increase in Current Assets</u> | | |
| Inventories | 23,750,370 | 15,747,873 |
| Other Current Assets | - | 312,858,003 |
| Current Liabilities | 120,450,983 | - |
| | 144,201,353 | 328,605,875 |
| Less Direct Taxes Paid | 69,461,264 | 79,659,945 |
| Net Cash from Operating ActivitiesA | 403,528,530 | 322,700,089 |
| Cash Flow from investing activities | | |
| Add | | |
| Sale of Fixed Assets | 960,654 | 1,612,361 |
| Sale of Investment | 30,285,368 | 46,759,275 |
| Dividend Income | 35,643 | 388,108 |
| Interest Income | 181,904 | 20,305 |
| Profit on Sale of Investment | 285,368 | 2,248,127 |
| Gain on Foreign Exchange Rate Fluctuations | 99,533 | 13,448 |
| | 31,848,469 | 51,041,625 |
| Less | | |
| Purchases of Fixed Assets | 835,871,671 | 318,337,908 |
| Lease Rent paid | - | 918,864 |
| | 835,871,671 | 319,256,772 |
| Net Cash used in Investing ActivitiesB | (804,023,201) | (268,215,148) |
| Cash Flow from Financing activities | | |
| Add | | |
| Proceeds from Long Term Borrowings | 810,360,488 | 19,860,515 |
| Sales Tax Subsidy Received | 5,435,071 | 5,604,583 |
| Increase in Share capital | - | - |
| | 815,795,559 | 25,465,098 |

| | | |
|---|--------------------|---------------------|
| Less | | |
| Interest paid | 33,168,955 | 29,221,871 |
| Repayment of Long Term Borrowings | 143,426,323 | 47,823,675 |
| | 176,595,278 | 77,045,546 |
| Net Cash from Financing Activities | 639,200,281 | (51,580,449) |
| Net increase/(decrease) in Cash & Cash equivalents | 238,705,610 | 2,904,493 |
| Cash and Cash Equivalents at the beginning of the period | 4,589,812 | 1,685,320 |
| Cash and Cash Equivalents at the end of the period | 243,295,422 | 4,589,813 |
| Notes on Accounts | 12 | |

As per our report of even date
for **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K. TULSIAN
Partner
Membership No. 89907

For and on behalf of the Board

Sunil Kant Munjal
Neeraj Munjal
Bhagwan Dass Narang
Surrinder Lal Kapur
Vinayshil Gautam
Davendra Ujlayan

Sanjeev Chaba

Chairman
Managing Director
Director
Director
Director
GM (Finance & Accounts)
& Company Secretary
AGM (Finance & Accounts)

Place: New Delhi
Date: 25th July, 2008

SCHEDULES TO THE FINANCIAL STATEMENTS

| Schedule | For the year ending 31st March, 2008 | (Amount in Rs.) For the year ending 31st March,2007 |
|--|---|---|
| SCHEDULE -1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 1,26,00,000 (Previous Year 1,26,00,000) Equity Shares of Rs.10/- each | 1,26,00,000 | 1,26,00,000 |
| | 1,26,00,000 | 1,26,00,000 |
| Issued, Subscribed & Paid Up | | |
| 1,00,00,000 (Previous Year 1,00,00,000) Equity Shares of Rs.10/- each fully paid up. | 100,000,000 | 100,000,000 |
| | 100,000,000 | 100,000,000 |
| SCHEDULE -2 | | |
| RESERVES & SURPLUS | | |
| Capital Redemption Reserve | | |
| Opening | 500,000 | NIL |
| Add:- Transfer from General Reserve | - | 500,000 |
| Closing Balance | 500,000 | 500,000 |
| Sales Tax Subsidy from the Government of Haryana (Refer note 4 of Schedule 12) | | |
| Balance as per last Year | 38,337,927 | 32,733,344 |
| Add:- During the Year | 5,435,071 | 5,604,583 |
| Closing Balance | 43,772,998 | 38,337,927 |
| General Reserve | | |
| Balance as per last Account | 236,323,836 | 206,823,835 |
| Add: - Transferred from Profit & Loss account | 30,000,000 | 30,000,000 |
| - Retirement benefits | 538,000 | - |
| Less :- Transfer to Capital Redemption Resesrve | - | 500,000 |
| Closing Balance | 266,861,835 | 236,323,835 |
| Profit & Loss Account | 264,795,857 | 197,730,553 |
| TOTAL | 575,930,691 | 472,892,315 |
| SCHEDULE -3 | | |
| SECURED LOANS | | |
| A. Term Loans | | |
| From Banks: | | |
| from IDBI Bank Ltd. | 117,500,000 | 175,926,325 |
| from Hong Kong & Shangai Bank Ltd.(HSBC) | 524,400,000 | 203,750,000 |
| from ICICI Bank Ltd | 404,710,488 | - |
| Sub Total: | 1,046,610,488 | 379,676,325 |
| B. Working Capital borrowings | | |
| From Banks | 167,057,404 | 101,693,185 |
| Sub Total: | 167,057,404 | 101,693,185 |
| TOTAL: | 1,213,667,892 | 481,369,509 |
| Details of Securities: | | |
| 1. (a) Gurgaon Plant: Term Loans availed from IDBI amounting to Rs.11,75,00,000 and from HSBC amounting to Rs.11,87,50,000 are secured by an exclusive charge on the machinery at Gurgaon financed from the said loan. | | |
| (b) Haridwar Plant: Terms loans availed from HSBC amounting to Rs.40,56,50,000 and from ICICI amounting to Rs.40,47,10,488/- are secured by the Parri Passu charge over the entire Plant & Machinery insatllled at Haridwar, both present & future. | | |
| 2. Amount due with in one year Rs.1655.89 lacs (Previous Year Rs. 1435.25 lacs) | | |
| 3. Working Capital facilities availed from the Banks are secured by a first charge on inventories, receivables and all other current assets of the company. | | |

SCHEDULE-4
FIXED ASSETS
PARTICULARS

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|---|----------------------|--------------------|---------------------------|----------------------|--------------------|--------------------|---------------------------|------------------------|----------------------|--------------------|
| | AS ON 01.04.07 | ADDITIONS | DEDUCTION/ ADJUSTMENTS | AS AT 31.03.08 | AS ON 01.04.07 | FOR THE PERIOD | DEDUCTION/ ADJUSTMENTS | TOTAL UPTO 31.03.08 | AS AT 31.03.08 | AS AT 31.03.07 |
| A. FIXED ASSETS | | | | | | | | | | |
| LAND | 43,465,164 | 263,146,239 | - | 306,611,403 | | | - | - | 306,611,403 | 43,465,164 |
| BUILDING | 68,401,814 | 13,497,630 | - | 81,899,444 | 6,446,210 | 2,618,736 | - | 9,064,946 | 72,834,498 | 61,955,604 |
| PLANT & MACHINERY | 1,051,272,504 | 45,683,732 | 3,060,797 | 1,093,895,439 | 311,628,673 | 109,298,289 | 1,905,359 | 419,021,603 | 674,873,836 | 739,643,832 |
| COMPUTER | 6,601,046 | 1,038,613 | 381,996 | 7,257,663 | 3,909,311 | 1,148,311 | 381,996 | 4,675,626 | 2,582,037 | 2,691,735 |
| OFFICE EQUIPMENTS | 8,897,232 | 2,749,824 | - | 11,647,056 | 2,129,833 | 603,377 | - | 2,733,210 | 8,913,846 | 6,767,398 |
| FURNITURE & FIXTURE | 6,671,578 | 894,628 | - | 7,566,206 | 2,101,572 | 506,008 | - | 2,607,580 | 4,958,625 | 4,570,005 |
| VEHICLES | 12,526,922 | 10,118,829 | 3,080,750 | 19,565,001 | 2,925,796 | 1,651,721 | 1,245,455 | 3,332,062 | 16,232,940 | 9,601,127 |
| INTANGIBLE ASSET (Software & Licences) | 7,153,393 | 775,746 | 458,917 | 7,470,222 | 4,998,348 | 1,824,881 | 432,507 | 6,390,722 | 1,079,500 | 2,155,045 |
| TOTAL A | 1,204,989,653 | 337,905,241 | 6,982,460 | 1,535,912,434 | 334,139,743 | 117,651,323 | 3,965,317 | 447,825,749 | 1,088,086,685 | 870,849,910 |
| Previous Year | 918,146,676 | 294,629,493 | 7,786,516 | 1,204,989,653 | 232,592,756 | 103,992,706 | 2,445,720 | 334,139,743 | 870,849,910 | 685,553,920 |
| Capital Work in Process | 14,250,644 | | | 450,767,446 | | | | | 450,767,446 | |

Note:

- Capital work in progress includes pre-operative expenditure pending allocation of Rs. 590.92 lacs (Previous year Rs.48.17 lacs)
- Addition includes foreign exchange fluctuations Rs. NIL (Previous year Rs.5.44 lacs)
- Deduction/ Adjustment during the year in gross block and depreciation includes assets taken out of active use under the heads Plant & Machinery and computers amounting to Rs. 34.43 (Previous Year Rs.NIL) and Rs. 22.87 (Previous Year Rs. NIL) respectively.
- Conveyance deed of free hold land added during the year is pending for execution.

| | As at 31st March, 2008 | (Amount in Rs.) As at 31st March, 2007 |
|---|---------------------------|--|
| SCHEDULE -5 | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| Inventories | | |
| (As taken, valued and certified by management) | | |
| Raw Materials | 37,860,858 | 11,970,419 |
| Work in Process | 29,180,966 | 24,517,157 |
| Finished Goods | 1,520,446 | 8,198,345 |
| Consumable stores, Spares Dies & Tools | 37,994,494 | 38,408,106 |
| Packing Material | 37,633 | 3,800 |
| Scrap | 286,200 | 32,400 |
| | 106,880,597 | 83,130,227 |
| Sundry Debtors | | |
| (Unsecured, considered good unless otherwise stated) | | |
| For a period exceeding six months | 1,272,180 | - |
| Other Debts | 216,500,556 | 210,226,890 |
| | 217,772,736 | 210,226,890 |
| Cash & Bank Balances | | |
| Cash in hand | 224,577 | 324,468 |
| Balances with scheduled Banks: on current accounts | 243,070,845 | 4,265,344 |
| | 243,295,422 | 4,589,812 |
| Loans & Advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Loans & Advances to Employess | 800,295 | 697,385 |
| Advances recoverable in cash or in kind or value to be received(including Capital advances of Rs.4,29,29,962/- (Previous Year Rs.2,89,49,708/-) | 57,144,299 | 40,843,766 |
| Advance for Land Purchase | - | 225,000,000 |
| Advance Tax & Tax deducted at source | 206,915,997 | 137,223,195 |
| Balance with Govt. departments and others | 13,296,040 | 32,298,150 |
| Deposits & Security | 7,935,975 | 7,834,335 |
| | 286,092,606 | 443,896,831 |
| | 854,041,361 | 741,843,760 |
| SCHEDULE - 6 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| Current Liabilities | | |
| Sundry Creditors:* | | |
| Micro, Small and Medium Enterprises/ Small Scale Industries | - | 14,283,312 |
| Others | 206,657,496 | 125,868,399 |
| * including creditors for Capital Supplies Rs.3,81,64,513/- (Previous Year Rs.2,89,49,708/-) | | |
| Total (A) | 206,657,496 | 140,151,711 |
| Advances From Customers | 124,789 | 169,288,269 |
| Due to Directors | 2,050,748 | 2,627,185 |
| Security Deposit | 548,981 | 548,981 |
| Bank book overdraft | - | 10,407,210 |
| Other Liabilities | 3,493,229 | 10,696,475 |
| Investor Education & Protection Fund* | | |

| | As at 31st March, 2008 | (Amount in Rs.) As at 31st March, 2007 |
|---|-----------------------------------|---|
| Unpaid dividend | 787,330 | 393,725 |
| Total (B) | 7,005,077 | 193,961,845 |
| Total (A+B) | 213,662,573 | 334,113,556 |
| * There is no amount due and outstanding to be credited to Investor Education and Protection Fund | | |
| Provisions | | |
| Proposed Dividend on equity shares | 15,000,000 | 25,000,000 |
| Dividend Tax | 2,549,250 | 4,248,750 |
| Income Tax | 200,242,549 | 132,937,416 |
| Wealth Tax | 232,340 | 92,569 |
| Fringe Benefit Tax | 3,266,857 | 1,829,888 |
| Retirement Benefits | 3,656,721 | 3,130,418 |
| | 224,947,717 | 167,239,041 |
| SCHEDULE - 7 | | |
| OTHER INCOME | | |
| Miscellaneous receipts | 612,374 | 563,287 |
| Interest (TDS Rs. 37,473/-, previous year Rs.NIL) | 181,904 | 20,305 |
| Dividend received on current investment (non trade) | 35,643 | 388,109 |
| Cash Discount | 2,190,823 | 2,829,453 |
| Profit on Sale of Current Investments | 285,368 | 2,248,127 |
| Gain on Foreign Exchange Rate Fluctuations | 99,533 | 13,448 |
| | 3,405,645 | 6,062,729 |
| SCHEDULE - 8 | | |
| INCREASE/(DECREASE) IN STOCKS OF FINISHED GOODS & WORK IN PROCESS | | |
| Closing Stocks | | |
| Finished Goods | 1,520,446 | 8,198,345 |
| Work in Process | 29,180,966 | 24,517,157 |
| Scrap | 286,200 | 32,400 |
| | 30,987,612 | 32,747,902 |
| Opening Stock | | |
| Finished Goods | 8,198,345 | 4,153,357 |
| Work in Process | 24,517,157 | 21,650,629 |
| Scrap | 32,400 | 83,168 |
| | 32,747,902 | 25,887,154 |
| Increase/ (Decrease) | (1,760,290) | 6,860,748 |
| SCHEDULE - 9 | | |
| REMUNERATION & BENEFITS TO EMPLOYEES | | |
| Salaries & Wages (Including Managerial Remuneration) | 83,805,765 | 74,251,454 |
| Contribution to Provident Fund and other Funds | 7,743,409 | 5,335,085 |
| Retirement benefits | 3,512,739 | 2,696,687 |
| Staff & Labour Welfare Expenses | 8,730,847 | 8,839,244 |
| | 103,792,760 | 91,122,470 |
| SCHEDULE - 10 | | |
| MANUFACTURING & OTHER EXPENSES | | |
| Stores, Spares, Tools & Dies consumed | 127,023,944 | 126,316,829 |
| Power & Fuel | 107,400,592 | 105,202,038 |
| Packing Materials consumed | 443,715 | 471,139 |

| | As at 31st March, 2008 | (Amount in Rs.) As at 31st March, 2007 |
|--|---------------------------|--|
| Rent (including lease rent) | - | 918,864 |
| Repair & Maintenance: | | |
| - To Building | 5,938,656 | 2,412,708 |
| - To Machinery | 6,278,642 | 8,123,401 |
| - To Others | 1,092,669 | 934,354 |
| Insurance | 6,457,314 | 5,274,660 |
| Rates & Taxes | 393,139 | 247,124 |
| Wages to contractors | 29,563,802 | 24,794,607 |
| Job work charges | 154,417,809 | 174,701,610 |
| Travelling & Conveyance | 15,206,687 | 14,215,871 |
| - As Audit fess | 150,000 | 150,000 |
| - Limited Review | 60,000 | 60,000 |
| - Out of pocket expenses | 46,780 | 96,002 |
| Cost Auditors Remuneration | | |
| - As Audit Fees | 52,800 | 20,000 |
| Professional charges | 7,159,367 | 3,782,983 |
| Freight outward | 659,498 | 846,705 |
| Donation | 558,900 | 260,000 |
| Miscellaneous expenses | 18,591,345 | 13,459,851 |
| Loss on sale/discard of Fixed Assets | 1,697,196 | 3,728,436 |
| Sundry balances written off/ (back) (Net) | - | 211,293 |
| Security service charges | 2,143,758 | 2,144,087 |
| Excise duty difference on stocks of finished goods (Net) | (911,193) | 529,058 |
| | 484,425,420 | 488,901,620 |
| SCHEDULE - 11 | | |
| INTEREST & FINANCIAL CHARGES | | |
| Interest : | | |
| - On Fixed Loans | 21,638,361 | 26,613,275 |
| - On working capital borrowings | 10,876,020 | 2,044,129 |
| - Int. -Others | 4,876 | - |
| Bank Charges & Commission | 649,698 | 564,467 |
| | 33,168,955 | 29,221,871 |

SCHEDULE FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH,2008

SCHEDULE -12

SIGNIFICANT ACCOUNTING POLICIES, NOTES ON ACCOUNTS AND INFORMATION PURSUANT TO PROVISIONS OF SCHEDULE VI OF THE COMPANIES ACT,1956

I. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared under Historical Cost Convention in accordance with applicable Accounting Standards issued by The Institute of Chartered Accountant of India and relevant requirements of the Companies Act,1956. The accounting policies not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles.

1) System of Accounting

The Company follows mercantile system of accounting and recognises income & expenditure on accrual basis to the extent measurable and where there is certainty of ultimate realisation in respect of income.

2) Fixed Assets

- a) All fixed assets are valued at cost and stated net of depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and is net of Cenvat Credit and VAT credit.
- b) Depreciation has been provided for on straight -line method in the manner and at the rates as prescribed in Schedule XIV of the Companies Act, 1956. Fixed Assets costing Rs.5000/- or less are fully depreciated in the year of acquisition
- c) Inangible Assets, being expenditure on software, including licence fees and implementation cost ,it is provided at the rate of 25% considering estimated life thereof.
- d) Expenditure during construction period
Expenditure related to and incurred during implementation of new/expansion projects is included under Capital Work - in-progress and the same allocated to the respective Fixed Assets on completion of its construction/ erection. Interest on borrowing costs relating to the qualifying asset is worked out on the basis of actual utilisation of funds out of project specific loan and/ or other borrowings to the extent identifiable with the qualifying asset and are capitalised with the cost of qualifying assets.

3) Inventories

- a) Raw material, stores and spares, packing materials, components, work in progress and finished goods are valued at cost or net realisable value, whichever is lower. Cost of purchases is ascertained on first in first out (FIFO) method.
- b) Scrap is valued at estimated net realisable value.
- c) Excise duty liability on Finished Goods lying in factory is accounted for and the corresponding amount is considered for the valuation thereof.

4) Tools & Dies

The consumable Tools & Dies are charged to Profit & Loss Account in the year they are put to use.

5) Sales & Purchases

- (i) Domestic sales are accounted for inclusive of excise duty but net of sales tax. Sales net of excise duty is also disclosed separately.
- (ii) Sales are accounted for at the point of removal of goods from the factory.
- (iii) The cost of purchase consists of purchase price including duties and taxes and other expenditure directly attributable to acquisition but net of Cenvat, Service Tax, Value Added Tax ,trade discount and rebates.

6) Retirement Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employee Benefits (Revised 2005) issued by the ICAI.

(a) Provident Fund and Employee State Insurance

The Company makes contribution to statutory provident fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provisions Act , 1952 and Employee State Insurance Act, 1952 respectively which is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(b) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recongnised in the balance sheet in respect of gratuity is the present value of the defined benefit/obligation at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses and past service costs.

The defined benefit/obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and loss account in the year to which such gains or losses relate.

(c) **Compensated Absences**

Liability in respect of compensated absences becoming due or expected after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent Actuary using the projected unit credit method.

(d) **Other Short Term Benefits**

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and loss account in the year to which such gains or losses relate.

7) Taxation

The provision for Current Tax and Fringe Benefit Tax is computed in accordance with the provisions of the Income Tax Act 1961. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

8) Foreign Currency Transactions

Transactions denominated in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction. Assets and liabilities denominated in foreign currency are converted into rupee at the closing rate of the last day of the financial year and the exchange rate difference is recognised as revenue / expenses for the year.

9) Impairment of Assets

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the assets carrying amount exceeds its recoverable amount being the higher of the assets net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units). Previously recognized impairment losses, relating to assets other than goodwill, are reversed where the recoverable amount increases because of favourable changes in the estimates used to determine the recoverable amount since the last impairment was recognized. A reversal of an asset impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortization) had no impairment.

10) Provisions and contingent Liabilities

Provisions are recognized for present obligations of uncertain timing or amount arising as a result of a past event where a reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where it is not probable that an outflow of resources embodying economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of resources embodying economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain events, are also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefit is remote.

II. NOTES TO ACCOUNTS

1 Details of Contingent Liabilities

| | 2007-08 | 2006-07 |
|---|----------------|----------------------|
| | | (Rs. In lacs) |
| a) Unexpired Letter of Credit | 1,652.19 | 1,438.00 |
| b) Excise show cause notice being contested by the Company | 83.90 | 53.83 |
| 2 Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) - Rs. 2558.22 (Previous Year Rs. 3531.68) | | |
| 3 There are no present obligations requiring provision in accordance with the guiding principles as enunciated in Accounting Standard "AS 29" as it is not probable that an outflow of resources embodying economic benefits will be required. | | |
| 4 The details of Pre-operative Expenditure pending allocation included in the Capital Work in Progress : | | |
| | | (Rs. In lacs) |
| | 2007-08 | 2006-07 |
| Amount Brought Forward from the Previous year | 48.17 | - |

| | | |
|---|---|-----------------------|
| Add: Expenditure incurred during the year | | |
| Financial Charges | 481.72 | 48.17 |
| Admn. Charges | 61.01 | - |
| Depreciation | 0.02 | - |
| Amount carried forward under Capital Work In Progress | <u>590.92</u> | <u>48.17</u> |
| 5 Details of Prior period items | | |
| | | (Rs. In lacs) |
| | <u>2007-08</u> | <u>2006-07</u> |
| Expenses | - | 0.17 |
| Income | - | - |
| | <u>-</u> | <u>0.17</u> |
| 6 | Company has availed sales tax incentive amounting to Rs.437.73 Lacs (Previous Year 383.38 lacs) by the end of 31st March, 2008 in the form of deferment, to be converted later into capital subsidy, in accordance with the scheme of the Govt. of Haryana for development of Industries. The amount is payable to the Government if specified conditions are not fulfilled. Considering the nature of incentive and legal opinion taken by the company, the amount is treated as Capital Receipt and disclosed as such in the Balance Sheet. | |
| 7 | Expenditure on insurance includes Rs.6.30 Lacs (Previous Year Rs.6.30 lacs) being the premium paid under Keyman Insurance Schemes to cover risks on life of Key Management personnel. Benefits to the Company under the said scheme depend on various factors including resignation/survival of the said personnel or premature surrender of the policy. Such benefits will be accounted in the year in which they become due. | |
| 8 | Pursuant to the notification of Accounting Standard AS-11 in the Companies (Accounting Standards) Rules, 2006, the company has changed the accounting policy of treating foreign exchange differences on foreign exchange loans/ liabilities from considering them as part of cost of fixed assets acquired from a country outside India to charging them off to profit & loss account from this year. This has no impact on results for the year as there are no such transactions this year. | |
| 9 | Micro, Small & Medium Enterprise Development Act,2006 | |
| | The Company is in the process of compiling information from its suppliers regarding their status under the above Act and hence disclosure, if any, of the amounts unpaid as at the year end together with the interest paid/payable as required has been given to the extent of information available. | |
| | | (Rs. In lacs) |
| | <u>2007-08</u> | <u>2006-07</u> |
| (a) The Principal amount and interest due | - | - |
| (b) Interest paid under MSMED Act, 2006 | - | - |
| (c) Interest Due (Other than 9(b)) | - | - |
| (d) Interest accrued and unpaid | - | - |
| (e) Interest due and payable till actual payment | - | - |
| 10 | Managerial Remuneration | |
| | | (Rs. In lacs) |
| | <u>2007-08</u> | <u>2006-07</u> |
| Salaries | 18.00 | 11.40 |
| Commission | 18.37 | 24.85 |
| Contribution to PF and other Funds | 2.25 | 1.37 |
| Other Allowances | 18.00 | 11.40 |
| | <u>56.62</u> | <u>49.02</u> |

11 Computation of net profit in accordance with the provisions of Section 349 of the Companies Act, 1956

| | <u>2007-08</u> | <u>2006-07</u> |
|--|-----------------|-----------------|
| | | (Rs. In lacs) |
| Profit as per Profit & Loss before taxation | 1,786.90 | 2,445.35 |
| Add: | | |
| Managerial Remuneration | 36.00 | 49.02 |
| Loss on sale/ discard of Fixed Assets | 16.97 | 37.28 |
| Less: | | |
| Profit on sale of investments | 2.85 | 22.48 |
| Net Profit pursuant to Section 349 for the purpose of Director Remuneration | <u>1,837.02</u> | <u>2,484.71</u> |
| Director's Commission (restricted in terms of the agreements with reference to salaries ,allowances and limits prescribed under the Companies Act) | | |
| 1% of Net Profit to Managing Director | 18.37 | 24.85 |

12 Earning Per Share (EPS) as per Accounting Standard -20

| | <u>2007-08</u> | <u>2006-07</u> |
|---|----------------|----------------|
| | | (In rupees) |
| Net Profit After Taxation as per Profit & Loss Account | 114,614,554.20 | 159,626,651.92 |
| Basic/ Weighted Average Number of Equity Shares outstanding during the year | 10,000,000 | 10,020,833 |
| Nominal Value of Equity shares | 10.00 | 10.00 |
| Basic & Diluted Earnings Per Share | 11.46 | 15.93 |

13 During the year, the company has purchased and sold the following investments

| | Purchase | | Sale | |
|----------------------|----------|-----------|---------|-----------|
| | Units | Value | Units | Value |
| Fidelity Cash Fund | 503,441 | 5,000,000 | 503,441 | 5,042,566 |
| Birla Sun Life | 308,919 | 5,000,000 | 308,919 | 5,083,577 |
| Tata Liquid Fund | 4,377 | 5,000,000 | 4,377 | 5,009,684 |
| HDFC Cash Management | 474,420 | 5,000,000 | 474,420 | 5,043,744 |
| Kotak Flexi Debt | 498,080 | 5,000,000 | 498,080 | 5,061,088 |
| ICICI prudential | 426,333 | 5,000,000 | 426,333 | 5,044,709 |

14 Disclosure as per AS 15 revised

The principal assumption used in actuarial valuation are given below:-

| | | |
|---|------------------------------|--|
| - Discount rate | | 8.00% |
| - Expected rate of return on assets | | 0.00% |
| - Expected rate of future salary increase | | 5.50% |
| | Gratuity (Funded) | Leave Encashment (Unfunded) |
| Change in present value of obligations | | |
| - Present value of obligations as at 01.04.2007 | 23.71 | 18.30 |
| - Interest Cost | 1.90 | 1.46 |
| - Current Service Cost | 10.46 | 10.33 |
| - Benefits Paid | (6.09) | (5.56) |
| - Actuarial loss on obligations | 12.90 | 6.18 |
| Present value of obligations as at 31.03.2008 | <u>42.88</u> | <u>30.71</u> |

| | | |
|--|---------------------|---------------------|
| Changes in fair value of plan assets | | Not Applicable |
| - Fair value of plan assets at the beginning of the period | 18.86 | |
| - Acquisition adjustment | - | |
| - Expected return on plan assets | 1.70 | |
| - Contributions | 22.69 | |
| - Benefits paid | (6.09) | |
| - Actuarial gain/(loss) on plan assets | (0.14) | |
| Fair value of plan assets at the end of the period | 37.02 | |
| Liability recognized in Balance Sheet | | |
| - Present value of obligations as at 31.03.2008 | 42.88 | 30.71 |
| - Fair value of plan assets as at the end of the year | 37.02 | - |
| - Funded Status | (5.86) | |
| - Excess of actual over estimated | (0.14) | |
| - Unfunded status | - | 30.71 |
| - Unrecognised Actuarial (Gain). Loss | (5.86) | - |
| - Net (Assets)/ Liabilities recognized in Balance Sheet | <u>5.86</u> | <u>30.71</u> |
| Expenses recognized in Profit and Loss Account | | |
| - Current Service Cost | 10.46 | 10.33 |
| - Past Service Cost | | |
| - Interest Cost | 1.90 | 1.46 |
| - Expected return on Plan assets | | |
| - Net Actuarial (Gain). Loss recognized during the year | <u>12.90</u> | <u>6.18</u> |
| Total Expenses | <u>25.26</u> | <u>17.97</u> |

Disclosure in respect of previous four annual periods as required by Revised AS 15 is not presented as the management considers it impracticable in absence of requisite information.

Provident Fund and ESI

The Company makes contribution to statutory provident fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952 and Employee State Insurance Act, 1948 respectively. This is post employment benefit and is in the nature of defined contribution plan. Contribution made by the Company during the year is Rs. 30.96 lacs. (Previous year Rs. 28.35 lacs)

15 Deferred Tax Liabilities on taking into account the impact of timing differences between financial statements and estimated taxable income.

The breakup of Deferred Tax Liabilities/ (Assets) (Net) is as under:

| | <u>2006-07</u> | | <u>2007-08</u> | | (Rs. In lacs) |
|--|--------------------------|--|--------------------------|---|--------------------------|
| A. Deferred Tax Liabilities | Balance as on 01.04.2006 | Charge (Credit) during the year to P & L | Balance as on 01.04.2007 | Charge(Credit) during the Year to P & L | Balance as on 31.03.2008 |
| Tax Effect of excess Net Block of Fixed assets as per the books of account over written down value as per the income tax computation | 649.59 | 73.61 | 723.20 | (63.90) | 659.30 |
| B. Deferred Tax Assets | | | | | |
| Retirement benefits * | (5.55) | (4.35) | (9.90) | (2.53)* | (12.43) |
| Net Deferred Tax Liabilities (A-B) | 644.04 | 69.26 | 713.30 | (66.43) | 646.87 |

* Net of deferred tax charge on transitional provision of revised AS-15 on Employee Benefits adjusted in opening reserves.

16 As the Company's business activity falls within a single primary business segment viz. Motorcycles Parts, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India, are not applicable.

17 **Related parties disclosure:**

a) **Key Managerial Personnel**

Mr. Neeraj Munjal, Managing Director

b) **Enterprises which are able to exercise significant influence over the company**

Hero Cycles Limited

Sunbeam Auto Limited

c) **Enterprises over which key management personnel and their relatives are able to exercise significant influence**

Hero Honda Motors Limited

Rockman Industries Limited

Puja Investments Private Limited

Anadi Investments Private Limited

Hero Investments Private Limited

Hero Corporate Services Limited

Munjal Auto Industries Ltd.

Satyam Auto Components Limited

Highway Industries Limited

Dayanand Munjal Investments Limited

Bahadur Chand Investments Private Limited

Thakurdevi Investments Private Limited

Bhagyoday Investments Private Limited

Munjal Investments Private Limited

Highway Industries Limited

Munjal Acme Packaging Systems Ltd.

d) **Transaction with the related parties during the year**

i) **Key Managerial Personnel**

(Rs. In lacs)

| | <u>2007-08</u> | <u>2006-07</u> |
|---------------------------|----------------|----------------|
| To the Managing Director: | | |
| Remuneration | 38.25 | 24.17 |
| Commisison | 18.37 | 24.85 |
| Total | 56.62 | 49.02 |
| To other Directors: | | |
| As sitting Fee | 8.40 | 1.60 |
| Total | 8.40 | 1.60 |

ii) **Enterprises which are able to exercise significant influence over the Company**

| | | |
|---|--------|--------|
| Purchase of Fixed Assets | 187.50 | 554.00 |
| Payment of rent | - | 7.08 |
| Miscellaneous Purchases and other Services | - | 2.15 |
| Balance outstanding at the end of the year payables | 187.56 | 375.29 |

iii) **Enterprises over which key management personnel and their relatives are able to exercise significant influence**

| | | |
|--|-----------|-----------|
| Sale of Goods (inclusive of Excise Duty & Sales Tax) | 14,595.99 | 15,337.15 |
| Purchase of Goods (inclusive of Fixed Assets) | 5.08 | 14.22 |
| Miscellaneous Purchase and other Services | 57.82 | 48.59 |
| Customer loan repaid | 1,687.50 | 562.50 |
| Interest paid on loan | 31.68 | - |
| Balance outstanding at the end of the year | | |
| Receivables | 2,104.12 | 2,042.88 |
| Payables | 42.51 | 1,733.39 |
| Loan from Customer | - | 1,687.50 |

18 Previous year figures have been regrouped/ rearranged wherever applicable, to facilitate comparison.

III. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT,1956

1. Particulars in respect of licenced and installed capacities: (in nos.)

| Class of Goods | Licensed Capacity | | Installed Capacity | |
|-------------------------|-------------------|---------|--------------------|------------|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Gear Components: | | | | |
| Forging Components | N.A. | N.A. | 22,950,000 | 22,950,000 |
| Gear Blank Machining | N.A. | N.A. | 26,280,000 | 26,280,000 |
| Gear Finishing | N.A. | N.A. | 11,760,000 | 11,760,000 |

(i) The installed capacity is on annualised basis and is as certified by the management and relied upon by the auditors being a technical matter . The installed capacity is calculated on triple shift basis.

(ii) Actual production of Forging Components and Gear blanks Machining depends on exact specification of the product. The quantities are indicative of production ,with specifications, which are considered representative of estimated average product mix.

2. Particulars in respect of opening and closing stock of finished goods produced

(Amt. in Lacs)

| Class of Goods | Opening Stock | | | | Closing Stock | | | |
|-----------------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|
| | 2007-08 | | 2006-07 | | 2007-08 | | 2006-07 | |
| | Qty.(in Nos.) | Value | Qty.(in Nos.) | Value | Qty.(in Nos.) | Value | Qty.(in Nos.) | Value |
| Gear Components | 189793 | 81.98 | 100329 | 41.53 | 34991 | 15.20 | 189793 | 81.98 |

3. Details of Production and sales

| Class of Goods | Production | | Sales | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| | Qty.(in Nos.) | Qty.(in Nos.) | Qty.(in Nos.) | Value |
| Gear Components | 21,198,280 | 22,639,073 | 21,353,082 | 14,438.45 |
| | | | | 2006-07 |
| | | | | Qty.(in Nos.) |
| | | | | Value |
| | | | | 22,549,609 |
| | | | | 15,111.43 |

* includes sales of Scrap of Rs. 168.25 lacs (Previous Year Rs.157.39 lacs) and Export Sales of Rs.4.86 lacs (Previous Year Rs.NIL)

4. Raw Material, processing materials and components consumption:

(Amt. In lacs)

| Class of Goods | 2007-08 | | 2006-07 | |
|---------------------------|-----------|-----------------|-----------|-----------------|
| | Qty. | Value | Qty. | Value |
| Alloy Steel (Qty. in MT)# | 6,306 | 2,795.11 | 6,605 | 2,956.71 |
| Bought out parts (Nos.) | 2,427,319 | 481.26 | 2,287,266 | 565.20 |
| | | <u>3,276.37</u> | | <u>3,521.91</u> |

5. Value of Imported and Indigenous Raw Materials and Stores consumed and percentage thereof

(Amt. In lacs)

| Class of Goods | 2007-08 | | 2006-07 | |
|------------------------------------|-----------------|------|-----------------|------|
| | Value | %age | Value | %age |
| <i>Raw Material and Components</i> | | | | |
| Imported | - | 0% | - | 0% |
| Indigenous: | <u>3276.37</u> | 100% | <u>3521.91</u> | 100% |
| | <u>3,276.37</u> | | <u>3,521.91</u> | |

Stores,spares, Tools & Dies consumed

| | | | | |
|------------|-----------------|-----|-----------------|-----|
| Imported | 108.89 | 9% | 201.71 | 16% |
| Indigenous | <u>1,161.35</u> | 91% | <u>1,061.46</u> | 84% |
| | <u>1,270.24</u> | | <u>1,263.17</u> | |

6. Expenditure in foreign Currency (on cash basis)

| | <u>2007-08</u> | <u>2006-07</u> |
|--------------------|-----------------------|-----------------------|
| Foreign Travelling | 27.15 | 19.81 |
| | <u>27.15</u> | <u>19.81</u> |

7. CIF Value of Imports

| | | |
|-----------------------------|-----------------|----------------|
| Raw Materials, BOP & spares | 108.89 | 201.71 |
| Capital Goods | 2,798.46 | 1,421.37 |
| | <u>2,907.35</u> | <u>1623.07</u> |

8. Earning in Foreign Exchange

| | | |
|----------------------|------|-----|
| FOB value of Exports | 4.88 | NIL |
|----------------------|------|-----|

As per our report of even date
for S. S. KOTHARI MEHTA & CO.
 Chartered Accountants

ARUN K. TULSIAN
 Partner
 Membership No. 89907

For and on behalf of the Board
 Sunil Kant Munjal
 Neeraj Munjal
 Bhagwan Dass Narang
 Surrinder Lal Kapur
 Vinayshil Gautam
 Davendra Ujlayan

 Sanjeev Chaba

Chairman
 Managing Director
 Director
 Director
 Director
 GM (Finance & Accounts)
 & Company Secretary
 AGM (Finance & Accounts)

Place: New Delhi
 Date:25th July, 2008

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

| | | |
|-------------|--|------------------------------|
| I. | Registration Details | |
| | <i>Registration No.</i> | <i>State Code</i> |
| | 1 3 9 5 6 3 | 5 5 |
| | <i>Balance Sheet Date</i> | |
| | 3 1 0 3 2 0 0 8 | |
| II. | Capital raised during the year (Amount in Rs.'000) | |
| | <i>Public Issue</i> | <i>Rights issue</i> |
| | N I L | N I L |
| | <i>Bonus Issue</i> | <i>Private Placement</i> |
| | N I L | N I L |
| III. | Position of Mobilisation and Deployment of Funds (Amount in Rs.'000) | |
| | Total Liabilities | Total Assets |
| | 1 9 5 4 2 8 5 | 1 9 5 4 2 8 5 |
| | Sources of Funds | |
| | <i>Paid up capital</i> | <i>Reserve & Surplus</i> |
| | 1 0 0 0 0 0 | 5 7 5 9 3 1 |
| | <i>Secured Loans</i> | <i>Unsecured Loans</i> |
| | 1 2 1 3 6 6 8 | N I L |
| | <i>Deferred Tax Liability</i> | |
| | 6 4 6 8 7 | |
| | Application of Funds | |
| | <i>Net Fixed Assets</i> | <i>Investments</i> |
| | 1 5 3 8 8 5 4 | N I L |
| | <i>Net Current Assets</i> | <i>Misc. Expenditure</i> |
| | 4 1 5 4 3 1 | N I L |
| IV. | Performance of Company (Amount in Rs.'000) | |
| | <i>Turnover</i> | <i>Total Expenditure</i> |
| | 1 4 4 3 8 4 5 | 1 0 6 6 7 |
| | <i>Profit Before Tax</i> | <i>Profit After Tax</i> |
| | 1 7 6 8 5 3 | 1 1 4 6 1 5 |
| | <i>Earning Per Share in Rs.</i> | <i>Dividend in %</i> |
| | 11.46 | 15% |
| V. | Generic Name of Three Principal Products of Company (as per monetary terms) | |
| | <i>Item Code No.</i> | |
| | 8 7 1 4 1 9 0 0 | |
| | <i>Product description</i> | |
| | M O T O R C Y C L E P A R T S | |

SHIVAM AUTOTECH LIMITED

Regd. Office: 2A/3, Asaf Ali Road, New Delhi – 110 002

3rd Annual General Meeting ATTENDANCE SLIP

Folio No. _____

No. of Shares(s) Held: _____

Client ID.*

D.P ID.*

Name(s) in full

Father/Husband's Name

Address as registered with the company

1. _____

2. _____

3. _____

I/We hereby record my/our presence at the 3rd Annual General Meeting of the Company being held at The Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi – 110001 on Friday, the 19th September, 2008 at 11.00 A.M.

Signature of the Member(s)/Proxy

1. _____ 2. _____ 3. _____

*Applicable for members holding share(s) in electronic form

Notes:

1. A member / proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance of meeting hall.
2. A member intending to appoint a proxy, should complete the Proxy Form printed below and deposit it at the Company's Registered Office not later than 48 hours before the commencement of the meeting.

SHIVAM AUTOTECH LIMITED

Regd. Office: 2A/3, Asaf Ali Road, New Delhi – 110 002

3rd Annual General Meeting PROXY FORM

Folio No. _____

No. of Shares(s) Held: _____

Client ID.*

D.P. I.D.

Name(s) in full

Father/Husband's Name

Address as registered with the company

1. _____

2. _____

3. _____

being a member(s) of Shivam Autotech Limited hereby appoint _____ of _____ or falling him / her _____ of _____ as my / our proxy to vote for me / us on my / our behalf at the 3rd Annual General Meeting of the Company * at 11.00 a.m. and any adjournment thereof.

Signature of the Member(s)

Signature of Proxy

1. _____ 2. _____ 3. _____

*Applicable for members holding share(s) in electronic form Affix a 1 Rupee Revenue Stamp

* Schedule to be held on Friday 19th September 2008 at 11 A.M. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi-110001

Affix a
1Rupee
Revenue
Stamp

Note: The proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.