

2006-2007

**Gabriel India Limited**

annual report 2007

***GABRIEL***

# Gabriel India Limited

## Board of Directors

Deep C Anand  
Chairman

K N Subramaniam  
Managing Director

Russi Jal Taraporevala  
C S Patel  
Ravi K Sinha  
Jaithirth Rao  
Padmini Khare Kaicker  
M S Sandhu  
Arvind Walia - Wholetime Director

## Financial Controller & Company Secretary

Manoj Tulsian

## Bankers

Standard Chartered Bank  
Bank of India  
ICICI Bank  
Punjab National Bank  
IndusInd Bank  
Citi Bank

## Auditors

Price Waterhouse & Co.

## Solicitors

Udwadia & Udeshi

## Corporate Offices

1 Sri Aurobindo Marg  
New Delhi 110 016

Magnet House  
N M Marg  
Ballard Estate  
Mumbai 400 038

## Registered office

29th Milestone  
Pune-Nashik Highway  
Village Kuruli  
Taluka Khed  
Pune 410 501  
(Maharashtra)  
Tel: 02135-261091/098/012  
Fax: 02135-561935  
mail: secretarial@  
gabriel.co.in

## Manufacturing Facilities

Chander Nagar Indl. Area  
Delhi-Jaipur Highway  
Gurgaon 122 001 (Haryana)

B-2 MIDC  
Ambad Indl. Area  
Nashik 422 010 (Maharashtra)

5, Industrial Area No. 3  
Agra-Mumbai Road  
Dewas 455 001  
(Madhya Pradesh)

Plot No. 5, Sector II  
Parwanoo 173 220  
(Himachal Pradesh)

29th Milestone  
Pune-Nashik Highway  
Village Kuruli  
Taluka Khed  
Pune 410 501 (Maharashtra)

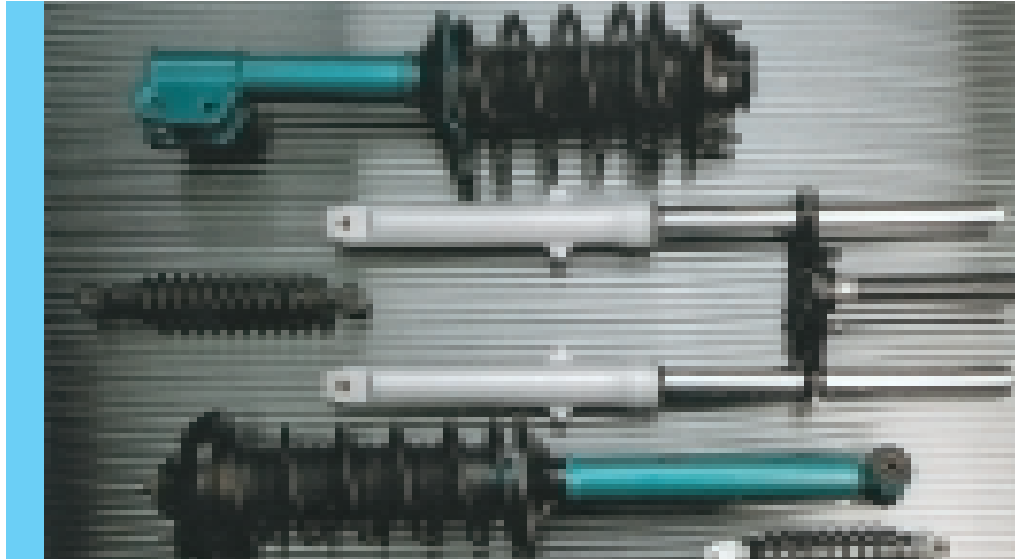
52-55, S.No. 102/3 -106 (PT)  
Sipcot, Phase - II  
Moranapalli Village  
Hosur 635 109 (Tamil Nadu)

B-193, Phase -II  
Dist. Gautam Budh Nagar  
Noida 201 305 (Uttar Pradesh)

## Financial Highlights

	2006-07	2005-06
Domestic Sales (Rs Million)	5941.8	5461.2
Export Sales (Rs Million)	69.4	156.2
Total Sales (Rs Million)	6011.2	5617.4
Profit Before Tax (Rs Million)	981.5	152.9
PBT as a % to Sales	16.3	2.7
Profit After Tax (Rs Million)	731.1	88.4
PAT as a % to Sales	12.2	1.6
Return on Net Worth (%)	55.9	8.9
Net Worth per Share (Rs)	18.2	13.9
Earning per Share (Rs) - Basic & Diluted	10.2	1.2
Dividend per Shares (Rs)	0.7	0.7
Dividend Cover (Times)	4.8	2.7
Return on Total Assets (%)	24.4	2.8

# Company Highlights



- TS 16949: 2002 certification for Gurgaon facility
- Gurgaon facility commences Strut supplies to Maruti's new Sedan model SX4 under Technical Assistance of KYB Corporation, Japan
- Gurgaon Plant bags order for YC5 business for supply of Shock Absorbers and Struts for the new Suzuki export model with Technical Assistance from KYB Corporation, Japan
- Chakan Plant receives order for Tata Motors X3, Renault Logan – domestic and global requirements, Tata Motors Panel Van and Tata Motors New Safari (X2)
- Capacity expansion at Chakan Plant to meet increasing demand from Passenger vehicle segment
- Hosur Plant receives order from TVSM for the Indonesia project
- Hosur Plant receives order from Suzuki for Scooters & Motorcycles
- Order also received from Yamaha for its advanced mobikes
- Strategic Sourcing - Component procurement from China for 2-wheeler segment
- Parwanoo Plant for Shock absorbers ready for Commercial production



Nashik, Chakan, Dewas, Noida, Hosur and Parwanoo are all QS 9000 certified; Hosur, Dewas and Chakan plants have ISO 14001 and OHSAS 18001; Mulund ISO 9000; Hosur, Dewas, Noida, Nashik, Gurgaon and Chakan facilities have TS 16949: 2002 Certification.

Today, Gabriel India is uniquely positioned to meet the growing demand for high performance products because of its timely investments in capacity expansion and upgradation of assets and technology, coupled with over four decades of experience.

Plant. With a combined manufacturing capacity of well over 15 million Shock Absorbers, Struts and Front Forks, these plants cater to the requirements of all markets - OE, Replacement and Exports - for application in four, three and two-wheelers, as well as the Indian Railways. To enable JIT supplies to its OE customers, Gabriel has strategically located most of its facilities close to its customers.

## Company Profile

'Gabriel' – a name synonymous with Ride Control Products is the leading manufacturer of Shock Absorbers, Struts and Front Forks. The world-class quality of Gabriel's Ride Control products has helped establish a strong presence both in domestic OE as well as overseas markets.

Beginning with a single plant in Mulund, Mumbai, set-up in 1961, the Company has seen phenomenal growth and now boasts of seven manufacturing facilities for Ride Control Products. The Mulund property of Gabriel India was recently sold.

## Ride Control Products

The Ride Control facilities of Gabriel India are located in Dewas, Gurgaon, Hosur, Nashik, Noida, Chakan near Pune and Parwanoo, an upcoming



The Dewas facility set-up in 1992, recorded its highest production level of 1.99 million Shock Absorbers this year. The plant manufactures hydraulic, gas-pressurised and spring seat Shock



BOTTOM LEFT: L-R: Mr Sandeep Padmam, Executive-QA and Mr Vikas Lakhanpal, Sr. Executive-Procurement, Honda Motorcycles and Scooters India on a visit to Gabriel-Noida



BOTTOM RIGHT: Limb Assembly cell at Gabriel-Noida being inaugurated by Mr A Dhawan, GM-QA, Yamaha Motors India

TOP: Mr Ryuichi Okashito, Manager-Engineering Dept., Toyota Technical Centre, Asia Pacific, Toyota Motor Company and the delegation from KYB Corp., Japan with Gabriel India team, on their visit to Gabriel-Chakan CENTRE: Mr Horonori Iguchi, Director (Board Member), and Mr Izumi Shibuya, Dy. GM-QC, Suzuki Motorcycle India on a visit to the Hosur plant



Absorbers as well as Cartridges for passenger cars and commercial vehicles. The plant is a single source supplier to Tata Motors, Lucknow and the newly launched Tata Ace vehicle. Gabriel has 80% share of the Shock Absorber business with Ashok Leyland supplied by Dewas plant. The plant is also a major supplier to other OEM customers like Eicher Motors, Swaraj Mazda, Hindustan Motors, Force Motors and Mahindra & Mahindra. The plant has also initiated Maynard Operations Sequence Technique (MOST) and Anand Production System

(APS) initiatives for better performance of Quality, Cost & Delivery.

Gabriel India's first Strut plant was set up in Gurgaon primarily to cater to the requirement of Maruti. Today, this facility is also manufacturing Struts with technological assistance from KYB Corp., Japan, giving Gabriel India an edge over other manufacturers in offering a wider range of products for new passenger car models. The facility commenced Strut supplies to Maruti for SX4 and has recently bagged an order for supply of Shock Absorbers and



Struts for the new Suzuki YC5 model targeted at Global markets.

After a fresh round of capacity expansion for Front Forks for two-wheelers, the Hosur facility of Gabriel can now produce 0.6 Million Front Forks and 2.34 millions Shock Absorbers per annum. Its major customer for JIT supplies are TVS Motor Company at Hosur and Mysore, Honda Motorcycle and Scooters India at Manesar, Gurgaon and Royal Enfield at Chennai. Owing to the commitment to its customers, the facility has initiated APS and MOST for continuous improvement on productivity, quality, cost and delivery. Exports to its technical collaborators – SOQI Hydraulic Systems Inc., Japan continued, during the year.

TOP : Team from Yamaha Motors and KYB Corp., Japan on a visit to Gabriel-Hosur with the Gabriel India team

CENTRE: New Grinding Line installed at Gabriel-Chakan during the year

BOTTOM: Fanuc Robo Weld installed at Gabriel-Chakan performs robotic welding operations



orders from Kinetic Motors for the supply of Front Forks and Shock Absorbers for its M-92, CK-100 and Blaze models.

The Noida facility manufactures Shock Absorbers and Front Forks, catering to the requirement of Yamaha Motorcycles and a wide range of products for the Aftermarket.

The Chakan facility, located near Pune, manufactures Shock Absorbers and Struts for new generation cars with Technical Assistance from KYB Corp, Japan, KYBSE, Spain, a wholly owned subsidiary of KYB Corporation, Japan and Arvin Ride Control Products, USA. The plant maintains its position as a single source supplier for Ford-Ikon, and Fiesta, Hyundai-Santro, Toyota-Innova, Maruti-Alto, Tata Motors-Indica, General Motors-Tavera and has started supplies to Mahindra Renault-Logan, Tata Motors-Indigo, General Motors



TOP: Mr Malcolm Madeley, purchasing Manager, Sears Manufacturing Co. (Europe) (2<sup>nd</sup> from left), Mr SR Srinath, ArvinMeritor India (behind Mr Madeley) examining the processes and the products at the Gabriel-Dewas facility

CENTRE: Dr. D Sabita, MD, Tamil Nadu Industrial Corporation of India Limited, Chennai (left) taking a round of the Hosur facility with Col Satya Bhargava, GM-HR, Anand Automotive and Mr P Arul Kumar, GM, Gabriel India

Aveo-UVA and Piaggio. The Company is also pursuing supply of Shock Absorbers for the new generation battery operated two-wheeler models, namely, E-Coupe, Yo-Bike and Matrix.

Owing to the increase in demand of the passenger vehicle segment, the Plant has undergone capacity expansion including a new Grindline imported from France. The Shock Absorber manufacturing line for Railways at



Mulund has been shifted to Chakan and supplies have already started.

The new plant facility at Parwanoo is ready and commercial production is expected to start soon. The plant has already bagged orders from major customers like TVSM, Tata Motors for Ace, X3 and M&M. The plant will also be catering to the Aftermarket requirements.

BOTTOM LEFT: Mr P Arul Kumar, GM, Gabriel India welcoming Mr Kiyonori Yamauchi, Sr. GM-Purchase Planning and Mr Maruyama, Yamaha Motor Asian Centre Co. Ltd., Bangkok on a visit to the Hosur plant to study its capability for supply of parts to Asian countries

The plant has also received orders from Suzuki for Motorcycle and Scooters and also from Yamaha for its new advanced mobikes proposed to be launched in 2008.

The Nashik plant, has achieved a turnover of Rs 1 billion this year. Technical assistance from SOQI Hydraulic Systems Inc., Japan has helped to increase capacity for manufacturing of telescopic Front Forks to about 50,000 per month and of Shock Absorber to about 200,000 per month. Gabriel-Nashik team has also developed and installed high productivity Front Fork outer tube cell (termed Muda Reduction Cell) independently. The plant has bagged



## Research and Development

India has been a focus for many global OEMs for new vehicle platform developments, demanding world-class component quality and performance at competitive prices. With the support and Technical Assistance from KYB Corporation, Japan and SOQI Hydraulic Systems Co., Japan (subsidiary of Yamaha, Japan) the Company has developed new products for OEMs like Toyota, Maruti Suzuki, Mahindra Renault and TVS. New

products introduced will contribute significantly towards growth of the Company.

Research and Development has always been the cornerstone of Gabriel. The Company strives towards development of next-generation technologies and strengthen its portfolio through its R&D efforts.

Value added services like CAE and ride tuning have become a norm. In its efforts to meet these customer requirements and expectations, investments have been made in enhancing R&D capability and capacity in terms of testing and validation facilities, hardware and software required for designing and also manpower.

New high-speed servo hydraulic test equipment has been installed at the Product Validation Centre in Nashik. A

new mobile ride van is being constructed to provide on site ride tuning service to OEMs and is slated to be operational in 2007.

## World-Class Organisation

In its endeavour to enhance customer satisfaction and provide value, the Technical Services Group continuously develops breakthrough solutions in process engineering, thus providing improved product life.



TOP: Mr Jose Maria Alapont, Chairman, Federal-Mogul Corp., USA being welcomed at the Engine Bearings plant, Khandsa

CENTRE: Inner Tube and Outer Tube Cleaning machine installed at the new plant facility at Parwanoo

BOTTOM : Team from KYB Corporation, Japan on a round of the Noida plant





## Engine Bearings

The Company's Engine Bearings facility was set-up in 1978 at Parwanoo (Himachal Pradesh) in collaboration with Federal-Mogul Corporation, USA, world leader in thin-walled, bimetal Engine Bearings. The plant manufactures a complete range of Bimetal Bearings, Bushes, Flanges and Thrust Washers, including manufacture of metal powder and bimetal strips. The Company is a leading supplier of engine bearings to domestic OEMs and the replacement market in the automotive industry as well as other segments such as Railways, Marine and Power generation with a significant presence in the overseas markets.

Assessing the growing demand from passenger car industry for Aluminium Tin Bearings, the Company decided to set up another facility in Khandsa



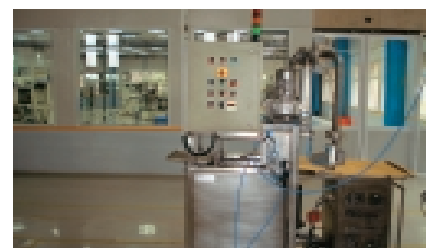
TOP : Mr Yoshio Mabuchi, President, SOQI Hydraulics Company Ltd., Japan on a round of the Hosur plant  
CENTRE: Team from KYB Corp., Japan on a round of the Gabriel-Chakan Plant



(Haryana) in 2003, to cater to the needs of customers in the OE and Aftermarket segments. The Large-size Bearing and Bush manufacturing equipment were relocated from Parwanoo to the Khandsa facility, commencing production in 2003.

During the year, an EOU was also set-up in Parwanoo to manufacture solid Flange Bearings, providing an impetus to the overall growth of the Company.

Equipped with the latest sophisticated machinery, the facilities have a combined annual manufacturing



BOTTOM LEFT: Mr H Tatsumi, President, Yamaha Motors India being welcomed at Gabriel-Hosur  
BOTTM RIGHT: Piston Rod cleaning machine installed at the new facility at Parwanoo

Gabriel India focuses on its state-of-the-art manufacturing technology to retain its leadership position in Ride Control products. The experienced team of specialised engineers work continuously to develop indigenous solutions to provide world-class products at low cost.

During the year, the Company made several process innovations, which led to improvement in product performance.



capacity of around 22.4 million pieces, which are vertically integrated from raw material to finished products.

Engine Bearings plants at Parwanoo and Khandasa received TS:16949:2002 certification during the year.

The Company, during the year, decided to demerge its Engine Bearings Division from its mainline of Ride Control Products. Federal-Mogul Corporation, USA, which was the original collaborator for Engine Bearings and currently holds 5.146% of the equity in Gabriel India, will take up a majority position of 63.8% in the Demerged Engine Bearings entity.

The Demerger scheme with appointed date of April 1, 2006 was approved by Hon'ble High Court of Bombay on March 16, 2007 and demerger scheme has become effective after obtaining all the regulatory approvals on April 16, 2007.

The demerged Engine Bearings Company will be a delisted Public Limited Company in which Federal-Mogul will acquire 63.8% equity holding through additional capitalisation and this is expected to be completed by September 30, 2007.

## Collaborators

Gabriel India has financial cum technical collaboration for Ride Control Products with ArvinMeritor Inc., USA - a premier global supplier of a broad range of integrated systems, modules and components to the motor vehicle industry. For Engine Bearings,

Gabriel India has a joint venture with Federal-Mogul Corporation, USA, with whom it has been associated since 1978.

Other collaborators of the Company are KYB Corporation, Japan, KYBSE, Spain and SOQI, Hydraulic Systems, Japan. The Collaborators extend continuous support to the Company. This includes technical know-how and training in latest manufacturing processes. Senior technical executives of the collaborators visit the Company's plants regularly and engineers from the Company visit the collaborators facilities to enhance their knowledge on manufacturing practices.



TOP: Mr Rainer Jueckstock, Sr. VP, Federal-Mogul Corp., USA being welcomed at the Engine Bearings facility, Khandasa

BOTTOM LEFT: Inauguration of the Chakan Hub Training School for Apprentices by Mr CS Patel, CEO, Anand Automotive



BOTTOM RIGHT: Mr Amitav Chaterjee, GM-Lubes, Indian Oil Corp. and Mr PN Bhargava, VP-Marketing, Gabriel India exchanging the copies of the signed agreement between Indian Oil and Gabriel to sell Gabriel Servo Front Fork oil through the retail network of Gabriel and Indian Oil. Also seen are Mr GC Daga, Director-Marketing, Indian Oil, Mr Arvind Walia, Chief Operating Officer, Gabriel India



In its endeavour to provide quality products, the Company lays emphasis on trained sales personnel interacting closely with the channel partners and other decision makers. Besides a country wide distribution network, comprising a large dealer base built over the years, helps in providing market penetration.

Various marketing initiatives undertaken to reinforce its strong brand image are – vast product range, new product development, market penetration, sales promotion activities for both the trade and various segments of vehicle owners and market research activities. These activities help the Company to keep abreast with the changing business scenario and provide insights on market potential.



## Marketing Strategy

Gabriel's market leadership position for RCD products and a significant presence for Engine Bearings is the result of its customer centric approach.



TOP: Delegates at the Annual Dealer Conference organised by Susee group - Gabriel distributor for South region

CENTRE: Mr AK Raman with retailers at the Gabriel stall at a Retailer meet organised at Trichy

## Exports

Continuing its focus on exports of Ride Control products, the Company has achieved a significant presence in the Latin American market. Owing to the increase in business in the two-wheeler Aftermarket segment in the region, the Company is recording a healthy increase in sales volumes.

The Company commenced supplies to ArvinMeritor, CVS-Ride Control Products Division, Toronto, Canada, during the year for which a Global Supply contract was signed last year. A number of new products, which have been developed, are awaiting final approval of the customers. This business is expected to grow exponentially in the next few years.

A large number of products have been developed for SOQI, Japan. These are replacing the earlier products, which



BOTTOM LEFT: Participants of the Manufacturing Excellence programme from Anand Automotive plants

BOTTOM RIGHT: Participants of the fifth Wave of Six Sigma Black Belts



have been phased out. The Company continues to rate highly as a preferred supplier.

## Human Resource Development

Gabriel India believes that business is 90% people. The Company provides ample opportunities to employees at all levels of the Company to enhance their knowledge and skills. The growth and development of the employees is critical not only for their personal success, but also for the success of the Company. This philosophy and innovative people practices have earned the Company its efficient and dedicated workforce.

The Company has undertaken special HR initiatives with a view to develop a strong and stable organisation having intrinsic strength to meet the current business challenges. Anand Production System (APS) has been launched across all plants with the objective of achieving manufacturing excellence and providing structured nurturing of people identified as Key Talent.

In its endeavour to create a congenial and motivational environment, the Company provides immense opportunities for training and development besides other growth



TOP: Annual Function of the Chakan Hub held in June, inaugurating the function, the chief guest, Mr & Mrs VN Bedekar, General Manager, Tata Motors

BOTTOM LEFT: Mr Alok Agarwal, Nashik Hub Leader receiving an award on behalf of SNS Foundation from Mr Vijaysingh Mohite Patil, State Minister for Rural Development of Maharashtra. SNS Foundation was adjudged the best NGO for implementing the DRDA (District Rural Development Agency) Government Project in the region

opportunities – job rotation, multi-function responsibilities, empowerment and overseas secondment. The Company believes that training is an important process for development of people. Lending support in all this is Anand's technical and management institute, Anand 'U', which designs and conducts programmes to suit the Company's requirements.

The Company has started a training school at Chakan to provide training to the newly recruited Operating Engineers covering basics of manufacturing including process,



BOTTOM RIGHT: Part of the nationwide Pulse Polio Eradication programme organised at one of the centres at Nashik by SNSF



## Corporate Social Responsibility

The Company supports social initiatives by fostering the 'spirit of giving' through SNS Foundation, a charitable Trust.

SNS Foundation, the CSR wing of Anand Automotive has over the years set-up development centres throughout the country, in places where it's manufacturing facilities are located.

All SNS Foundation programmes are aligned to the country's development goals, aimed at empowerment of women, providing education for children as a strategy to eliminate child labour, sustainable livelihood activities integrated with natural resource management and reproductive health.



In the '70s, Gabriel India was the first Company to set up a facility in Parwanoo, a 'notified backward area' then, which has helped to provide employment opportunities for the people and develop the township as an industrial base. Today, Anand also runs an educational institution - the Himachal Primary School, a hostel for working women and a dispensary for the residents of Parwanoo.

Government of India has given due recognition to SNS Foundation by granting 100 % tax exemption under section 35AC of the Income Tax Act.

The Company's employees also come forward to lend a helping hand.

product knowledge, quality systems and procedures.

Some of the programmes that Anand 'U' focussed on during the year, included Six Sigma, Total Productive Maintenance (TPM), Anand Production System (APS) and an emphasis to improve Quality, Cost, Delivery, Growth, Productivity/Profitability under QCDGP.

Other training programmes for soft skill development like leadership, building assessment skills, time management, personality development, stress management are organised depending on the requirements of the people.

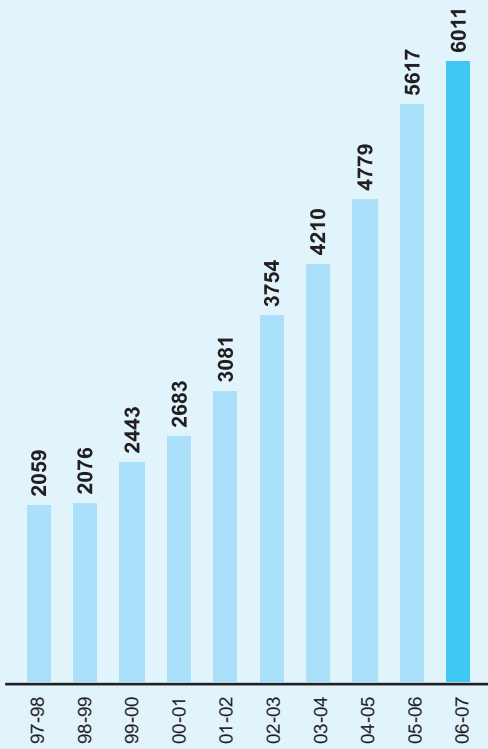
TOP: Health Awareness programme at a village in Nashik district, organised by the SNSF Nashik team

BOTTOM: The Cornerstones training programme in progress, participating students are from government schools in three villages in Chakan district

# Working Results at a Glance

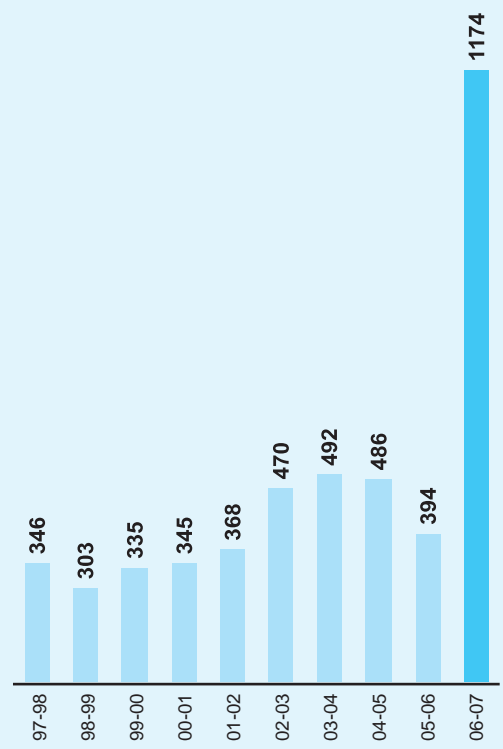
## Sales

(Rs million)



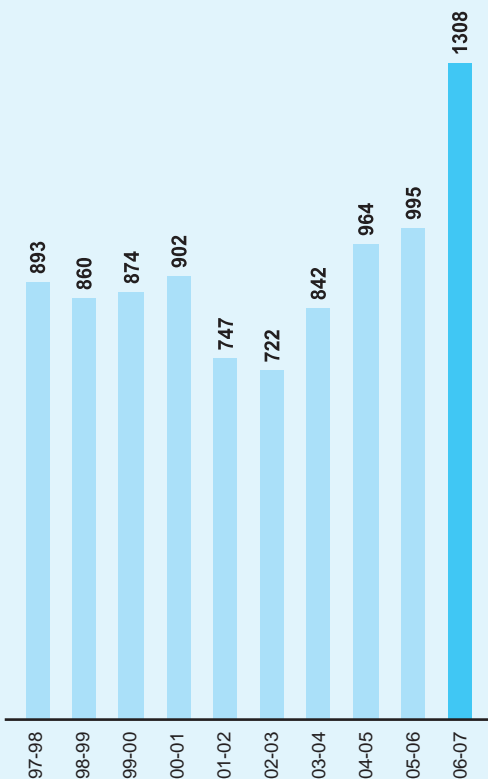
## Gross Profit

(Rs million)

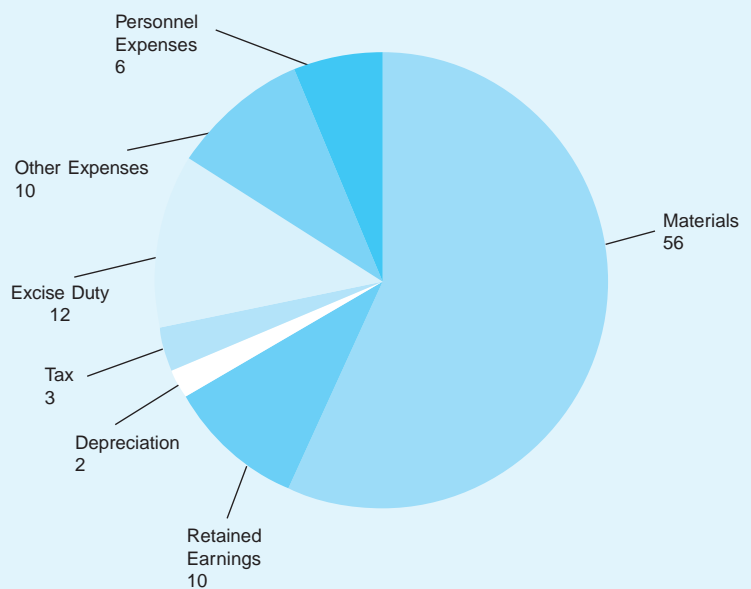


## Shareholders' Funds

(Rs million)



## Distribution of Income (In %)



# Working Results at a Glance

Year	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
	<b>Rs Million</b>									
Share Capital	71	71	71	71	71	72	72	72	72	72
Reserves & Surplus	822	789	803	831	676	650	770	892	923	1236
Shareholders' Funds	893	860	874	902	747	722	842	964	995	1308
Loans	1573	1556	1425	1371	1282	1050	971	913	1033	736
Deferred Tax Liability					204	233	237	217	195	106
<b>Funds Employed</b>	<b>2466</b>	<b>2416</b>	<b>2299</b>	<b>2273</b>	<b>2233</b>	<b>2005</b>	<b>2050</b>	<b>2094</b>	<b>2222</b>	<b>2150</b>
Fixed Assets (Gross)	1723	1800	1870	1960	2043	2302	2454	2545	2729	2251
Depreciation	334	429	520	605	725	918	1055	1200	1352	1070
Net Block	1389	1371	1350	1355	1318	1384	1399	1345	1377	1181
Investments	158	168	122	115	270	10	10	10	10	10
Net Current Assets	919	877	827	803	645	611	641	739	836	960
<b>Net Assets Employed</b>	<b>2466</b>	<b>2416</b>	<b>2299</b>	<b>2273</b>	<b>2233</b>	<b>2005</b>	<b>2050</b>	<b>2094</b>	<b>2222</b>	<b>2150</b>
	<b>Rs Million</b>									
Sales	2059	2076	2443	2683	3081	3754	4210	4779	5617	6011
Gross Profit	346	303	335	345	368	470	492	486	394	1174
Interest	193	225	206	186	172	130	84	70	83	66
Depreciation	76	97	98	109	122	137	146	153	158	127
Profit/(Loss) Before Tax	77	-19	31	50	74	203	262	263	153	981
Tax	9	0	4	4	34	86	95	84	64	250
Profit/(Loss) After Tax	68	-19	27	46	40	117	167	179	88	731
	<b>Rs</b>									
Dividend per Share*	2.5	1.0	2.0	2.5	3.0	5.0	6.0	7.0	0.7	0.7
Earning per Share*	9.6	-2.7	3.7	6.4	5.6	16.4	23.2	24.9	1.2	10.2
	<b>Million Nos</b>									
<b>Production:</b>										
Shock Absorbers,										
Struts & Front Forks	5.5	5.6	6.3	6.1	6.4	8.0	8.8	9.8	10.9	12.4
Bimetal Bearings	9.1	6.4	8.1	8.2	8.0	7.9	7.7	8.9	9.2	-

\*Figures for 05-06 and 06-07 has been worked out on Re 1 face value per equity share. For the earlier years it has been worked out on Rs 10 face value per equity share.

# Notice

NOTICE is hereby given that the Forty-Fifth Annual General Meeting of the Members of GABRIEL INDIA LIMITED will be held at the Auditorium of Gabriel India Limited, 29<sup>th</sup> Milestone, Pune-Nashik Highway, Village Kuruli, Taluka Khed, Pune – 410 501, on Monday, the 23rd day of July, 2007, at 2.30 p.m. to transact the following businesses:-

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr Ravi K Sinha who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr MS Sandhu who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board

**Gabriel India Limited**

**Manoj Tulsian**

Financial Controller & Company Secretary

Mumbai  
May 22, 2007

*Registered Office:*  
29<sup>th</sup> Milestone,  
Pune-Nashik Highway,  
Village Kuruli, Taluka Khed,  
Pune – 410 501  
Maharashtra, India



## Notes:

1. **A member entitled to attend and vote at the Annual General Meeting may appoint a Proxy to attend and vote on his behalf. A Proxy need not be a member of the Company.**

The instrument appointing a Proxy, in order to be effective, must be duly filled, stamped and signed and must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting.

2. Corporate Members are requested to send to the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 19, 2007 to Monday, July 23, 2007 (both days inclusive).
4. Proxies/Members are requested to bring the admission slips duly filled in to the Meeting.
5. Members are requested to bring their copies of the Annual Report and the Accounts to the Meeting.
6. Members are requested to quote the ledger folio in all communications with the Company.
7. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
8. Members holding shares in the certificate form are requested to notify / send the following to the Company's Registrars and Share Transfer Agents, **Karvy Computershare Private Limited (Unit: Gabriel India Limited) at Plot no.17 to 24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081 (Tel. : 040 23420818-828; Fax : 040 23420814 ; email : mailmanager@karvy.com)** to facilitate better servicing:
  - i) any change in their address / mandate / bank details,
  - ii) particulars of their bank account, in case the same have not been furnished earlier, and
  - iii) share certificates held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into a single account.
9. a. Members are also requested to note that unclaimed / unpaid dividends up to the financial year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956. Shareholders, who have not yet encashed their dividend warrant(s) for the said period are requested to forward their claims to the Registrar of Companies, PMT Building, 2<sup>nd</sup> Floor, Deccan Gymkhana, Pune – 411 004 by submitting an application in the prescribed Form No. II.  
b. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the amount of dividend for the financial year ended 31<sup>st</sup> March, 2000, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government later this year.

Members who have not encashed their dividend warrants for the financial year ended 31<sup>st</sup> March, 2000, or any subsequent years are requested to lodge their claim with the Company's Share Transfer Agents, **Karvy Computershare Private Limited.**

Members are advised that no claims shall lie in this respect once the unclaimed dividend is transferred to the Investor Education and Protection Fund.

10. Additional particulars of Directors retiring by rotation and eligible for appointment/re-appointment pursuant to Clause 49 of the Listing Agreement are mentioned elsewhere as a part of the Corporate Governance Report.
11. Members desirous of making a nomination in respect of their shareholding, as permitted by Section 109A of the Companies Act, 1956, are requested to write to the Share Transfer Agents of the Company for the prescribed form.
12. The Company's shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The listing fees for these exchanges have been paid.

# Report of the Board of Directors

Your Directors have pleasure in presenting the Forty Fifth Annual Report together with the Audited Accounts for the year ended March 31, 2007.

<b>Financial Highlights</b>	<b>Year ended March 31, 2007 (Rs. Million)</b>	<b>Year ended March 31, 2006 (Rs. Million)</b>
Sales	<b>6011.2</b>	5617.4
Profit before Interest and Depreciation	<b>1174.0</b>	393.6
Interest	<b>65.9</b>	82.7
Depreciation	<b>126.6</b>	158.0
Profit / Loss before Tax	<b>981.5</b>	152.9
Provision for Current Tax	<b>206.0</b>	74.7
Provision for Deferred Tax	<b>4.8</b>	(22.6)
Provision for Fringe Benefit Tax	<b>39.5</b>	12.4
Profit / Loss after Tax	<b>731.2</b>	88.4
Dividend		
Interim	<b>50.3</b>	21.6
Final Proposed	<b>—</b>	28.7
Total Dividend	<b>50.3</b>	50.3
Dividend Tax	<b>7.0</b>	7.0
Transfer to General Reserve	<b>146.2</b>	8.8

## Analysis of Results for 2006-07

### Performance

The Indian Economy continued to maintain growth momentum and witnessed growth in GDP of 9.2% for the year, which was contributed by major growth in the service sector of 11.2%, industrial growth of 10.0% and marginal agriculture growth rate of 2.7%. Automotive industry continued to grow faster as compared to the GDP and registered a growth of 14.5% which is substantially higher than overall industry growth rate of 10%. This is mainly due to introduction of new models, continuous increase in demand and easy availability of financing options. Within the Automotive industry, motorcycle and two wheelers segment recorded a growth of 12% (previous year 16.4%), Passenger Cars segment grew by 19.7% against a growth of 7.5% in the previous year and the commercial vehicle business registered a growth of 32% (previous year 10.5%).

The Company continues to grow in the OE segment and maintain its leadership in terms of customer base across all segments viz Passenger Cars, Commercial Vehicles and Two wheelers. Aftermarket volumes has not shown any significant growth but we still continue to maintain our leadership position in this segment .

Your Company's sales at Rs.6011.2 million during the year recorded a growth of 7.0% over the previous year's sales at Rs. 5617.4 million. However the previous year sales also included the sales value of Bearings which has been demerged into a separate Company (covered separately in the report). However on a standalone basis Ride Control Business has registered an overall growth of 14%. This was achieved by new business developed during the year, increase in volumes from existing customer base and offering wider product range for Ride Control Products.

During the year the raw material prices continued to maintain an upward trend especially aluminium, oil, rubber products and steel but your Company was able to partly mitigate the increase by alternate sourcing including new suppliers from China, import substitution and price increase from the customers. The Demerger of the Engine Bearings business has provided substantial improvement to the bottom line; as a result your Company posted a Profit before Tax Rs. 981.5 million (also includes extraordinary income net of expenses of Rs. 682.0 Million on account of sale / ceding development rights of land at Mulund) against Rs. 152.9 million in the previous year thus registering a growth of 100% without considering the extraordinary income on account of land sale. After making provision for tax, which included capital gains on account of land sale, fringe benefit tax and one time extraordinary tax of Rs. 32.8 million (on account of providing for superannuation liability as per the revised guidelines of AS15), your Company achieved Profit after Tax of Rs. 731.2 million compared with Rs. 88.4 million in the previous year.

### Dividend

Your Directors had declared an interim dividend of Rs. 0.30 per equity share of Rs. One each (Previous year Interim Dividend Rs. 3.0 per equity share of Rs. Ten each). This dividend amounted to Rs. 21.6 million (previous year Rs. 21.6 Million). The same was distributed to the shareholders whose names appeared on the Register of Members as on October 27, 2006. A 2<sup>nd</sup> interim

dividend of Rs. 0.40 per equity share of Rs. One each (Previous year Nil) was declared. This dividend amounted to Rs. 28.7 million (previous year Nil) . The same was distributed to the shareholders whose names appeared on the Register of Members as on April 3, 2007.

Thus the Company had declared a total of 70% by way of interim dividends. Your Directors have not recommended any further dividend and therefore the total dividend for the year is 70% (Previous year 70%)

## Operations

### Ride Control Products

The turnover of the Ride Control Products increased to Rs. 6011.2 million from Rs.5273.1 million in the previous year reflecting an increase of 14%. and correspondingly the production of Shock Absorbers, McPherson Struts and Front Forks reached a level of 12.4 million nos. as against 10.9 million nos. of the previous year. This has been possible because of the continuous thrust on strengthening and enhancing the OEM customer base by offering better quality products and development of new products to meet the requirements of various OEMs, for the entire range of Ride Control Products. Major efforts were directed to enhance design, product development and validation capabilities of Company's R&D Centre for four wheelers at Chakan. The Company continued to make investments during the year to upgrade the quality levels so as to deliver quality products to the customers.

### Engine Bearings

Your Company during the year decided to Demerge the Engine Bearings Division of the Company having plants situated at Parwanoo and Khandsa with the Appointed Date as April 1, 2006. The same was approved by the share holders in the Court Convened meeting held on January 10, 2007. The Scheme was then filed with Hon'ble High Court of Bombay along with the report of the Court convened meeting and the other relevant documents. The Demerger Scheme was approved by the Hon'ble High Court of Bombay in the hearing dated March 16, 2007. The order for the same was issued on March 29, 2007 and the same was filed with the ROC on April 16, 2007 which is the Effective Date for the Demerger while the Appointed Date was April 1, 2006. We, therefore, have not included the performance of Bearings business in this report for the year 2006-07. An agreement has been signed with Federal-Mogul, Corporation, USA for collaboration in Engine Bearing Business in the Resulting Company which will be an unlisted Company. The Shareholders of the Company will have the option to exit from the Resulting Company by allowing their shares to be bought by your Company under the exit route as specified in the Scheme of Arrangement and Restructuring. The Shareholders of the Resulting Company post record date will be given an option to remain as shareholders of the Resulting Company or sell the shares to your Company, in which case cheques will be sent to them for the entitled amount. This is to facilitate the shareholders to sell their shares in the unlisted Company. The Record date for issue of shares was initially fixed on June 1, 2007. However, approval to Federal-Mogul Corporation from Bankruptcy court in U.S.A. for investment in the Resulting Company is under process and it is likely to take some time. As requested by Federal-Mogul Corporation, the Record date has been shifted to August 24, 2007 and the Stock Exchanges have been notified accordingly.

We want to place on record our appreciation to the co-operation extended by Federal-Mogul Corporation, USA who have agreed to become a majority partner with 63.8% equity holding in the Resulting, unlisted Public Limited Company for Engine Bearings.

### Mulund Unit

Your Company sold/ ceded development rights of the property situated at Mulund during the year for a total consideration of Rs. 850 Mill. This has helped your Company to repay some of the debts during the year and improve upon the Debt Equity ratio. Your company also closed down its manufacturing facility started in 1961 and situated at the above property as a part of the consolidation process. These events will add value to the shareholders.

### Exports

Your Company exported Ride Control Products valued at Rs. 69.4 million in the year as against Rs. 96.0 million (Rs. 156.2 million including Engine Bearings) during the previous year and this included exports to several developed markets. During the year, the Company continued to export Shock absorbers to SOQI Hydraulic Systems, Japan, which has had excellent relations with the Company for the last several years as a provider of technology for two wheeler products. The sales dropped compared to the previous year because one of their major customers in Japan ended up having huge inventories. The Company also commenced supplies to ArvinMeritor Inc., USA during the year. The same has been taking time as it involves major validation and product approvals from their OEM in commercial vehicle segment (CVS). However the prospects look very good in the upcoming years once the sample approval testing and validation is complete.

The Company will continue its efforts to secure new markets for entire range of products, particularly in North America and Western Europe through ArvinMeritor Inc., USA.

## Collaborators

Your Company wishes to place on record its appreciation for the continued support extended by its collaborators. The Company was pleased to receive several top executives from ArvinMeritor Inc., USA, KYB Corporation, Japan, SOQI Hydraulic Systems, Japan, KYB Suspensions, Europe, SA and from Federal-Mogul Corporation, USA. Your Company had very fruitful discussions with these visiting executives from the Collaborators on several avenues of mutual co-operation including sourcing of products and design engineering services from your Company.

## Conservation of energy, technology absorption and foreign exchange earnings and outgo

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, information relating to the foregoing matters is given by way of an Annexure to this Report.

## Fixed Deposits

The Company has not received/ invited any Fixed deposits during the year.

## Directors

In accordance with Article 123 of the Articles of Associations, Mr Ravi K. Sinha and Mr. M.S. Sandhu retire by rotation and, being eligible, offer themselves for re-appointment.

The Board expresses their deep condolence on the demise of Dr B.L Ruddy on 20<sup>th</sup> day of December 2006. Dr B. L. Ruddy was on the Board for more than six years and contributed in many ways to the overall growth of the Company.

## Director's Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that 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, 2007 and of the Profit and Loss Account for the year ended March 31, 2007;
3. 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;
4. the annual accounts have been prepared on a going concern basis.

## Corporate Governance

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming the compliance of conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the Stock Exchanges is annexed thereto.

## Auditors

Messrs. Price Waterhouse & Co., Chartered Accountants, Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished a Certificate to the effect that the proposed re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

## Employee Relations

Employee relations were cordial at all locations. The Directors are pleased to record their appreciation of the services rendered by the employees and staff at all levels.

## Particulars of Employees

The information required under section 217(2A) of the Companies Act, 1956 and the rules framed thereunder is annexed hereto and forms part of the Report.

Your Directors wish to thank the Collaborators, Technology Partners, Financial Institutions, Bankers, Customers, Suppliers and Shareholders for their continued support and co-operation.

For and on behalf of the Board

Mumbai  
May 22, 2007

Deep C Anand  
Chairman

# Annexure to the Directors' Report

Information as per Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended March 31, 2007.

## I. Conservation of Energy

Your Company has been continuously working towards Energy conservation. This year the Company has worked mainly in the following areas

- Introduction of cutting oil reclamation system in the machining area.
- Reduction in coolant consumption by using efficient filtration system.
- Reduction in energy losses due to heat radiation
- Significant reduction in water consumption through many projects.
- Optimization of motor power required for various processes as a measure of reducing energy consumption.

## II. Particulars as per Form B

### Research and Development (R&D)

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

- a) New Products launched by global OEMs for domestic market and select export markets
- b) Continuous improvement of existing products for enhanced durability and performance
- c) Value added services including vehicle ride tuning.
- d) Design optimization using advanced software packages for CAE (Computer Aided Engineering) & CFD (Computational Fluid Dynamics)
- e) Vehicle instrumentation for suspension parameter measurements
- f) Testing and adaptation of New Materials
- g) New Processes and upgradation of existing processes in the area of machining and surface coatings
- h) Assimilation of collaborators' technology
- i) Product Engineering for enhanced product quality and reliability.
- j) Reduction of rejections and warranty returns
- k) Improving New Product Development (NPD) lead time
- l) Environmental compliance by products and processes
- m) Testing and validation of new products

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

The Company has developed new applications of Struts, Cartridges and Shock Absorbers for exports and has been regularly supplying for new generation passenger cars. The Company enjoys dominant market share with major OEMs like Hyundai for Santro, Maruti for gas shock absorbers, Toyota Innova, Ford Fiesta, Tata Motors - Indica, GM Chevrolet Tavera and new two wheelers of Honda Activa scooters and SOQI for Yamaha scooters in Japan and all models of TVS Motors.

R&D has helped in design and development of McPherson struts and shock absorbers for new vehicle launches in the last year like GM Chevrolet Aveo, Mahindra Renault Logan, Maruti Suzuki's SX4 sedan to be launched in May 2007, Front fork and Canister type rear shock absorber (MIG) for TVS Apache, Front fork and rear shock absorber for new step through motorcycle model by TVS for Indonesian market and Suzuki scooter. Company also commenced supplies of struts to Tata Motors for Indigo.

#### 3. Future plan of action

The Company will continue to develop new range of Shock Absorbers, McPherson Struts and Cartridges. The Company is exploring the market for Suspension Systems and modules both for domestic and export markets. The requirement of all new cars, motor cycles and scooter manufacturers will be met for current and future models during the coming years.

#### 4. Expenditure on R&D

	Rs. Million
Capital	1.1
Recurring	22.0
Total	<u>23.1</u>
Total R&D expenditure as percentage of total turnover	0.4

### Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology adaptation and innovation :

- i) Technology from KYB Corporation, Japan was used for manufacture of Shock Absorbers and McPherson Struts for Toyota Qualis, Toyota Innova, GM Tavera, various models of Maruti covering Alto, Wagon R and new sedan SX4 to be launched by Maruti in 2007-08. Technology agreements have been renewed for upgradation of technology and for addition of products for new models coming up in the market.

KYB Suspensions, Europe, SA a wholly owned subsidiary of KYB Corporation, Japan provided technology for new generation vehicles of European origin like Ford Escort, Ford Ikon, Ford Fiesta and Ford Fusion, Mahindra Renault Logan, Hyundai Santro and many more new models for next year.

Technical Assistance with SOQI Hydraulic Systems, Japan (100% subsidiary of Yamaha, Japan) has been renewed for upgradation of technology for Front Fork and two wheeler Shock Absorbers.

New agreement has been entered into for upgradation of technology for additional specific Front Forks and two wheeler Shock Absorbers.

2. Benefits derived as a result of the above efforts are acquiring new business, product development, import substitution, product improvement and cost reduction.

3. Particulars of imported technology in the last five years :

Technology imported	Year of Import
i) McPherson Struts and Shock Absorbers from Arvin Ride Control Products, USA	1997 & renewal 2004
ii) Front Forks and Shock Absorbers from SOQI Hydraulic Systems Japan (Subsidiary of Yamaha, Japan)	1999 renewal 2005
iii) Front Forks and Shock Absorbers (Additional applications) from SOQI Hydraulic Systems, Japan (Subsidiary of Yamaha, Japan)	2001
iv) McPherson Struts and Shock Absorbers from KYB Corporation, Japan	1995 & renewal 2004
v) Shock Absorbers from ArvinMeritor LVS Ride Control Division	renewal 2005
vi) Shock Absorbers and Struts from KYB Suspensions, Europe, SA	2006

Technology development and assimilation is an ongoing process. In order to meet the ever increasing demand of customers and continuously changing global standards, continuous access to proven foreign technology is available.

4. R&D facilities for Ride Control products for four wheelers (passenger cars, commercial and utility vehicles) at Gabriel Chakan and for two and three wheeler at Hosur, Tamilnadu are being upgraded and expanded for improved capabilities of design, engineering, validation and testing.

### III. Foreign Exchange Earnings and Outgoings

Total foreign exchange earned and used:

Earnings	Rs. 69.4 Million
Outgoings	Rs. 332.1 Million

For and on behalf of the Board

Mumbai  
Dated: May 22, 2007

DEEP C. ANAND  
Chairman



# Report on Corporate Governance

## A. MANDATORY REQUIREMENTS

### 1. Company's Philosophy on Code of Governance

In order to ensure sustainable returns to all the stakeholders, it is necessary to adopt, follow and implement certain policies, processes and procedures which together would constitute a "Code of Corporate Governance". In this pursuit, your Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and to continuously strive to attain high levels of accountability, transparency, responsibility and fairness in all aspects of its operations. Your Company continues to lay great emphasis on broad principles of Corporate Governance. Your Company, with a view to achieve these objectives, has adopted corporate strategies, prudent business plans and continuous monitoring of performance.

Clause 49 of the Listing Agreement with Stock Exchanges sets up norms and disclosures that are to be met by the Company on Corporate Governance front. We confirm our compliance with Corporate Governance requirements, as stipulated under the said clause, vide this report.

### 2. Board of Directors

#### ● Composition

The strength of the Board as on March 31, 2007 was 9 Directors. The Board comprises of two Executive Directors: a Managing Director and a Wholetime Director. The rest including the Chairman of the Board are Non-Executive Directors. The Board meets the requirement of not less than one-third being Independent Directors.

During the year under review, Six Board meetings were held on May 23, 2006; July 24, 2006; September 19, 2006; October 17, 2006; January 23, 2007 and March 26, 2007.

- The composition of Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting, as also number of other directorships, committee memberships and chairmanships held by them, are given below:

Directors	Category	Shares held	Attendance Particulars		No. of other Directorships and Committee Memberships/ Chairmanships held*		
			Board Meetings	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Mr. Deep C Anand	C	2960529	6	Yes	9	1	1
Mr. K.N. Subramaniam	MD	81000	6	Yes	4	1	NIL
Mr. Arvind Walia	WTD	18620	6	Yes.	2	1	NIL
Mr. Russi Jal Taraporevala	NED	259260	3	Yes	2	3	2
Mr. C.S. Patel	NED	133330	4	Yes	10	3	NIL
Mr. Jaithirth Rao	NED	55000	3	Yes	5	2	1
Mr. Ravi K Sinha	NED	20000	6	Yes	1	NIL	NIL
Mr. M S Sandhu	NED	NIL	4	Yes	1	NIL	NIL
Ms. Padmini Khare Kaicker	NED	100000	4	Yes	1	1	1
Mr. Jochen Stechow Alternate to Dr. B.L. Ruddy (Appointed w.e.f. 23 <sup>rd</sup> May 2006 <i>ceased</i> w.e.f. 20 <sup>th</sup> December, 2006)	AD	NIL	2	Yes	NA	NA	NA

C: Chairman; MD: Managing Director; WTD: Wholetime Director; NED: Non Executive Director, AD: Alternate Director  
Directors who are Chairpersons of Committees have been included in the list of members as well.

\* Includes directorship and committee membership in public limited companies only.

The Board periodically reviews Compliance Reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.



### 3. Code of Conduct

The Board has laid down a Code of Conduct for all Board members and senior management of the Company on December 29, 2005. The Code of Conduct has been posted on the website of the Company. All Board members and senior management personnel have affirmed compliance with the Code. A declaration to this effect signed by the Managing Director is enclosed separately (Refer Appendix-1).

### 4. Audit Committee

After the introduction of the amendment to Section 292A of the Companies Act 1956, the Audit Committee was re-constituted in January 2001 and subsequently in May 2006. This Audit Committee had four meetings during the year 2006-07. The present composition of Audit Committee and attendance at its meetings is given hereunder:

Member	Position	No. of meetings attended
Mr. Ravi K Sinha	Chairman	4
Mr. C S Patel	Member	3
Ms. Padmini Khare Kaicker	Member	3

Members of the Audit Committee are financially literate and one member has expertise in accounting.

The Audit Committee meetings are held both at the Corporate Head quarters and plant locations and are attended by the Internal Auditors and the Finance Head. A Representative of the Statutory Auditors is invited, as required. The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee is an Independent Director and was present at the last Annual General Meeting of the Company.

The broad terms of reference of the Audit Committee are as follows:

- Review of the Company's financial reporting process, and its financial statements
- Review of accounting and financial policies and practices
- Review of the internal control and internal audit system
- Review of risk management policies and practices
- Discussing with Statutory Auditors before the audit commences on the nature and scope of audit, as well as having post audit discussion to ascertain any area of concern.
- Review of related party transactions.
- Review of process laid down for Risk Assessment and Minimisation Procedures.

### 5. Remuneration to Directors

#### (A) Remuneration Committee:

The present composition of the Remuneration Committee is as follows:

Mr. Deep C. Anand	Chairman
Mr. C.S. Patel	Member
Ms. Padmini Khare Kaicker	Member

The Chairman of the Committee, Mr. Deep C Anand is a Non-Executive Director.

The Remuneration Committee was constituted on May 2001 and subsequently re-constituted in May 2006. One meeting was held during the year 2006-07 which was attended by both the members and the Chairman.

The broad terms of reference of the Remuneration Committee include recommendation to the Board, of salary, perquisites, commission and retirement benefits and finalisation of the perquisites payable to the Company's Managing Director, Whole-time Director and other Managerial personnel.

#### Remuneration Policy:

Payment of remuneration to the Managing Director is governed by the Letter of Appointment issued to the Managing Director by the Company, the terms and conditions of which are approved by the Board and the Shareholders. The remuneration and the terms and conditions of the appointment of the Whole-time Director as determined by the Committee are approved by the Shareholders. The remuneration structure comprises salary, allowances, contributions to provident fund, superannuation, gratuity funds and perquisites. The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and such commission payable to such Non-Executive directors as may be decided by the Chairman.

(B) Details of the remuneration paid to Executive Directors during the year 2006-07 are given below: -

Name of Executive Director	All elements of remuneration package i.e. salary benefits, bonuses pension etc. (Rs. Million)	Fixed component and performance linked incentives alongwith the performance criteria (Rs. Million)	Service contracts notice period, severance fees	Stock option with details, if any and whether issued at discount as well as the period over which accrued and over which exercisable*
Mr. K.N. Subramaniam Managing Director	6.5	–	Pl. see note 'a'	Pl. see note 'b'
Mr. Arvind Walia Wholetime Director designated as President & Chief Operating Officer	4.1	–	Pl. see note 'a'	Pl. see note 'b'

- a) The agreements with the Managing Director and Wholetime Director are for five years. Either party to the agreement is entitled to terminate the agreement by giving not less than six months notice in writing to the other party.
- b) \*The Company does not have stock option scheme for grant of stock options either to the Executive Directors or employees.

#### 6. Investors'/Shareholders' Grievance Committee

The Investors' / Shareholders' Grievance Committee of the Board was constituted in May 2001 and subsequently re-constituted in May 2006, to look into the redressal of investors' complaints like non receipt of Annual Reports, interest payments, declared dividends, non-receipt of share certificates sent for transfer and other allied transactions. The composition of Investors' / Shareholders' Grievance Committee and attendance at its meetings is given hereunder :

Member	Position	No. of meetings attended
Mr. Russi Jal Taraporevala	Chairman	3
Mr. Ravi K Sinha	Member	4
Mr. M.S. Sandhu	Member	2
Details of Investors'/Shareholders' Complaints		
Number received during the year		302
Number resolved to the satisfaction of complainant		302
Number pending redressal		Nil
Number Pending Transfers		Nil

The Company has attended to most of the investors grievances/ correspondence within a period of fifteen days from the date of receipt of the same, while all the rest were attended to within maximum period of 30 days.

Name, designation and address of :  
Compliance Officer

Mr. Manoj Tulsian  
Financial Controller & Company Secretary  
Gabriel India Ltd.  
1, Sri Aurobindo Marg  
New Delhi-110016.

## 7. General Body Meetings

Details of the location of the last three AGMs and the details of the resolutions passed or to be passed by Postal Ballot.

### a. Particulars of last three years Annual General Meetings

Financial year	Date	Time	Location
2005-06	July 24, 2006	2:30 p.m.	29 <sup>th</sup> Milestone Pune-Nashik Highway Village Kuruli Taluka Khed Pune 410 501
2004-05	July 19, 2005	2:30 p.m.	-do-
2003-04	July 23, 2004	2:30 p.m.	-do-

### b. No resolutions requiring Postal Ballot as recommended under clause 49 of the Listing Agreement have been placed for shareholder's approval at the meeting.

The Company has passed the following Special Resolutions during the year 2005-06:

- (1) for approval of amendment to Articles of Association of the Company by insertion of a new article 8 A for Buy Back of Shares.
- (2) for approval of payment of Commission upto 1% of Net Profit of the Company under section 309(4) of the Companies Act, 1956 to directors other than whole-time directors.

The Company has passed a Special Resolution in the year 2003-04 approving the De-listing of the equity shares of the Company from the Delhi Stock Exchange.

Other than these the Company has not passed any Special Resolution in the last three Annual General Meetings.

## 8. Notes on Directors seeking appointment / re-appointment as required under Clause 49IV(E) of the Listing Agreement entered into with Stock Exchanges.

### 1. Mr. Ravi K. Sinha

Mr. Ravi K Sinha is a graduate in Mechanical Engineering from Agra University and has a Post Graduate Diploma in Marketing and Sales Management from Delhi University. Mr. Sinha is a Business leader with track record of turn-around, successful new business launches, building organisational capability and handling mergers and acquisitions. Mr. Sinha facilitated transformation of SRF Limited from a medium family run company to one of the most professionally managed companies in India. Under his leadership one of the main divisions of SRF Limited went on to win the coveted Deming Prize. Mr. Sinha is a Director on the Board of Ace Refractories Limited . He is also advisor to several companies. He brings strong expertise in strategic planning, financial analysis, mentoring of senior executives, TQM and organisation capability building.

### 2. Major General (Retd.)M. S. Sandhu

Major General (Retd.) M. S. Sandhu, VSM, is an MBA from College of Defence Management and a Masters degree in Defence Studies from University of Chennai.He served in the Indian Army for 33 years in different command & staff assignments, with combat arms and Head Quarters, including 1965 & 1971 wars with Pakistan and assignments in insurgency & high altitude areas. He also represented India for World Cup Polo Championship in 1991. He joined Anand in 1997 and is currently President, Group iEHS and is Member, Anand Management Committee besides being part of Group's key management team. He is also involved in Group's welfare activities through SNS Foundation. He is also a Director on the Board of Chang Yun India Ltd.

## 8. Disclosures

- Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interests of the Company at large.

- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None.

- The Company has established the necessary mechanism in line with Clause 7 of Annexure 1D of Clause 49 of the Listing agreement for the employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

- Secretarial Audit:

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The Secretarial Audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in Physical form and the total number of dematerialised shares held with NSDL and CDSL.

- Risk Management:

The Company has laid down the process of Risk Management and Assessment procedure which is periodically reviewed by the Board Members.

#### 10. CEO/ CFO Certification

Certificate from CEO & CFO for the financial year ended March 31, 2007, has been provided elsewhere in the Annual Report.

#### 11. Means of Communication

- Half-yearly report sent to each household of shareholders  
No, as the results of the Company are published in the Newspapers having wide circulation.
- Quarterly results  
Any website, where displayed  
Whether it also displays official news released; and the presentations made to Institutional investors or to the Analysts  
Newspapers in which results are normally published in  
Same as above.  
Yes, on [www.gabrielindia.com](http://www.gabrielindia.com)  
No.
- Whether Management discussion & Analysis is a part of Annual Report or not  
1) Indian Express - Pune edition.  
2) Lok Satta - Pune edition.  
3) The Economic Times—Delhi & Mumbai editions.  
Yes.

#### 12. General Shareholder Information

- AGM: Date, Time and Venue  
July 23, 2007 at 2:30 p.m. at Auditorium  
Gabriel India Limited, 29th Milestone,  
Pune-Nashik Highway, Village Kuruli  
Taluka Khed, Pune 410501
- Financial Year  
April to March
- Date of Book Closure  
July 19, 2007 to July 23, 2007  
(both days inclusive)

- Listing on Stock Exchange
- Stock Code
- The ISIN of Gabriel India Limited on both NSDL and CDSL
- Market Price Data: High, Low during each month in last financial year and performance in comparison to Sensex
- Registrar and Transfer Agents
  
- Share Transfer System
  
- Distribution of shareholding and Shareholding pattern as on March 31, 2007
- Dematerialisation of shares
- Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity
- Plant Locations
  
- Address for Correspondence

The Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

505714 on Bombay Stock Exchange.  
'GABRIEL' on National Stock Exchange  
INE524A01029

Please see Annexure 'A'.

Karvy Computershare Pvt. Ltd  
Plot No. 17 to 24 , Vittalrao Nagar,  
Madhapur, Hyderabad – 500 081  
Phone – 040-23420818-828  
Fax – 040- 23420814  
E-Mail :mailmanager@karvy.com

All the transfers received are processed and approved by the Share Transfer Committee which normally meets twice in a month.

Please see Annexure 'B'.

Complied with  
Not issued.

The Company's plants are located at Nasik, Pune, Dewas, Hosur, Gurgaon, Noida and Parwanoo.

Shareholders' correspondence should be addressed to the Registrars & Transfer Agents at the address given above or to the Registered Office of the Company or to the Corporate office or can be emailed to 'secretarial@gabriel.co.in'

The investors' complaints may be registered with the Company by email to grd@gabriel.co.in

## B. NON-MANDATORY REQUIREMENTS

### a) Chairman of the Board

Whether Chairman of the Board is entitled to maintain a chairman's office at the company's expenses and also allowed reimbursement of expenses incurred in performance of his duties

The Chairman does not maintain a separate office for the Company. Expenses incurred by the Chairman on official duties for the Company are met/reimbursed by the Company.

### b) Shareholder Rights

The half-yearly/quarterly declaration of financial performance including summary of the significant events in last six months should be sent to each household of shareholders

As the half yearly/quarterly results are published in English newspapers having wide circulation all over India and in a Marathi newspaper (having circulation in Pune & Mumbai), the same are not sent to the shareholders of the Company. Annual audited financial results are taken on record by the Board and then published in news papers as aforesaid and also communicated to the shareholders through the Annual Report.

### c) Remuneration Committee

The Company has formed a Remuneration

**d) Audit Qualification**

Committee. Details of the same are covered elsewhere in the Report.

The Company is in the regime of unqualified financial statements.

**e) Training of Board Members**

The Company organises training of its Board Members from time to time.

**f) Mechanism for evaluating Non-executive Board Members**

The Company is developing a suitable process for assessing the effectiveness of the Board and the Committees.

**g) Whistle Blower Policy**

The Company has a Whistle Blower Policy. The same is covered elsewhere in the report.

For and on behalf of the Board

*Mumbai  
Dated: May 22, 2007*

DEEP C. ANAND  
*Chairman*

## Annexure “A”

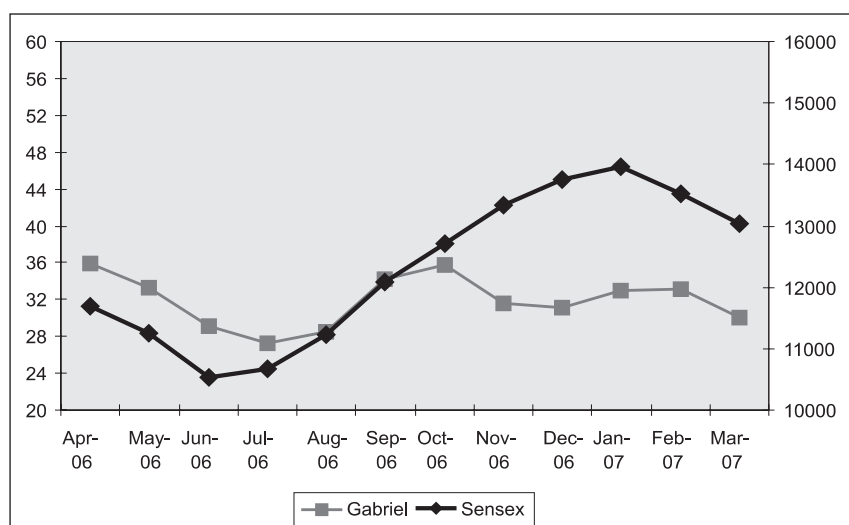
### (i) Stock Price Data

High / Low of market price of the Company's shares traded on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), during the financial year 2006-07 is furnished below:

Period (Year 2006- 2007)	BSE		NSE	
	Highest* (Rs.)	Lowest* (Rs.)	Highest* (Rs.)	Lowest* (Rs.)
April	43.40	28.50	43.90	28.35
May	41.00	25.50	41.00	26.20
June	35.80	22.30	35.90	21.10
July	30.45	24.00	30.65	24.20
August	31.75	25.25	31.65	24.15
September	39.30	29.00	36.85	28.50
October	38.45	33.05	38.75	33.20
November	34.40	28.85	34.25	28.20
December	34.80	27.35	34.60	27.00
January	36.00	30.00	35.90	29.10
February	38.40	28.00	37.90	29.00
March	33.00	27.05	32.90	26.10

Note : 1. \* Source : websites of the stock exchanges.

### (ii) Stock Performance



## Annexure “B”

(i) The distribution of shareholdings as on March 31, 2007 is as follows:

No. of equity shares held	No. of Folios	%	No. of Shares	%
Upto 5000	37164	98.73	11608154	16.16
5001 to 10000	241	0.64	1887685	2.63
10001 to 100000	202	0.54	5344465	7.44
100001 and above	33	0.09	52981666	73.77
<b>Grand Total</b>	<b>37640</b>	<b>100.00</b>	<b>71821970</b>	<b>100.00</b>

(ii) Shareholding pattern as on March 31, 2007 is as follows:

Category	No. of shares	%
Indian promoters	28481350	39.7
Collaborators	14843980	20.7
Insurance cos. & banks	752683	1.0
Mutual funds & UTI	5649616	7.9
FII's & NRIs	659141	0.9
Domestic Companies	2485128	3.4
Resident Individuals	18950072	26.4
<b>Total</b>	<b>71821970</b>	<b>100.00</b>

### Appendix I

#### Declaration regarding Compliance by Board Member and Senior Management Personnel with the Company's Code of Conduct.

I, **K N Subramaniam**, being the Managing Director and a member of the Board of Directors of Gabriel India Limited (“the Company”) hereby acknowledge, confirm and certify that :

- All the Directors have received, read and understood the Code of Conduct for Directors and Senior Management of the Company.
- All the Directors are bound by the said Code to the extent applicable to their functions as a member of the Board of Directors / Senior Management of the Company;
- Since the adoption of the Code of Conduct in the financial year 2005-2006, all the Directors have complied with the provisions of the Code;
- Directors are not aware of nor are a party to any non-compliance with the said Code.

Mumbai  
May 22, 2007

**K N Subramaniam**  
Managing Director



## Auditors' Certificate on Compliance of Conditions of Corporate Governance Under Clause 49 of the Listing Agreement(s)

To the Members of Gabriel India Limited

We have examined the compliance of conditions of Corporate Governance by Gabriel India Limited, for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We 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.

V. NIJHAWAN  
*Partner*  
Membership Number - F87228

For and on behalf of  
PRICE WATERHOUSE & CO.  
*Chartered Accountants*

*Place : Gurgaon*  
*Dated: May 22, 2007*

## Management Discussion and Analysis

### Overview

Over the last four decades your Company has established itself as a leading manufacturer of Automotive Components comprising of Shock Absorbers, Struts and Front Forks for the Automotive Industry. The Automotive Industry has several vehicle segments like Commercial Vehicles, Multi Utility Vehicles, Passenger Cars, Three Wheelers and Two Wheelers and the Company has carved out a strong niche for itself as a quality Supplier having a strong customer base. The growth of the Company is directly dependant on the Indian Automotive Sector which continues to get to focussed attention of policy makers in Government of India. The initiatives taken by the Government in 2006-07 to support the automobile sector include reduction in the duty of raw material, setting up of the National Automotive Testing and R&D Infrastructure Project (NATRIP) at a approximate cost of Rs.1.7 Billion for enabling the industry to usher in global standards of vehicular safety, emission and performance standards, and finalisation of the Automotive Mission Plan (AMP) 2006-2016 for making India a preferred destination for design and manufacture of automobile and automotive components. These initiatives would also help your Company to grow exponentially.

### Economy and Business Outlook

Vigorous growth with strong macroeconomic fundamentals has characterized developments in the Indian economy in 2006-07. Though the economy witnessed a GDP growth rate of 9.2% (The advance estimates (AE) of gross domestic product (GDP) for 2006-07, released by the Central Statistical Organisation (CSO) on February 7, 2007), the overall surge in demand for commodities and the tremendous interest shown by the Foreign Investors in India led to a strong increase in demand in almost all the sectors and the Automotive Industry continued to show robust growth numbers. Automotive industry, comprising of the automobile and auto-component sectors, is one of the key segments of the economy with extensive forward and backward linkages with other key segments of the economy. Installed capacity of the industry has been growing at a compounded annual rate of over 16 per cent since 2001-02.

The Automotive Industry witnessed a growth of 12% in two wheeler segment out of which the motorcycles segment grew by 14.6%. Your Company grew by 10%. Though the passenger vehicles business grew by 19.7%. Your Company outpaced the market growth in passenger vehicles and grew by 26.3%. Whereas Company's exports have fallen, the current plans of the Company will help in achieving major growth in the next three years. Easy finance schemes and roll out of new models with quite a number of variants have materially contributed to the growth of numbers. Your Company has been given good support by the technical collaborators in providing active support in terms of new and improved technology and also providing tools and requisite periodic training to cater to the requirements of new generation vehicles. The Company has therefore been successful in being a major supplier in most of the new models. Your Company's major thrust is to become a world class supplier and has been working in this direction by initiating major projects towards optimum utilisation of man, machine and technology.

The auto component industry has been one of the fastest growing segments of Indian manufacturing sector. It has the capability to manufacture the entire range of auto parts and has rapidly added to its capacity base. The turnover of the sector has grown more than threefold in the last ten years to US\$11.0 billion. The global manufacturers are looking at India as a major global sourcing hub. More and more global auto giants are either looking for setting up their own facilities in India or are looking for major alliances to take the benefit of cost competitiveness. These initiatives by the global manufacturers are opening up tremendous potential for Indian automotive component suppliers to make a big leap in the years to come. Technical collaboration by most of the Indian companies with global leaders in automotive components and global vehicle manufacturers establishing facilities to manufacture for export besides catering to the domestic market, has enabled the Indian automotive component industry to measure up to high quality standards and invest in technological advancement .

### Risk and Concerns

For the past several years, steel prices, crude oil prices and other metal prices have been extremely volatile and trend is likely to persist. The Company has been partly countering such increases through identification of alternative sources, cost reduction and VAVE activities and indigenization of certain imported components. However, if these input costs continue to increase, and thus remain unabated, it may probably affect the overall margins. The global Automobile Industry is undergoing dramatic changes in recent times. There has been enormous competition both for auto manufacturers and component manufacturers. We have accepted this challenge and therefore have concentrated more on the quality, cost and delivery of our products.

The Company's growth is primarily determined by overall growth of Automotive Industry and the latter is largely dependent on the Monsoons. Fluctuation in demand of Auto Industry is beyond the control of the Company. In spite of this, however, both Auto and Auto Component Industries in India are growing rapidly and this trend is likely to continue in future.

Your Company has broadly classified Risks under the following five heads :

- 1) Business Risks
    - Industry Risk
    - Customer Concentration
    - Material supply and price
    - Technology Changes
    - Global competition
  - 2) Financial Risks
    - Foreign Currency
    - Leverage
  - 3) Legal and Statutory Risks
    - Contractual liabilities
    - Statutory compliances
  - 4) Political Risks
  - 5) Hazard Risks
- 1. Business Risks**

Your Company so far has been successful in implementing its strategy of dividing the overall risks across business segments and continues to deal with the original equipment manufacturers, replacement market and exports for all vehicle segments including passenger cars, commercial vehicles and two wheelers.

#### **1.1 Industry Risk**

Auto Component Industry is related to the overall growth of Automotive Industry. Historically, the Automotive Industry has not shown a consistent demand over periods hence giving periodic fluctuations in demand for vehicles, for which your company is a supplier of various products. These fluctuations are beyond the control of the Company; hence accurate projection is not possible. These fluctuations are mainly caused by economic growth, effectiveness of the monsoon, entry of global players, introduction of new models and on several other unforeseeable factors, such as fuel price changes, interest rate fluctuations and taxation policies. Both Automotive Industry and Automotive Component Industry are in a major growth phase in view of the good growth in domestic demand and due to the numerous competitive advantages that India possesses, our country is fast becoming the sourcing hub for global players too.

The year saw marginal increase in the price of our basic raw material. However, the OEMs have not compensated adequately for the same in the wake of the extremely price competitive market. The pressure on margins would continue and the only way out would be rolling out technologically advanced components continuously at a premium price. The Company's thrust on increasing export continues to improve overall margins.

#### **1.2 Customer Concentration**

We largely rely on the Original Equipment manufacturers' business growth as the replacement market in India is not showing any growth because of the strong focus on high quality products adopted by the OEM's for the new generation passenger cars. Also, as per the global trends, the demand in the replacement market is continuously diminishing and per se the market is showing no signs of improvement. Hence your Company has been continuously working towards widening of the customer base in the OE and the export segment. Your Company, with an object to mitigate this risk is, constantly working to strike a balance by diversifying customer base, by adding new customers and new products. During the year, your Company has added business of Maruti Suzuki SX4, L90 for Logan, Star Sport for TVS, TVSM Indonesia, TATA ACE.

#### **1.3 Material Supply and Price**

Prices for the major raw materials including steel and non ferrous metals continued to show increasing trends. The same has not been a healthy sign for the Company as the Company does not get compensated totally by the OEM's. The rise in input costs like in the previous year either has not been adequately compensated by the OEM's or there has been a time lag between the cost increase and the price increase received from the customer. Most of the auto component companies have suffered similar fate. Your Company also faced the challenge of rising cost of inputs resulting in a reduction in the margins. Your Company does not have any long term contract with the steel and aluminium suppliers to hedge against the sharp increase in costs. Your Company has been actively working on deploying sourcing strategies, like identifying alternate sources including considering import of certain raw materials, working with suppliers to improve productivity and other cost reduction measures to mitigate this risk and has been successful in developing certain components with some of the international suppliers from China, Thailand etc which

has helped the Company to mitigate the actual cost increase and this will help in cutting down the input cost as a measure to mitigate the impact of the increasing raw material prices.

#### **1.4 Technology changes**

Your Company continues to have Technology Licence Agreement with ArvinMeritor, USA, KYB Corporation, Japan, KYB Suspensions, Spain for the manufacture of Shock Absorbers and Struts for four wheeler products and with SOQI Hydraulic System Co., Japan (100% subsidiary of Yamaha, Japan) for two wheeler products. Growth in the Automotive industry is driven by speedy design and product development and introduction of various new models at frequent intervals. To retain market share by the auto component manufacturers, requirement of original equipment manufacturers has to be met by developing/acquiring technology to meet the design requirements of various models/vehicles being launched from time to time. Technology leadership is the first step towards market leadership. Recognizing this, your company has over the years built a completely integrated R&D center at Pune. This centre is equipped with state-of-the-art facilities for Design, engineering, testing and validation, for McPherson struts and Shock Absorbers with complete infrastructure for simulation of designs using softwares like CAD, CAE and phototyping and testing.

#### **1.5 Global Competition**

As India is being looked at as a Global sourcing hub, Indian auto component industry is poised for a very high potential for exports over next one decade but at the same time would be facing a major competition from other Low Cost Countries (LCC) to capture this opportunity. The industry is highly competitive in case of skill based components manufacturing and moderately competitive in case of Labour intensive and steel/cast iron intensive parts.

Your Company is also aggressively pursuing these opportunities and has got its first taste of success by getting a major sourcing opportunity in 2005-06 from Arvin Meritor, USA for supply of 2 Mill shock absorbers per annum. The work under this contract is going on and we are in the process of getting approvals for various samples sent. We are very hopeful of getting good business in the years to come.

The trend of customs duty reduction and Free Trade Agreement with ASEAN/Thailand and other countries offers both opportunities and risks. Opportunities include importing input material at lower cost and export of finished goods. Risks include direct import by Company's current customers and allocation of capacities by the Company's supplier for exports. Your Company is working closely with its customers in the area of new product development, technology development to mitigate the risks.

### **2. Financial Risks**

#### **2.1 Foreign Currency**

Our functional currency (capital and operating expenses) is the Indian Rupee. The Company is exposed to foreign currency rate fluctuations, on account of imports, which is substantially higher than current export earnings. However, the impact of this is not significant. Loans in foreign currency are fully hedged till the date of final maturity. We seek to reduce the effect of exchange rate fluctuations on operating results by purchasing/selling foreign exchange forward contracts to cover a portion of outstanding accounts receivable/account payables. We do not take active trading positions in foreign currency markets and operate only to hedge for the best rates of the Rupee.

#### **2.2 Leverage**

During the year your Company has taken major restructuring activities like Demerger of the Bearings business, closure of one of the old plant at Mulund and simultaneous disposal of the land. These initiatives have helped the Company to improve upon its Debt equity ratio considerably. Accordingly, your Company has been able to bring down the debt to equity ratio at 0.6:1 which is even after meeting the need for higher funds due to increased sale. As the Company mainly works on JIT systems, there is limited scope of reducing inventory levels. We have a policy to collect receivables and settle our payables well within stipulated timeframes. The Company's rating by CRISIL for Non-Convertible Debentures remained at "A-" with stable outlook.

### **3. Legal and Statutory Risks**

#### **3.1 Contractual liability**

The Company has entered into business agreement with major OEMs for supply of components. Terms agreed pertain to include quantity, quality, price, delivery, warranty etc. The Management has taken conscious steps to restrict liabilities under the contract and to cover the risks involved. Your Company currently has no litigation in relation to contractual obligations pending against it in any court in India or elsewhere.

#### **3.2 Statutory compliances**

Your Company has its legal team in place with appropriate policies towards legal compliances. Continuous monitoring of the business operations by the team through a proper system of reporting ensures that the Company has not defaulted in any of the statutory compliance/requirement.

#### 4. Political Risks

The Indian government, over the last few fiscal years, has typically been a coalition of several political parties. The withdrawal of one or more of these parties could result in political instability. Such instability could delay the reform of the Indian economy and could have adverse effect on the market for our products. The political environment in India has proven to be stable over the last fiscal in spite of changes in the coalition of political parties forming the Central Government. The Government, from time to time, releases policies on Automotive Industry. The profitability of the Company may further be affected by changes in Government Policies regarding excise duty, service tax, import duty, Income Tax, Fringe Benefit Tax, VAT and any other Central / State levy etc. The growing competition in this industry being price sensitive may squeeze the margins further in future.

#### 5. Hazard & Other Risks

Your Company is adequately insured against all natural calamities under standard fire and special peril policy which includes fire, lightning, flood, typhoon, tempest, hurricane, earthquake, terrorism, impact damage, subsidence etc. We have also insured ourselves against various other types of risks which include insurance cover for professional errors and omissions, the entire physical infrastructure, protection against fixed costs, product liability policy and loss of profits. We have insured against other contingencies including coverage for lives of all employees in India and abroad. This includes key insurance cover for Directors and Officers (D&O).

#### Internal Control Systems and their adequacy

The Company's well defined organization structure, documented policy guidelines, predefined authority levels, and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations. The Internal Control systems are guided to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly. The Company has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an ongoing basis. The Company's internal auditors review business processes and controls. The Audit Committee of the Board then discusses significant findings and corrective measures initiated.

#### Human Resources/ Industrial Relations

During the year under review, the Company has undertaken extensive steps for optimising the use of its manpower through automation, productivity improvement, offloading of components and services and role enrichment. There is a continuous focus on enhancing productivity in all facets of our operations. Training and development of employees continues to be an area of prime focus with key personnel being sent for advanced training within the country and abroad. The Industrial relations climate of the Company remained cordial during the year and continues to be focused towards improving productivity, quality and safety.

#### Pollution and Environmental Controls

As a continuous step of utmost importance, environmental concerns are given utmost priority. Accordingly, the Company has taken steps to improve efficiencies and waste management and to comply with applicable environment laws and regulations.

Safety and health of people working in and around the premises of the Company continue to get the maximum attention of the management. The Company takes special care of its employees in terms of improving the working condition and providing safety equipments as per the process requirements. Regular training is being provided to the employees to ensure that the environmental norms are being met and maintained. The Company is regular in investing in new equipments which help in meeting pollution norms and keep the environment clean.

#### Cautionary Statement

Statements in this Report describing the Company's objectives, projection, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied. Factors that could make a difference to the Company's operations, include, among others, raw material prices, price increase from customers, government regulations, tax regimes, economic developments in India, natural calamities and other incidental factors.

Mumbai  
Date: May 22, 2007

KN Subramaniam  
Managing Director

# Auditors' Report to the members of Gabriel India Limited

1. We have audited the attached Balance Sheet of Gabriel India Limited, as at March 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - i)
    - (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical records have been noticed.
    - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
  - ii)
    - (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
    - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
    - (c) On the basis of our examination of the inventory records, 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.
  - iii)
    - (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
    - (b) The company has not taken secured/unsecured loans, from companies covered in the register maintained under Section 301 of the Act.
  - iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
  - v)
    - (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
    - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



- vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed 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 have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix)
  - (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
  - (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, service-tax, and cess as at March 31, 2007 which have not been deposited on account of a dispute, are as indicated in Note 4(b) on Schedule 20.
- x) The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.
- xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) 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, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

4. Further to our comments in paragraph 3 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Gurgaon, May 22, 2007

V. NIJHAWAN  
*Partner*  
Membership Number–F 87228  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants



# Balance Sheet

as at March 31, 2007

		31.03.07		31.03.06	
	Schedule	Rs. Million	Rs. Million	Rs. Million	Rs. Million
<b>Sources of Funds</b>					
Shareholders' Funds					
Share Capital	'1'	71.85		71.85	
Reserves & Surplus	'2'	1,236.31	1,308.16	922.92	994.77
Loan Funds					
Secured Loans	'3'	280.56		475.21	
Unsecured Loans	'4'	455.93	736.49	557.64	1,032.85
Deferred Tax Liability (Net)	'5'		105.55		194.79
			<b>2,150.20</b>		<b>2,222.41</b>
<b>Application of Funds</b>					
<b>Fixed Assets</b>					
Gross Block	'6'	2,090.04		2,682.86	
Less: Depreciation		1,070.02		1,351.89	
Net Block		1,020.02		1,330.97	
Capital Work-in-Progress		160.78	1,180.80	45.96	1,376.93
Investments	'7'		9.77		9.77
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	'8'	380.31		469.16	
Sundry Debtors	'9'	598.49		681.44	
Cash and Bank Balances	'10'	195.59		162.58	
Loan and Advances	'11'	630.03		406.63	
		<b>1,804.42</b>		<b>1,719.81</b>	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	'12'	658.34		787.78	
Provisions	'13'	186.45		96.32	
		<b>844.79</b>		<b>884.10</b>	
<b>Net Current Assets</b>			<b>959.63</b>		<b>835.71</b>
			<b>2,150.20</b>		<b>2,222.41</b>
<b>Significant Accounting Policies</b>	'19'				
<b>Notes to Accounts</b>	'20'				

This is the Balance Sheet referred to in our report of even date.

V. Nijhawan  
Partner  
Membership Number - F87228  
For and on behalf of  
PRICE WATERHOUSE & CO.  
Chartered Accountants

Place: Mumbai  
Dated: May 22, 2007

The Schedules referred to above form an integral part of Balance Sheet

MANOJ TULSIAN  
Financial Controller &  
Company Secretary

DEEP C. ANAND  
Chairman  
K.N. SUBRAMANIAM  
Managing Director  
RUSSI JAL TARAPOREVALA  
C.S. PATEL  
RAVI K SINHA  
M.S. SANDHU  
PADMINI KHARE KAICKER  
ARVIND WALIA  
Directors

# Profit & Loss Account

for the year ended March 31, 2007

		31.03.07		31.03.06	
	Schedule	Rs. Million	Rs. Million	Rs. Million	Rs. Million
<b>Income</b>					
Sales		6,011.23		5,617.35	
Less: Excise Duty		848.64		764.92	
Net Sales		5,162.59		4,852.43	
Other Income	'14'	918.86		150.40	
			6,081.45		5,002.83
<b>Expenditure</b>					
Excise Duty		11.57		8.78	
Cost of Materials	'15'	3,843.91		3,469.37	
Personnel Expenses	'16'	408.00		383.13	
Manufacturing, Administration, Selling & Distribution And Other Expenses	'17'	643.95		747.95	
Interest	'18'	65.91		82.71	
Depreciation		126.63		157.99	
			5,099.97		4,849.93
Profit Before Tax			981.48		152.90
Provision for Taxation: (Refer Note 7 On Schedule 19)					
-Current Tax [Including Wealth Tax Nil (Previous Year Rs. Nil)]			206.00		74.70
-Deferred Tax			4.83		(22.60)
-Fringe Benefit Tax			39.50		12.36
Profit After Tax			731.15		88.44
Transfer from Capital Reserve			1.50		-
Profit Brought Forward			452.84		430.57
Profit Available for Appropriation			1,185.49		519.01
<b>Appropriations</b>					
Dividend - Interim			50.28		21.55
- Proposed Final			-		28.73
Dividend Tax			7.05		7.05
General Reserve			146.23		8.84
Profit Carried Forward			981.93		452.84
			1,185.49		519.01
<b>Earning Per Share - (Refer Note 16 on Schedule 20)</b>					
- Basic / Diluted EPS (Rs.)			10.18		1.23
- Paid up value per share (Rs.)			1.00		1.00
<b>Significant Accounting Policies</b>	'19'				
<b>Notes to Accounts</b>	'20'				

This is the Profit & Loss Account referred to in our report of even date.

V. Nijhawan  
Partner  
Membership Number - F87228  
For and on behalf of  
PRICE WATERHOUSE & CO.  
Chartered Accountants

Place: Mumbai  
Dated: May 22, 2007

The Schedules referred to above form an integral part of Profit & Loss Account

MANOJ TULSIAN  
Financial Controller &  
Company Secretary

DEEP C. ANAND  
Chairman  
K.N. SUBRAMANIAM  
Managing Director  
RUSSI JAL TARAPOREVALA  
C.S. PATEL  
RAVI K SINHA  
M.S. SANDHU  
PADMINI KHARE KAICKER  
ARVIND WALIA  
Directors

# Schedules

## Schedule '1': Share Capital

	31.03.07 Rs. Million	31.03.06 Rs. Million
<b>Authorised</b>		
1,40,000,000 (Equity Shares of Re. 1 each	140.00	140.00
1,00,000 Cumulative Redeemable Preference Shares of Rs. 100 each	<u>10.00</u>	<u>10.00</u>
	<b>150.00</b>	<b>150.00</b>
<b>Issued, Subscribed &amp; Paid Up Capital</b>		
71,821,970 (Previous Year 71,821,970)		
Equity Shares of Re. 1 each fully paid up (Previous Year Re. 1/- each)	71.82	71.82
Add: Share Forfeiture	<u>0.03</u>	<u>0.03</u>
	<b>71.85</b>	<b>71.85</b>

The Company had sub divided its every equity share of Rs. 10 each (fully paid up) into 10 (Ten) equity shares of Re. 1 (One) each (fully paid up) based on the approval of the shareholders in the Extraordinary General Meeting held on 16th December 2005

Notes : In earlier years:

- 12,35,000 Equity Shares of Rs.10 each allotted as fully paid up by way of Bonus Shares by capitalisation of Reserves
- 17,33,996 Equity Shares of Rs.10 each at a premium of Rs. 20 each allotted as fully paid up on conversion of Partly Convertible Debentures on November 30,1991
- 26,75,198 Equity Shares of Rs.10 each at a premium of Rs. 115 each allotted as fully paid up on conversion of Partly Convertible Debentures on November 01,1996

## Schedule '2': Reserves & Surplus

	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
<b>Capital Reserve</b>				
(Refer Note 5 on Schedule 19)				
Per Last Balance Sheet	1.70		1.70	
Add: Received During the Year	1.50		-	
Less: Transferred to Profit & Loss Account	<u>1.50</u>		<u>-</u>	
		1.70		1.70
<b>Share Premium:</b>				
Per Last Balance Sheet		343.59		343.59
<b>General Reserve:</b>				
(Refer Note 5 on Schedule 20)				
Per Last Balance Sheet	124.79		115.95	
Less: Transferred on restructuring	124.79		-	
Add: Transferred from Profit & Loss Account	<u>146.23</u>	146.23	<u>8.84</u>	124.79
<b>Profit &amp; Loss Account</b>				
(Refer Note 5 on Schedule 20)				
Available for carried forward	981.93			
Less: Transfer on Restructuring	172.44			
Less: Transition impact of Revised AS-15 (Net of tax Rs. 32.83 Million)	<u>64.70</u>			
		<b>744.79</b>		<b>452.84</b>
		<u><b>1,236.31</b></u>		<u><b>922.92</b></u>

### Schedule '3': Secured Loans

(Refer notes 1, 2 (a) and 5 on Schedule 20)

		<b>31.03.07</b>	<i>31.03.06</i>
		<b>Rs. Million</b>	<i>Rs. Million</i>
<b>From Banks</b>			
– Rupee Term Loans		<b>75.00</b>	<i>224.60</i>
<b>Working Capital Facilities from Banks</b>	<b>329.21</b>		
Less Transferred on restructuring	<b>124.20</b>	<b>205.01</b>	<i>250.60</i>
– Interest Accrued and Due		<b>0.55</b>	<i>0.01</i>
		<b>280.56</b>	<i>475.21</i>

### Schedule '4': Unsecured Loans

(Refer note 2(b), 2(c) and 2(d) on Schedule 20)

	<b>31.03.07</b>		<i>31.03.06</i>	
	<b>Rs. Million</b>	<b>Rs. Million</b>	<i>Rs. Million</i>	<i>Rs. Million</i>
Fixed Deposits		–		<i>1.62</i>
Sales Tax Deferral Loans		<b>136.32</b>		<i>131.75</i>
Short Term Loans and Advances				
– Rupee Loan from Banks	<b>309.78</b>		<i>403.49</i>	
– Interest Accrued and due	<b>0.71</b>	<b>310.49</b>	<i>0.64</i>	<i>404.13</i>
Other Loans and Advances				
– Others		<b>9.12</b>		<i>20.14</i>
		<b>455.93</b>		<i>557.64</i>

### Schedule '5': Deferred Tax Liabilities (Net)

(Refer note 7(b) on Schedule 19 and note 5 and 17 on Schedule 20)

		<b>31.03.07</b>	<i>31.03.06</i>
		<b>Rs. Million</b>	<i>Rs. Million</i>
Deferred Tax Liability -			
– At beginning of the year		<b>194.79</b>	<i>217.39</i>
– Deferred Tax Liability transferred on restructuring		<b>(61.24)</b>	<i>–</i>
– Impact of transition adjustments for employee benefits		<b>(32.83)</b>	<i>–</i>
– Adjustment for current year		<b>4.83</b>	<i>(22.60)</i>
		<b>105.55</b>	<i>194.79</i>

## Schedule '6': Fixed Assets

(Refer notes 2, 5, 8, 9, 11 and 12 on Schedule 19 and notes 3, 5, 6 and 15 on Schedule 20)

	(Rs. Million)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 01.04.06	Transfer on Restruc- turing	Additions	Deduc- tions/ Adjust- ments	As at 31.03.07	Upto 1.4.06	Transfer on Restruc- turing	For the Year	Deduc- tions/ Adjust- ments	Upto 31.03.07	As at 31.03.07	As at 31.03.06
<b>Tangible Assets</b>												
Freehold Land	22.28	-	-	0.70	<b>21.58</b>	-	-	-	-	-	<b>21.58</b>	22.28
Leasehold Land	25.92	4.75	-	-	<b>21.17</b>	3.71	1.31	0.25	-	<b>2.65</b>	<b>18.52</b>	22.20
Buildings	469.76	53.86	13.04	8.99	<b>419.95</b>	148.18	19.27	16.38	5.11	<b>140.18</b>	<b>279.77</b>	321.58
Plant & Machinery	2,031.34	595.14	83.93	15.31	<b>1,504.82</b>	1,123.34	344.57	98.29	12.45	<b>864.61</b>	<b>640.21</b>	908.00
Vehicles*	27.69	4.24	9.66	4.78	<b>28.33</b>	12.48	1.23	2.80	3.03	<b>11.02</b>	<b>17.31</b>	15.21
Furnitures & Fixtures	57.55	9.21	3.37	3.78	<b>47.93</b>	29.40	5.50	3.15	2.87	<b>24.18</b>	<b>23.75</b>	28.15
<b>Intangible Assets</b>												
Computer Software	5.56	0.22	1.71	0.23	<b>6.82</b>	4.40	-	0.87	0.16	<b>5.11</b>	<b>1.71</b>	1.17
Technical Knowhow	42.76	13.00	9.68	-	<b>39.44</b>	30.38	13.00	4.89	-	<b>22.27</b>	<b>17.17</b>	12.38
	<u>2,682.86</u>	<u>680.42</u>	<u>121.39</u>	<u>33.79</u>	<u><b>2,090.04</b></u>	<u>1,351.89</u>	<u>384.88</u>	<u>126.63</u>	<u>23.62</u>	<u><b>1,070.02</b></u>	<u><b>1,020.02</b></u>	<u>1,330.97</u>
Capital Work- in-Progress (Refer Note 1 below)											<b>160.78</b>	45.96
Total	<u>2,682.86</u>	<u>680.42</u>	<u>121.39</u>	<u>33.79</u>	<u><b>2,090.04</b></u>	<u>1,351.89</u>	<u>384.88</u>	<u>126.63</u>	<u>23.62</u>	<u><b>1,070.02</b></u>	<u><b>1,180.80</b></u>	<u>1,376.93</u>
Total as at 31.03.06	<u>2,522.84</u>	<u>-</u>	<u>168.20</u>	<u>8.18</u>	<u>2,682.86</u>	<u>1,199.65</u>	<u>-</u>	<u>157.99</u>	<u>5.75</u>	<u>1,351.89</u>	<u>1,330.97</u>	

\* Vehicles include Assets purchased on finance lease amounting to Rs. 9.56 Million (Previous Year Rs. 16.81 Million) with a written down value of Rs. 5.62 Million (Previous Year Rs.11.16 Million) as at year end

NOTES : 1 Capital Work-in-Progress includes Capital Advances of Rs.29.62 Million (Previous Year Rs. 23.38 Million)

2. Additions to Plant and Machinery includes Rs. Nil (Previous year Rs. 0.16 Million) on account of Foreign exchange fluctuation loss

3. Out of the Capital work in progress as at March 31, 2006 an amount of Rs. 0.80 Million has been transferred to Anand Engine Components Limited upon restructuring (Refer note no 5 on Schedule 20)

**Schedule '7': Investments**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
(Refer Note 3 on Schedule 19)		
Non-Trade—Long Term Investments		
Quoted—at cost:		
97,548 ( <i>Previous year 97,548</i> ) 6.75% US64 Bonds issued by the Administrator of the Specified Undertaking of Unit Trust of India of Rs.100/- each ( <i>Previous year Rs 100/- each</i> ), fully paid up, issued in lieu of 9,72,484 Units of Rs.10 each fully paid up of Unit Trust of India	<b>9.75</b>	<i>9.75</i>
800 ( <i>Previous Year 800</i> ) Equity Shares of Rs. 10 ( <i>Previous Year Rs. 10</i> ) each fully paid up of Housing Development Finance Corporation Limited	<b>0.02</b>	<i>0.02</i>
	<b>9.77</b>	<i>9.77</i>
Aggregate of Quoted investments :		
At Book Value	<b>9.77</b>	<i>9.77</i>
At Market Value	<b>10.93</b>	<i>10.99</i>

**Schedule '8': Inventories**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
(Refer Note 4 on Schedule 19)		
Raw & Packing Materials	<b>206.89</b>	<i>219.02</i>
Less Provision for Slow moving inventory	<b>0.17</b>	<i>—</i>
Stores and Spares	<b>26.08</b>	<i>30.71</i>
Work-in-Process	<b>85.06</b>	<i>82.17</i>
Finished Goods	<b>62.45</b>	<i>137.26</i>
	<b>380.31</b>	<i>469.16</i>

**Schedule '9': Sundry Debtors**

	<b>31.03.07</b>		<i>31.03.06</i>	
	<b>Rs. Million</b>	<b>Rs. Million</b>	<i>Rs. Million</i>	<i>Rs. Million</i>
UNSECURED				
Debts Outstanding for over six months				
Considered Good	<b>17.83</b>		<i>13.45</i>	
Considered Doubtful	<b>16.29</b>	<b>34.12</b>	<i>13.66</i>	<i>27.11</i>
Other Debts				
Considered Good	<b>580.66</b>		<i>667.99</i>	
Considered Doubtful	<b>0.08</b>	<b>580.74</b>	<i>0.02</i>	<i>668.01</i>
Less : Provision for Doubtful Debts		<b>16.37</b>		<i>13.68</i>
		<b>598.49</b>		<i>681.44</i>

**Schedule '10': Cash and Bank Balances**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
(Refer Note 1(b) and 12 on Schedule 20)		
Cash-in-Hand	<b>1.01</b>	<i>1.42</i>
Cheques-in-Hand	<b>0.13</b>	<i>—</i>
With Scheduled Banks		
On Current Accounts	<b>72.96</b>	<i>23.83</i>
On Fixed Deposit Accounts	<b>120.01</b>	<i>136.03</i>
On Margin Money Accounts	<b>1.48</b>	<i>1.30</i>
	<b>195.59</b>	<i>162.58</i>

### Schedule '11': Loans and Advances

(Refer note 5 & 8 on Schedule 20)	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Advances recoverable in Cash or in kind or for value to be received				
– Unsecured				
– Considered Good	394.64		336.66	
– Considered Doubtful	0.82		14.76	
Less Provision for Doubtful Advances	0.82	394.64	14.76	336.66
Recoverable from Anand Engine Components Limited Pursuant to restructuring		123.30		–
Deposits with Excise Authorities		52.20		43.68
Advance Tax				
– Income Tax (Net of Provision Rs. 514.73 million Previous year Rs. 308.73 million)		54.21		20.35
Other current assets		5.68		5.94
		<b>630.03</b>		<b>406.63</b>

### Schedule '12': Current Liabilities

(Refer Note 7 on Schedule 20)	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Acceptances		14.87		86.04
Sundry Creditors Trade:				
– Total outstanding dues to small scale industrial undertakings @	51.76		119.42	
– Total outstanding dues of creditors other than small scale industrial undertakings	308.10	359.86	348.84	468.26
Sundry Creditors Non Trade:				
– Total outstanding dues to small scale industrial undertakings @	0.51		0.26	
– Total outstanding dues of creditors other than small scale industrial undertakings	199.43	199.94	124.50	124.76
Interest accrued but not due		0.50		0.01
Deposit from Customers		9.62		12.76
Other Liabilities		28.98		46.43
Book Overdraft		9.55		44.38
Investor Education & Protection Fund shall be credited by the following amount :				
Unpaid Dividend		33.41		4.29
Unpaid Matured Deposits		1.61		0.85
		<b>658.34</b>		<b>787.78</b>

@ The above information has been compiled in respect of parties to the extent they could be identified as Small Scale Industrial Undertakings on the basis of information available with the Company.

### Schedule '13': Provisions

(Refer Note 10 on Schedule 19)	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Proposed Dividend		–		28.73
Proposed Corporate Dividend Tax		–		4.03
Provision for Taxation				
- Fringe Benefit Tax (Net of Advance Tax Rs 51.11 million (Previous year Rs. 8.59 million)		0.76		3.77
- Wealth Tax (Net of Advance Tax Rs. 0.60 million Previous year Rs. 0.60 million)		0.32		0.32
Provision for Leave Encashment		31.56		16.27
Provision for Superannuation		86.16		–
Provision for Gratuity		41.20		18.01
Others (Refer Note 13 on Schedule 19 and Note 13 on Schedule 20)		26.45		25.19
		<b>186.45</b>		<b>96.32</b>

#### Schedule '14': Other Income

	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Income from Investments		0.66		0.62
Interest on :				
Loans to Staff	1.74		2.27	
Deposits	8.24		8.71	
[Tax Deducted at Source Rs.1.83 Million (Previous Year Rs. 1.92 Million)]				
Advances to Suppliers	0.24		0.66	
[Tax Deducted at Source Rs.0.27 Million (Previous Year 0.05)]				
Others	9.00	19.22	5.77	17.41
Sale of Scrap		65.26		65.74
Rent		3.82		5.78
[Tax Deducted at Source Rs. 0.76 Million (Previous Year Rs. 1.14 Million)]				
Insurance Claim (Refer Note 6 on Schedule 19)		0.32		1.91
Sales Tax Deferral (Refer Note 9 on Schedule 20)		52.91		36.73
Profit on sale of development rights of land (Refer note 6 on Schedule 20)		745.42		–
Excess Provision/ Liabilities Written back		19.50		3.95
Miscellaneous Income		11.75		18.26
		<u>918.86</u>		<u>150.40</u>

#### Schedule '15': Cost of Materials

(Refer Note 5 on Schedule 20)	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Traded Finished Goods				
Opening Stock	1.63		0.62	
– Less Transferred on restructuring	1.33	0.30		
Add: Purchases		4.81	11.66	
		5.11	12.28	
Less: Closing Stock		1.57	1.63	10.65
Manufactured Goods				
Raw Material, Components and Packing Materials Consumed				
Opening Stock	219.02		184.08	
– Less Transferred on restructuring	31.95	187.07	–	
Add: Purchases		3,807.98	3,378.01	
		3,995.05	3,562.09	
Less: Closing Stock		206.89	219.02	3,343.07
(Increase)/Decrease in Work-in-Process and Finished Goods				
Opening Stock				
– Work-in-Process	82.17		78.47	
– Less Transferred on restructuring	16.69	65.48	–	
– Finished Goods	135.63		121.26	
– Less: Transferred on restructuring	88.90	46.73	–	
		112.21	199.73	
Less: Closing Stock				
– Work-in-Process		85.06	82.17	
– Finished Goods		60.88	135.63	
		145.94	217.80	(18.07)
Stores and Spares Consumed		85.94		133.72
		<u>3,843.91</u>		<u>3,469.37</u>



**Schedule '16': Personnel Expenses**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
(Refer Note 10 on Schedule 19 and Notes 6 and 18 on Schedule 20)		
Salaries, Wages & Bonus	<b>321.71</b>	<i>294.86</i>
Contribution to Provident and Other Funds	<b>36.86</b>	<i>36.11</i>
Staff Welfare	<b>49.43</b>	<i>52.16</i>
	<b><u>408.00</u></b>	<i><u>383.13</u></i>

**Schedule '17': Manufacturing, Administration,  
Selling & Distribution and Other Expenses**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
Power & Fuel	<b>98.67</b>	<i>122.82</i>
Rent	<b>17.98</b>	<i>16.60</i>
Rates & Taxes	<b>25.20</b>	<i>35.46</i>
Insurance	<b>14.62</b>	<i>17.95</i>
Repairs & Maintainance		
– Buildings	<b>12.42</b>	<i>9.58</i>
– Machinery	<b>59.30</b>	<i>61.45</i>
– Others	<b>18.39</b>	<i>22.37</i>
Freight	<b>67.42</b>	<i>64.93</i>
Advertisement & Sales Promotion	<b>21.60</b>	<i>36.90</i>
Discounts	<b>67.64</b>	<i>88.95</i>
Warranty	<b>31.30</b>	<i>41.57</i>
Provision for Doubtful Debts/Advances	<b>6.19</b>	<i>8.40</i>
Provision for slow moving inventory	<b>0.17</b>	<i>–</i>
Royalty	<b>16.28</b>	<i>7.99</i>
Travelling & Conveyance	<b>49.18</b>	<i>72.61</i>
Printing & Stationery	<b>7.41</b>	<i>8.36</i>
Legal and Professional	<b>82.48</b>	<i>76.44</i>
Communication	<b>12.36</b>	<i>16.18</i>
Bank Charges	<b>1.87</b>	<i>3.33</i>
Loss on Assets Sold / Scrapped (Net)	<b>7.59</b>	<i>1.49</i>
Foreign Exchange Fluctuations (Net) (Refer Note 8 on Schedule 19)	<b>0.23</b>	<i>1.24</i>
Premium on Foreign Exchange Fluctuation	<b>–</b>	<i>1.21</i>
Directors' Fees	<b>0.16</b>	<i>0.14</i>
Miscellaneous Expenses	<b>25.49</b>	<i>31.98</i>
	<b><u>643.95</u></b>	<i><u>747.95</u></i>

**Schedule '18': Interest**

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
Term Loans	<b>26.88</b>	<i>40.49</i>
Working Capital Accounts	<b>8.04</b>	<i>17.74</i>
Fixed Deposits	<b>0.08</b>	<i>3.82</i>
Others	<b>30.91</b>	<i>20.66</i>
	<b><u>65.91</u></b>	<i><u>82.71</u></i>

## Schedule '19': Statement on Significant Accounting Policies

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### 1. Accounting Convention

These accounts have been prepared in accordance with the historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

### 2. Fixed Assets and Depreciation

- a) Fixed Assets are stated at their original cost (net of MODVAT where applicable) including freight, duties, customs and other incidental expenses relating to acquisition and installation. Interest and other finance charges paid on loans for the acquisition of fixed assets are apportioned to the cost of fixed assets till they are ready for use.
- b) Expenditure incurred during the period of construction is carried forward as capital work-in-progress, and on completion the costs are allocated to the respective fixed assets.
- c) Foreign exchange fluctuation on payment / restatement of long term liabilities related to fixed assets are adjusted against the historical cost of such assets. Depreciation on such adjusted amounts is charged over the residual useful life of the assets.
- d) Depreciation has been provided on straight-line method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956, except for the following:
  - I. Computer hardware and software are being depreciated over a period of three years.
  - II. The leasehold land is amortised over the lease period.
  - III. Buildings on land taken on lease are amortised over the lease period or useful life whichever is lower.
  - IV. Technical know-how fee is amortised over a period of 6 years or period of agreement, whichever is shorter.
  - V. Based on technical evaluation, tools and dies are written off over a period upto eight years.
  - VI. VSAT communication equipment is depreciated over a period of 5 years.

### 3. Investments

Long term investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments.

Current investments are stated at cost or fair value, whichever is lower.

### 4. Inventories

Raw material and stores and spares are valued at cost. Other inventories are valued at lower of cost or net realisable value. Cost is arrived on a weighted average basis and includes applicable manufacturing overheads. Due allowance being made for obsolete and slow moving items based on estimated useful life.

### 5. Capital Grants

Grants received from the Government are retained as Capital Reserve until the conditions stipulated in the respective schemes are complied with. However, the grants related to specific assets are deducted from the gross value of such assets.

### 6. Revenue and Expense Recognition

Revenue from sale of goods is accounted for on dispatch of goods which represents transfer of significant risks and rewards to the customers. Sales are inclusive of excise duty and net of sales return and trade discounts.

Claims recoverable on account of insurance are accounted for as and when the amounts recoverable can be reasonably determined.

Expenses are accounted for on an accrual basis.

### 7. Taxation

Tax expense (tax saving) is the aggregate of current year tax and deferred tax charged (or credited) to the Profit and Loss Account for the year. However, in the year of transition the accumulated deferred tax liability at the beginning of the year has been recognised with a corresponding charge to the General Reserve in accordance with Accounting Standard-22 "Accounting for Taxes on Income" and measured at the tax rates that have been enacted or substantially enacted by the Balance Sheet Date

a) Current year charge

The provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. Provisions are recorded as considered appropriate for matters under appeal due to disallowances or for other reasons.

b) Deferred Tax

The Company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realised in future.

**8. Foreign Currency Transactions**

Foreign currency transactions, other than those covered by forward contracts, are accounted for at the exchange rate prevailing on the transaction date. Gain / loss arising out of fluctuation in rate between transaction date and settlement date in respect of revenue items are recognised in the Profit and Loss Account and in case of fixed assets are adjusted to the carrying cost of the respective assets.

In respect of transactions covered by forward exchange contracts, other than relating to fixed assets, the difference between the contract rate and the spot rate on the date of the transaction is amortised as expense or income over the life of the contract.

Foreign currency assets and liabilities are restated at the exchange rate prevailing at the year end and the overall net gain / loss is adjusted to the Profit and Loss Account, except in the case of liabilities relating to the acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

**9. Research and Development**

Equipment purchased for research and development is capitalised when commissioned and included in the gross block of fixed assets. Revenue expenditure on research and development is charged in the period in which it is incurred.

**10. Retirement Benefits**

The Company has Defined Contribution plans for post employment benefits' namely Provident Fund and Superannuation Fund.

Regular contributions are made to Provident Fund and charged to revenue.

Regular contributions are made to the superannuation fund which is maintained by the LIC. The said contributions made are charged to revenue every year.

The Company has Defined Benefit plans namely leave encashment/ compensated absence, Gratuity and Retirement Allowance for employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. The Gratuity Fund is recognised by the income tax authorities and is administered through trusts.

Gains and losses arising out of actuarial evaluations are recognised immediately in the Profit and Loss Account as income or expense.

**11. Borrowing Cost**

Borrowing Costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Interest on working capital is charged to revenue accounts.

**12. Leases**

Leases of Fixed assets where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period.

Lease rentals in respect of assets taken on "Operating Lease" are charged to the Profit and Loss Account on straight line basis over the lease term.

**13. Warranty**

Provision for warranty is made as per technical evaluation.

**14. Provisions And Contingencies**

The Company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that will probably not require outflow of resources or where a reliable estimate of the obligation cannot be made.

## Schedule '20': Notes forming part of Accounts

1. (a) The Term Loans from banks of Rs. 75.00 million (Previous Year Rs. 224.60 million) are secured as follows:
  - i) Rs. Nil (Previous year Rs. 99.60 million) from Standard Chartered Bank is secured by hypothecation of all present and future movable Plant and Machinery of the Company and Pari Passu charge over Land and Buildings at Pune and Mulund. However, the above mentioned hypothecation has since been vacated.
  - ii) Rs. 75.00 million (Previous year Rs. 125.00 million) from State Bank of India is secured by hypothecation of entire fixed assets of the Company excluding Land and Buildings.
- (b) The Working capital facilities amounting to Rs. 304.47 million (Previous year Rs. 211.40 million) are secured by hypothecation of stocks, spares and book debts and balance amounting to Rs. 24.74 million (Previous Year Rs. 39.20 million) are secured by Fixed Deposit of Rs. 25.0 million (Previous Year Rs. 40.0 million). However, an amount of Rs. 124.20 million has been transferred to Anand Engine Components Limited upon restructuring (Refer note 5 below).
2. (a) Secured Term Loan from banks due for repayment within a year are Rs. 50.00 million (Previous year Rs.100.40 million)
- (b) Fixed Deposits due for repayment within a year are Rs. Nil (Previous year Rs. 1.62 million).
- (c) Sales Tax Deferral loan due for repayment within a year are Rs. 11.11 million (Previous year Rs. 2.62 million)
- (d) Loans and Advances Others due for repayment within a year are Rs. 5.71 million (Previous year Rs.7.41 million)
3. Estimated amount of contracts remaining to be executed on capital account and not provided for are Rs. 54.45 million (Previous year Rs.19.69 million).

4. (a) Contingent Liabilities are in respect of:

	<b>31.03.07</b>	<i>31.03.06</i>
	<b>Rs. Million</b>	<i>Rs. Million</i>
(i) Bills discounted, Letters of Credit and bank guarantees	<b>0.95</b>	<i>2.05</i>
(ii) Income Tax, Sales Tax and Excise duty against which appeals are pending	<b>158.44</b>	<i>108.80</i>
(iii) Claims not acknowledged as debts	<b>5.99</b>	<i>5.99</i>
(iv) Others	<b>–</b>	<i>0.82</i>

- (b) Particulars of dues of Sales Tax, Income Tax and Service Tax as at March 31, 2007, which have not been deposited on account of dispute.

(Rs. Million)

Name of the statute	Nature of dues	Amount	Period to which the amount relates	Forum where the dispute is pending
Sales Tax Act	Purchase return treated as sales by Department	0.26	2002-2003	Maharashtra sales tax tribunal
Sales Tax Act	For 'D Forms' & 'F Forms'	0.29	1999-2000	Trade tax Tribunal-UP,Bench I,Lucknow
Sales Tax Act	Late filing of return	0.13	Oct '99, Jan '00, Feb '00 & Mar '00	Trade tax Tribunal-UP,Bench I,Lucknow
Sales Tax Act	For 'C Forms' & 'F Forms'	0.23	2000-2001	Joint Comm-Appeal-Lucknow
Sales Tax Act	For 'D Forms'	0.07	2000-2001	Dy.Comm-Appeal(I)-Lucknow
Sales Tax Act	Sales return credit notes disallowed	0.09	2001-02	Assistant Commissioner, Cuttack
Sales Tax Act	Tax Liability for 'Form 31'	0.04	2002-2003	Tribunal Ghaziabad.
Sales Tax Act	Tax Liability for 'Form 31'	0.05	2003-04	Sale Tax Office, Ranchi

Name of statute	Nature of dues	Amount (Rs. Million)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax Act	Tax on Capital goods	0.34	96-97	Assistant Commissioner, Dewas
Sales Tax Act	For 'C Forms'	1.14	97-98	Deputy Commissioner, Indore
Sales Tax Act	Entry Tax on Purchase of Diesel	0.43	02-03	Deputy Commissioner, Indore
Sales Tax Act	Declaration forms not received	1.82	02-03 & 03-04	Deputy Commissioner, Ujjain
Sales Tax Act	For 'C Forms'	0.11	2002-03	Assistant Commissioner Commercial Taxes, Kolkotta
Sales Tax Act	For Form 31	0.02	2004-05	Appeal pending with Tribunal Gaziabad
Sales Tax Act	For Form 31 and export sales	0.18	2002-03	Deputy Commissioner Appeals, Luknow
Sales Tax Act	Declaration Forms not received	39.74	2004-05	Deputy Commissioner Assessments Lucknow
Central Excise Act	Service tax on technical knowhow	2.60	Oct'99	CESTAT
Income Tax Act	Disallowance of expenses	14.76	Assessment year 97-98	Appeal filed with High Court
Income Tax Act	Disallowance of expenses	87.31	Assessment years 98-99, 00-01, 02-03 & 03-04	Income Tax Appellate Tribunal
Income Tax Act	Disallowance of expenses	8.83	Assessment year 2004-05	Commissioner Income Tax (Appeals)

5. a) Pursuant to the scheme of restructuring, approved by the Hon'ble High Court of Bombay on March 29, 2007 ("Scheme") and filing of the same with the ROC on April 16, 2007, (The Effective Date) the entire business of the Engine Bearing Division of Gabriel India Limited ("Transferor Company") was transferred as a going concern and became vested in Anand Engine Components Limited ("Transferee Company") effective for accounting purpose from April 1, 2006, (the Appointed Date).
- (b) Salient features as contained in the Scheme as applicable to the Transferor and Transferee company: With effect from the appointed date i.e. April 1, 2006.
- All the assets and liabilities, as specified in the Scheme, related to Engine Bearing Business stand transferred to and vested in the Transferee Company on a going concern basis and have become the business, undertaking, estate, assets, property, rights, title and interest of the Transferee company.
  - All debts, liabilities, duties and obligations of the EBD of Transferor Company stand transferred to the Transferee Company.
  - All other liabilities as may have been required to make the Scheme compliant of Section 2 (19AA) of the Income Tax Act, 1961.
- c) **Method of Accounting**
- As mentioned in the Scheme assets, liabilities secured and unsecured loans relating to the EBD of the transferor Company has been transferred to the Transferee Company with effect from the Appointed date. The resultant difference has been adjusted from the Transferor Company's General Reserve and Profit and Loss Account. Also, the existing shareholders of the Transferor Company shall be offered and issued shares in the Transferee Company in the same proportion as their holding in the transferor Company.
- Pursuant to the Scheme, as on the appointed date:
- All fixed assets, current assets, current liabilities, secured loans, unsecured loans and deferred tax liability of the EBD of the transferor Company have been transferred to Transferee Company.
  - The difference between the above mentioned assets and liabilities have been adjusted against the General Reserve and Profit and Loss Account of Transferor Company.

As a result of the above the Transferor Company has transferred the following balances to the Transferee Company, as on the appointed date:

(Rs. Million)

Gross Block of Fixed Assets	680.4		
Less: Accumulated Depreciation	384.9		
	<u>295.5</u>		
Net Block	295.5		
Capital Work in Progress	0.8	296.3	(A)
	<u>0.8</u>		
Current Assets, Loans & Advances :			
Inventories	150.8		
Sundry Debtors	98.7		
Cash and Bank Balances	8.7		
Loans and Advances	22.9		
	<u>281.1</u>		
Less Current Liabilities and provisions			
Liabilities	89.5		
Provisions	3.6		
	<u>93.1</u>		
Net Current Assets		188.0	(B)
Secured Loans		124.2	(C)
Unsecured Loans		1.7	(D)
Deferred Tax Liability		61.2	(E)
Excess of (A+B) over (C +D+E) adjusted against:			
General Reserve	124.8		
Profit and Loss account	<u>172.4</u>	297.2	

6. The Board of Directors in their meeting held on September 19, 2006 approved sale/ceding of development rights of Company's land situated at Mulund, Mumbai for a total consideration of Rs. 850 million. Accordingly, the Company entered into an agreement with a real estate developer to sell/cede development rights of the land for a total consideration of Rs. 850 million.

As part execution of the agreement, the Company has given possession and ceded development rights for major part of the land for a consideration of Rs. 750 million and has recognized the profit on the above transaction which is included in "Other Income" amounting to Rs. 745.42 million.

Also, pursuant to the above, the Board of Directors of the Company decided to close the manufacturing facility located at Mulund. Consequently, the management declared a VRS (Voluntary Retirement Scheme) for Mulund employees in the month of December 2006 and all the Unionized Workers /Unionized Staff accepted the VRS. Accordingly, the settlement cost under the VRS amounting to Rs. 42.18 million has been accounted for under staff cost. The manufacturing facility at Mulund was finally closed in January 2007. The Company has filed necessary documents and is in the process of obtaining the necessary labour and other approvals from concerned authorities, relating to the said closure.

7. As ascertained by the Company, Sundry Creditors include an amount of Rs. 52.27 million (*Previous year Rs. 119.68 million*) due to Small Scale Industrial Undertakings (SSI). Details of amounts due to SSI, which is outstanding for more than 30 days are disclosed in Annexure "A".

Additionally, the Company is in the process of identifying Micro, Small and Medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Therefore, it is not possible for the Company to ascertain whether payment to such enterprises has been done within 45 days from date of acceptance of supply of goods or services rendered by such enterprise and to make requisite disclosure.

8. Loans and Advances include:
- a) Rs. 2.95 million (*Previous year Rs. 1.76 million*) due from an officer of the company. Maximum amount due during the year Rs. 3.40 million (*Previous year Rs. 1.76 million*).
  - b) Debts due from Private Limited Companies and Firms where any Director is a Director or Partner is Rs. 4.90 million (*Previous year Rs. 3.37 million*).
9. Other Income includes an amount of Rs. 52.91 million (*Previous year Rs. 36.73 million*) arising from pre mature repayment of Rs. 19.49 million (*Previous year Rs. 13.57 million*) against outstanding liability of Rs. 72.40 million (*Previous year Rs. 50.30 million*) under sales tax deferral scheme.

10. Segmental Reporting:

**a) Primary Segment:**

The Company operates only in one business segment viz. Auto Components and Parts.

**b) Secondary Segment:**

The Company caters mainly to the needs of Indian market and the export turnover being 1.34% of the total turnover of the company; there are no reportable geographical segments.

11. In accordance with the Accounting Standard on "Related Party Disclosures" (AS 18), the disclosure in respect of transactions with the Company's related parties are as follows:

A. Names of related parties \* and description of relationships

1. Mr. K.N. Subramaniam - Key Management Personnel
2. Mr. Arvind Walia – Key Management Personnel
3. Asia Investments Private Limited - Associate

\* As identified and certified by the Management

B. Details of Transactions

		Rs. Million	
Particulars	Key Management Personnel	Associates	
1 Reimbursement of expenses	—	0.14	
	—	(0.04)	
2 Directors' Remuneration	10.57	—	
	(4.72)	—	
Amount Outstanding			
1 Corporate Guarantee	—	95.0	
	—	(96.0)	
2 Reimbursement of expenses	—	0.02	
	—	(0.01)	

*Previous year figures have been given in brackets*

12. The Company has given a guarantee, supported by pledge of its fixed deposits of Rs. 95.0 million (*Previous year Rs. 96.0 million*), to IndusInd Bank in respect of repayment of loans of Rs. 90.50 million (*Previous year Rs. 94.08*) (including interest or other charges related thereto) taken by Asia Investments Private Limited, a shareholder of the Company.

13. The Company has the following provision in the books of account as on 31.03.2007

Rs. Million				
Description	Balance as on 01.04.06	Additions during the year	Utilised/Reversed during the year	Balance as on 31.03.07
Provision for Warranty	25.19	1.95	0.69	26.45
	(27.32)	(6.21)	(8.34)	(25.19)

Provision for warranty relates to the estimated (based on management's technical evaluation) outflow in respect of warranty for products sold by the Company. Due to the very nature of such cost, it is not possible to estimate the timing/uncertainties relating to its outflow.

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

Rs. Million		
	2006-07	2005-06
Personnel Expenses	10.64	9.22
Manufacturing, Administration, Selling & Distribution and Other Expenses	6.02	10.70
Depreciation	5.30	4.91
Total	<u>21.96</u>	<u>24.83</u>

15. Assets on lease on or after April 1, 2001 included in fixed assets, where the Company is a lessee under a finance lease:

	Rs. Million		
	Minimum Lease Payments due as at 31.03.07	Future Finance Charge	Present Value as at 31.03.07
Total	3.69 (9.49)	0.52 (1.21)	3.17 (8.28)
Not later than 1 year	2.03 (4.17)	0.22 (0.61)	1.81 (3.56)
Later than 1 year and not later than 5 year	1.66 (5.32)	0.30 (0.60)	1.36 (4.72)

Previous year figures have been given in brackets

16. Earning per share (EPS)- The numerators and denominators used to calculate Basic and Diluted Earnings per share.

	2006-07	2005-06
– Profit attributable to Equity Shareholders (Rs. million) – (A)	731.15	88.44
– Basic/Weighted average number of Equity Shares Outstanding during the year – (B)	71,821,970	71,821,970
– Nominal Value of Equity Share	1.00	1.00
– Basic Earning per Share (Rs.) – (A)/(B)	10.18	1.23

17. The Company estimates deferred tax charge/(credit) using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The net deferred tax liability as at March 31, 2007 is given below:

	Rs. Million			
	Opening as at April 01, 2006	Movement during the year	Adjustment	Closing as at March 31, 2007
Deferred Tax Liability				
Depreciation	220.11	(38.99)	(61.24)	119.88
	220.11	(38.99)	(61.24)	119.88
Deferred Tax Asset				
Deduction u/s 43B	(9.38)	(0.88)	—	(10.26)
Other Provisions	(15.94)	44.70	(32.83)	(4.07)
	(25.32)	(43.82)	(32.83)	(14.33)
Net Deferred Tax Liability/Asset	194.79	4.83	(94.07)	105.55

18. (a) Determination of Net Profit in accordance with Section 349/198 of The Companies Act, 1956 and commission payable to directors:

	Rs. Million		
	2006-07	2005-06	
Profit before tax as per Profit and Loss Account	981.48	152.90	
Add: Directors' Remuneration			
Directors' Fees	13.62	6.42	
Depreciation as per books	0.16	0.14	
Loss on Assets Sold / Scrapped	126.63	157.99	
Voluntary Retirement Scheme	7.59	1.49	
Provision for Doubtful Debts / Advances / Inventory	42.18	—	
	6.36	196.54	174.44
Less: Deduction under Section 349 and 350			
Depreciation u/s 350	126.63	157.99	
Profit on sale of Assets	745.42	—	
Debts written off against provision	1.27	—	
Net Profit under Section 349	304.70	169.35	
Commission payable to directors:			
Whole time	3.81	2.12	
Non-whole time	3.05	1.70	
Total	6.86	3.82	



b) Directors Remuneration:

Salary	4.75	1.16
Company's Contribution to Provident Fund & Superannuation Fund	0.76	0.30
Perquisites	1.25	1.14
Commission [See 18(a) above]	6.86	3.82
<b>Total</b>	<b>13.62</b>	<b>6.42</b>

**Note:**

The aforesaid is exclusive of provision for leave encashment, as separate actuarial valuation is not available

19. (A) Particulars in respect of Goods manufactured for Sale / Consumption:

Product	Year	Unit of Measure	Opening Stock		Sales		Closing Stock	
			Qty.	Rs. Million	Qty.	Rs. Million	Qty.	Rs. Million
(i) Shock Absorbers, Struts & Front Forks	06-07	Nos.	182,153	46.73	12,375,506	6007.13	240,112	60.88
	05-06	Nos.	217,845	53.15	10,942,304	5,270.10	182,153	46.73
(ii) Bimetal Strips	06-07	Tonnes	—	—	—	—	—	—
	05-06	Tonnes	65,000	6.27	—	—	55,940**	5.81**
(iii) Bimetal Bearings	06-07	Nos.	—	—	—	—	—	—
	05-06	Nos.	1,723,949	61.84	8,670,214	333.43	2,299,853**	83.09**

(iv) Licensed Capacity\*, Installed Capacity and Actual Production:

Product	Year	Unit of Measure	Installed Capacity	Actual Production
a. Shock Absorbers & Struts	06-07	Nos.	19,016,685	11,289,719
	05-06	Nos.	14,600,000	9,735,448
b. Front Forks	06-07	Nos.	2,574,557	1,143,746
	05-06	Nos.	2,390,000	1,171,164
c. Bimetal Strips	06-07	Tonnes	—	—
	05-06	Tonnes	2,000	1,434,970
d. Bimetal Bearings	06-07	Nos.	—	—
	05-06	Nos.	14,156,250	9,246,118

Installed capacity is as per a certificate issued by the Management and is not verified by the Auditors being a Technical matter.

\* Licensing requirement for Automotive parts, including the Company's products, have been dispensed with effective July 25, 1991.

\*\* Transferred on restructuring (Refer Note 5 above)

B) Particulars in respect of Purchased Goods - Finished

Product	Year	Opening Stock		Purchases		Sales		Closing Stock	
		Qty. Nos.	Value Rs. Million	Qty. Nos.	Value Rs. Million	Qty. Nos.	Value Rs. Million	Qty. Nos.	Value Rs. Million
Shock Absorbers	06-07	1,807	0.29	14,823	2.32	14,280	2.60	2,350	0.37
	05-06	1,034	0.14	16,577	2.54	15,804	3.00	1,807	0.30
Front Fork Oil	06-07	—	—	62,807	2.49	31,120	1.50	31,687	1.20
	05-06	—	—	—	—	—	—	—	—
Bearings	06-07	—	—	—	—	—	—	—	—
	05-06	26,965	0.48	427,704	9.12	384,315	10.82	70,354	1.33*

\* Transferred on restructuring (Refer Note 5 above)

20. Consumption of Raw Materials, Components and Packing Materials:

Items	Unit of Measure	2006-07		2005-06	
		Quantity	Rs. Million	Quantity	Rs. Million
<b>A Raw Materials (Basic)</b>					
Tubes	Meters	9,850,270	705.42	16,058,851	631.20
Bright Bars	Kgs	4,350,513	195.30	3,278,842	161.05
Shock Fluid	Litres	1,763,960	95.55	1,595,066	66.59
Non-Ferrous Metals	Kgs	—	—	340,064	63.49
Steel Strips	Kgs	27,783	0.43	1,194,745	51.29
Others			133.87		202.89
			<u>1130.57</u>		<u>1,176.51</u>
<b>B Components</b>					
Pressed Parts	Nos	194,703,694	497.85	182,004,174	454.76
Die Castings	Nos.	13,983,596	476.07	10,258,314	333.25
Rubber Parts	Nos.	73,344,178	377.31	62,939,260	331.05
Springs	Nos.	44,142,800	389.82	42,235,019	308.13
Turned Parts	Nos.	31,866,848	157.56	21,074,002	113.09
Sintered Parts	Nos.	38,493,549	294.80	27,269,965	218.94
Forgings	Nos.	3,823,656	107.28	3,643,241	100.27
Others			356.90		307.07
			<u>2657.59</u>		<u>2,166.56</u>

21. Job work charges included in consumption amount to Rs. 356.54 million (Previous Year Rs. 346.29 million).

22. Value of Imports on CIF basis:

	2006-07	2005-06
	Rs. Million	Rs. Million
i) Raw Materials	281.07	152.85
ii) Components	18.32	20.11
iii) Stores	15.55	23.83
iv) Machinery Spares	12.03	2.52
v) Capital Goods	5.13	24.81

23. Expenditure in Foreign Currency (On Cash Basis) :

	2006-07	2005-06
	Rs. Million	Rs. Million
i) Foreign Travel	4.60	6.87
ii) Technical Services	0.13	1.18
iii) Royalty	10.00	6.37
iv) Export Commission	5.79	0.73
v) Professional Fees	0.41	26.3
vi) Others	0.01	0.12

24. Materials, Components and Spares consumed:

Particulars	2006-07				2005-06			
	Raw Materials & Components		Spares*		Raw Materials & Components		Spares*	
	%	Rs. Million	%	Rs. Million	%	Rs. Million	%	Rs. Million
i) Imported at landed cost	9.14	346.06	25.16	21.95	5.21	173.99	15.27	22.91
ii) Indigenous	90.86	3,442.10	74.84	65.30	94.79	3,169.08	84.73	127.08
	<u>100.00</u>	<u>3,788.16</u>	<u>100.00</u>	<u>87.25</u>	<u>100.00</u>	<u>3,343.07</u>	<u>100.00</u>	<u>149.99</u>
iii) *Consumption for repairs to machinery (included in the figures stated above)				1.31				16.27

Disclosure under AS-15 Revised issued by Institute of Chartered Accountants of India

25. Defined benefit plans

Pension, Gratuity and Leave Encashment is applicable to all permanent and full time employees of the Company. Pension is paid as per the Company Rules. Gratuity Paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. Leave encashment paid out is based on the salary at the time of termination or retirement.

The Gratuity and Pension schemes take into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 55 & 58 years based on grade.

The entire contribution is borne by the company.

The company recognises actuarial gains and losses as and when the same arise. The charge in respect of the same is taken to the profit and loss account.

	Pension	Gratuity	Leave Encashment
	Rs.	Rs.	Rs.
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation:</b>			
Obligations at period beginning 01.04.06	56,356,589	28,984,178	29,783,786
Service Cost	16,572,695	19,572,695	3,254,865
Interest cost	4,649,419	2,391,195	2,457,162
Benefits settled	(15,606,882)	(5,085,301)	(2,372,030)
Actuarial (gain)/loss	(258,960)	(391,195)	(2,080,699)
<b>Obligations at period end 31.03.07</b>	<b>61,712,861</b>	<b>45,471,572</b>	<b>31,043,084</b>
Defined benefit obligation liability as at the balance sheet is wholly funded by the Company			
<b>Change in plan assets</b>			
Plans assets at period beginning, at fair value 01.04.06	55,336,856	18,470,629	–
Expected return on plan assets	4,565,291	1,523,827	–
Actuarial gain/(loss)	(27,669)	6,333	–
Contributions	11,968,416	2,790,909	2,372,030
Benefits settled (estimated)	(15,606,882)	(5,085,301)	(23,72,030)
<b>Plans assets at period end, at fair value 31.03.07</b>	<b>56,236,012</b>	<b>17,706,397</b>	<b>–</b>
Reconciliation of present value of the obligation and the fair value of the plan assets:			
Fair value of plan assets at the end of the year 31.03.06	56,236,012	17,706,397	–
Present value of the defined benefit obligations at the end of the period 31.03.07	61,712,861	45,471,572	31,043,084
<b>Liability recognised in the balance sheet</b>	<b>(5,476,849)</b>	<b>(27,765,175)</b>	<b>(31,043,084)</b>

<b>Costs</b>			
Service cost	16,572,695	19,572,695	3,254,865
Interest cost	4,649,419	2,391,195	2,457,162
Expected return on plan assets	(45,65,291)	(15,23,827)	—
Actuarial (gain)/loss	(231,291)	(397,528)	(2,080,699)
<b>Net costs</b>	<b>16,425,532</b>	<b>20,042,535</b>	<b>3,631,328</b>

**Assumptions**

Interest rate	8.25%	8.25%	8.25%
Discount factor	8.25%	8.25%	8.25%
Estimated rate of return on plan assets	8.25%	8.25%	8.25%
Salary Increase	5.00%	5.00%	5.00%
Attrition rate	2.00%	2.00%	2.00%
Leave availment in the service			5.00%
Retirement age (55 for grade upto 8 and 58 for grade 9 & above)	55 & 58	55 & 58	55 & 58
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.			

26. Remittances in foreign currency on account of dividend to Non-Resident Shareholders:

	2006-07	2005-06
i) Number of Shareholders	2	2
ii) Number of Shares	14,843,980	1,484,398
iii) Amount remitted (Rs. million)	10.39	11.13
iv) Relating to year ending	March '06 & Interim for 2006-07	March '05 & Interim for 2005-06

27. Auditor's Remuneration:

Particulars	2006-07 Rs. Million	2005-06 Rs. Million
For Audit fee	2.20	1.55
For Certification & other charges	1.18	0.82
Expenses reimbursed	0.37	0.27

28. Earnings in Foreign Exchange:

Particulars	2006-07 Rs. Million	2005-06 Rs. Million
FOB Value of Exports	69.43	156.19

29. Previous year figures are not comparable with current year figures since the previous year includes figures relating to Engine Bearing Division of the Company which has been transferred to Anand Engine Components Limited w.e.f April 1, 2006 (Refer note 5 above)

30. Previous year figures have been re-grouped/reclassified wherever necessary to conform to current year's classification.

31. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No. 

L	3	4	1	0	1	P	N	1	9	6	1	P	L	C	0	1	5	7	3	5
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 State Code 

1	1
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Balance Sheet Date 

3	1
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0	3
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2	0	0	7
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Date Month Year

**II. Capital Raised during the Year (Amount in Rs. Million)**

Public Issue	Rights Issue																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											
Bonus Issue	Private Placement																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Million)**

Total Liabilities	Total Assets																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>1</td><td>5</td><td>0</td><td>.</td><td>2</td><td>0</td></tr></table>			2	1	5	0	.	2	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>1</td><td>5</td><td>0</td><td>.</td><td>2</td><td>0</td></tr></table>			2	1	5	0	.	2	0
		2	1	5	0	.	2	0											
		2	1	5	0	.	2	0											

**Sources of Funds**

Paid-Up Capital	Reserves & Surplus																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>7</td><td>1</td><td>.</td><td>8</td><td>5</td></tr></table>					7	1	.	8	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>6</td><td>.</td><td>3</td><td>1</td></tr></table>			1	2	3	6	.	3	1
				7	1	.	8	5											
		1	2	3	6	.	3	1											
Secured Loans	Unsecured Loans																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>8</td><td>0</td><td>.</td><td>5</td><td>6</td></tr></table>			2	8	0	.	5	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>5</td><td>5</td><td>.</td><td>9</td><td>3</td></tr></table>			4	5	5	.	9	3		
		2	8	0	.	5	6												
		4	5	5	.	9	3												

**Application of Funds**

Deferred Tax Liabilities/(Assets)	Investments																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>0</td><td>5</td><td>.</td><td>5</td><td>5</td></tr></table>			1	0	5	.	5	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>9</td><td>.</td><td>7</td><td>7</td></tr></table>					9	.	7	7		
		1	0	5	.	5	5												
				9	.	7	7												
Net Fixed Assets	Miscellaneous Expenditure																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>1</td><td>8</td><td>0</td><td>.</td><td>8</td><td>0</td></tr></table>			1	1	8	0	.	8	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
		1	1	8	0	.	8	0											
						N	I	L											
Net Current Assets																			
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>9</td><td>5</td><td>9</td><td>.</td><td>6</td><td>3</td></tr></table>			9	5	9	.	6	3											
		9	5	9	.	6	3												
Accumulated Losses																			
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L										
						N	I	L											

**IV. Performance of the Company (Amount in Rs. Million)**

Turnover	Total Expenditure																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>6</td><td>9</td><td>3</td><td>0</td><td>.</td><td>0</td><td>8</td></tr></table>			6	9	3	0	.	0	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>5</td><td>9</td><td>4</td><td>8</td><td>.</td><td>6</td><td>1</td></tr></table>			5	9	4	8	.	6	1		
		6	9	3	0	.	0	8													
		5	9	4	8	.	6	1													
Profit/(Loss) Before Tax	Profit/Loss After Tax																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>+</td><td></td><td></td><td>9</td><td>8</td><td>1</td><td>.</td><td>4</td><td>8</td></tr></table>		+			9	8	1	.	4	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>+</td><td></td><td></td><td>7</td><td>3</td><td>1</td><td>.</td><td>1</td><td>5</td></tr></table>		+			7	3	1	.	1	5
	+			9	8	1	.	4	8												
	+			7	3	1	.	1	5												
Earnings Per Share in Rs.	Dividend Rate %																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>0</td><td>.</td><td>1</td><td>8</td></tr></table>			1	0	.	1	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>0</td></tr></table>			7	0									
		1	0	.	1	8															
		7	0																		

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

Item Code No. 

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

Product Description 

S	H	O	C	K		A	B	S	O	R	B	E	R	S						
M	C	P	H	E	R	S	O	N		S	T	R	U	T	S					

Item Code No. 

8	7	1	4	1	9	-	0	0
---	---	---	---	---	---	---	---	---

Product Description 

F	R	O	N	T		F	O	R	K	S										
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Signature to Schedule '1' to '20'.

Place: Mumbai  
Dated: May 22, 2007

MANOJ TULSIAN  
Financial Controller &  
Company Secretary

DEEP C. ANAND  
Chairman  
K.N. SUBRAMANIAM  
Managing Director  
RUSSI JAL TARAPOREVALA  
C.S. PATEL  
RAVI K SINHA  
M.S. SANDHU  
PADMINI KHARE KAICKER  
ARVIND WALIA  
Directors

# Cash Flow Statement

Prepared pursuant to Clause 32 of Listing Agreement  
for the year ended March 31, 2007

	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
<b>A. Cash flow from operating activities:</b>				
Net profit before tax		981.48	152.90	
Adjustments for:				
Depreciation		126.63	157.99	
Interest Expense		65.91	82.71	
Interest Income		(19.22)	(11.64)	
Income from Investment - Dividends		(0.66)	(0.62)	
(Profit)/Loss on Assets Sold / Scrapped (Net)		(737.83)	1.49	
Transition effect on Retiral Benefits		(64.70)	-	
Provision for leave encashment		18.87	3.85	
Provision for Gratuity		23.19	5.35	
Provision for Superannuation		86.16	-	
Provisions - Others		1.27	(2.13)	
Provision for Doubtful Debts/ Advances		6.19	16.64	
Sales Tax Deferral Income		(52.91)	(36.73)	
Excess provision written back		(19.50)	(3.95)	
Bad debts written off against provision		(1.27)	(8.24)	
		(567.87)		204.72
<b>Operating profit/(loss) before working capital changes</b>				
<b>Adjustments for changes in working capital :</b>				
- (Increase)/Decrease in Sundry Debtors		(20.71)	(177.09)	
- (Increase)/Decrease in Loans and Advances		(198.48)	(12.82)	
- (Increase)/Decrease in Inventories		(61.97)	(57.76)	
- (Increase)/Decrease in Trade and Other Payables		(64.73)	176.71	(70.96)
		(345.89)		
<b>Cash generated from operations</b>		67.72		286.66
- Direct Taxes Paid		(315.20)		(107.80)
<b>Net cash from operating activities</b>		(247.48)		178.86
<b>B. Cash flow from Investing activities:</b>				
Purchase of fixed assets		(121.39)	(168.20)	
(Increase)/ Decrease Capital Work in Progress		(115.62)	(23.90)	
Proceeds from Sale of fixed assets		748.01	0.94	
Capital Subsidy Received		1.50	-	
Interest Received (Revenue)		19.22	9.67	
Dividend Received		0.66	0.62	
<b>Net cash used/generated in investing activities</b>		532.38		(180.87)

	31.03.07		31.03.06	
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
<b>C. Cash outflow/inflow from financing activities:</b>				
Repayment from long term borrowings	(160.62)		(153.12)	
Proceeds from long term borrowings	57.48		68.24	
(Repayment)/Proceeds of Fixed Deposit	(0.01)		(36.52)	
Increase/(Decrease) in Working Capital facilities (Net)	79.15		128.67	
Availment of short term borrowings (Net)	(91.93)		150.02	
Interest Paid	(65.43)		(88.94)	
Dividend Paid	(50.73)		(53.29)	
Corporate Dividend Tax Paid	(11.08)		(7.55)	
<b>Net cash from/(used) in financing activities</b>		<b>(243.17)</b>		<b>7.51</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>41.73</b>		<b>5.50</b>
<b>Cash and cash equivalents as at Opening</b>		<b>153.86</b>		<b>157.08</b>
<b>Cash and cash equivalents as at Closing</b>		<b>195.59</b>		<b>162.58</b>
<b>Cash and cash equivalents consists of:</b>				
<b>Cash and cash equivalents includes</b>				
Cash-in-Hand		1.01		1.42
Cheques-in-Hand		0.13		-
With Scheduled Banks				
On Current Accounts		72.96		23.83
On Fixed Deposit Accounts		120.01		136.03
On Margin Money Accounts		1.48		1.30
		<b>195.59</b>		<b>162.58</b>

**Notes :**

1. The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outgo.
3. Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.
4. Cash and cash equivalents as at March 31, 2007 include fixed deposits and margin money with banks of Rs.141.59 million (Previous year Rs. 141.59 Million) not available for use by the company. (Refer notes 1(b) and 11 on Schedule 20)
5. Opening Balance of cash & cash equivalents does not includes Rs. 8.72 million which was transferred to Anand Engine Components Limited pursuant to restructuring (Referred note 5 on Schedule 20).

This is the cash flow statement referred to in our report of even date.

V. Nijhawan  
Partner  
Membership Number - F87228  
For and on behalf of  
PRICE WATERHOUSE & CO.  
Chartered Accountants

Place: Mumbai  
Dated: May 22, 2007

MANOJ TULSIAN  
Financial Controller &  
Company Secretary

DEEP C. ANAND  
Chairman  
K.N. SUBRAMANIAM  
Managing Director  
RUSSI JAL TARAPOREVALA  
C.S. PATEL  
RAVI K SINHA  
M.S. SANDHU  
PADMINI KHARE KAICKER  
ARVIND WALIA  
Directors



## Annexure - A

## AMOUNTS DUE TO SMALL SCALE INDUSTRIES UNDERTAKINGS OUTSTANDING FOR OVER 30 DAYS

S. No.	NAME OF THE SSI	AMOUNT OUTSTANDING Rs. MILLION	S. No.	NAME OF THE SSI	AMOUNT OUTSTANDING Rs. MILLION
1	Banglore Integrated System Solutions Pvt. Ltd.	0.37	62	Praxair India Private Ltd	0.02
2	SM Engineering Co	0.09	63	Delite Enterprises	0.06
3	Umang Engineering	0.01	64	Gurudev Springs	0.25
4	Anjal Engineering	0.38	65	Aaress Enterprises	0.51
5	Aniraj Engg & Consultants	1.81	66	Janico Chemicals	0.05
6	Ansh Engineers	0.70	67	Leela Industries	0.05
7	Brahans Rubber Pvt. Ltd.	0.02	68	Prosys Engineers	0.12
8	Deep Engg & Refrigeration	0.42	69	Welcast Engineers Pvt. Ltd.	0.21
9	Ditisha Engineering Pvt. Ltd.	0.59	70	Sarb Auto Industries	0.99
10	Fibro - Fab	0.12	71	Shri Ram Engineers	1.01
11	G B Rubber Products	0.08	72	Shakti Spring Inc	0.02
12	Kolbenring India	0.12	73	Shri Hari Spring Steel	0.02
13	Mopesu Engineers	0.91	74	Nashik Auto Tech	0.30
14	Prageet Engineers	0.30	75	Krishna Auto Industries	0.27
15	Preeti Engg Works	0.92	76	Dham Fastner	0.05
16	Poly Pack	0.22	77	Akanksha Packs	0.01
17	Spark Spring Industries Pvt. Ltd.	1.34	78	Ashapura Rubber Udyog	1.47
18	Superflex Rubbers	0.67	79	Bymer Elastomers	1.75
19	Shree Packers	0.35	80	Camata Enterprises	0.14
20	Sangeeta Plastic & Engg	0.03	81	Chamundi Die Cast Pvt. Ltd.	0.19
21	Vir Rubber Products Pvt. Ltd.	0.39	82	Citizen Press Components	0.73
22	B C L Springs	0.03	83	Devang Engineering Company	0.11
23	Delta Manufacturing Co	0.09	84	Dham Fastners.	0.07
24	Goldy Press Tools Pvt. Ltd.	0.99	85	Ditisha Engineering Pvt. Ltd.	0.04
25	Goldy Auto Stampings (I) Pvt. Ltd.	0.71	86	Elite Packers and Distributors	0.01
26	Gowell Rubber Industries	0.33	87	Esdee Engineering Works	0.02
27	Lakshmi Prasanna Precitech Pvt.Ltd.	0.02	88	Flexible Packing Industries	0.19
28	New Vishvekarmaa Autotech Pvt.Ltd.	0.08	89	Gajanan Engineering Works	0.10
29	Singla Forging Pvt. Ltd.	0.37	90	Jayant Enterprises	0.21
30	Sri Durga Industries	0.03	91	Ketan Industries	0.03
31	Suba Injection Moulders	0.65	92	Macks Industries	0.19
32	Sun Screen	0.10	93	Macks Surface Treatments Pvt. Ltd.	0.79
33	Thirumala Auto Components	0.77	94	Merck Industries	0.09
34	Vaishanavi Auto Pvt. Ltd.	0.14	95	Micron Industries	0.16
35	Right Tight Fastners P.Ltd	0.08	96	N.P.Enterprises	1.67
36	Reva Transmissions	0.97	97	Nitesh Udyog	0.43
37	Hypertech Elastomers	0.28	98	Pace Techniques Pvt. Ltd.	0.01
38	Ajay Engg Works	0.07	99	Pankaj Industries	0.06
39	Hosur Metal Finishers	0.05	100	Pragati Engineering Company	0.05
40	Hosur Steel Industries	1.80	101	Sai Coaters And Fabricators	0.36
41	Metlok Private Ltd	0.02	102	Sai Engineers	0.16
42	Arihant Domestic Appliances Pvt.Ltd	0.35	103	Saptshringi Engineers	0.45
43	Arjun Auto Pvt. Ltd.	0.12	104	Seema Chemicals	0.02
44	Camata Enterprises	0.11	105	Shweta Print Pack Pvt. Ltd.	0.10
45	Devki Auto Industries Pvt. Ltd.	0.80	106	Vaishnavi Auto Pvt. Ltd.	1.25
46	Delite Enterprises	0.26	107	Microtech Tools	0.18
47	Goldy Press Tool Pvt. Ltd.	0.18	108	Nasik Super Tool Co Pvt. Ltd.	0.23
48	G B Industries	0.04	109	Para Electronics India Pvt. Ltd.	0.01
49	Haryana Plastics Industries	0.02	110	Powermaster Engineers P Ltd	0.02
50	Haveli Ram Bansil Lal	0.03	111	Printek	0.06
51	Lucky Enterprises	0.27	112	Camata Enterprises	0.54
52	Laxmi Packing Industries	0.07	113	Goldy Press Tools	0.44
53	Molded Dimensions	1.04	114	Kamal Rubplast Indus Pvt. Ltd.	0.65
54	Paco Rubber Industries Pvt. Ltd.	1.30	115	Nasik Autotech Pvt. Ltd.	1.71
55	Reva Enterprises	0.78	116	Pooja Enterprises	0.01
56	Shri Ram Engineers	0.31	117	S V R Enterprises	0.73
57	U K Engineering Works	0.75	118	Vaishnavi Auto Pvt. Ltd.	1.25
58	V K Enterprises	0.51			
				<b>Total</b>	<b>52.26</b>

# Annexure to Directors' Report

Information required under 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, 2007

Name	Age Years	Remuneration Rs. Mill	Designation	Nature of Duties	Qualification	Experience Years	Date of Joining	Last Employment Held	
								Designation	Name of Employer
Mr. K.N. Subramaniam	53	6.50	Managing Director	Chief Executive Officer	B.Tech., P.G.D.B.M. IIM, Ahmedabad	28	Feb'2001	President	Perfect Circle Victor Ltd.
Mr Arvind Wallia	53	4.07	President & Chief Operating Officer	Operations	ACA, MBA	27	June'1985	Deputy Manager Finance	Escorts Limited
Mr. Ravi A Gothe	50	3.25	Sr. Vice President Business Development	Operations	BE (Mechanical)	14	June'1993	DGM (R&D)	Anand Automotive Systems Ltd.
Mr. Rajiv Mokashi	50	2.65	Sr. Vice President Business Development	R&D	ME (Mechanical)	11	Sep'1996	GM (R&D)	Baker Mencer Ltd.
Mr. Arvind Nanda*	50	3.26	Vice President	Operations	BE (Production)	3	Sep'2004	Vice President	Anand Automotive Systems Ltd.
Mr. SP Sharma#	56	2.89	General Manager	Finance	ACA	12	June'1995	Finance Controller	Perfect Circle India Ltd.
Mr. Vinai Gupta	56	2.72	Sr. Vice President	R&D	ME (Mechanical)	24	June'1983	Sr. Manager (Design)	Central Tool Room
Mr. S. Sarthi*	40	2.86	General Manager	Operations	ACA,ACS,AICWA	6	July'2001	Manager (Finance)	Arvin Exhaust Private Ltd.

\* On deputation.

# Salary for part of the year.

Notes : (1) The nature of employment is contractual.

(2) Remuneration as shown above includes salary, allowances, commission, leave travel allowance, Company's Contribution to Provident Fund and Superannuation Fund, expenditure incurred by the Company on accommodation, transport, insurance, medical, club membership, Gratuity paid and contribution to Gratuity Fund on the basis of actuarial valuation as separate figures are not available. Wherever the actual costs are not ascertainable, the monetary value of the prerequisites as per Income Tax Rules, 1962 has been considered.

For and on behalf of the Board

Mumbai  
Dated : May 22, 2007

Deep C Anand  
Chairman

CEO/CFO Certification.

To the Board of Directors of Gabriel India Limited.

We, K.N.Subramaniam, Managing Director, and Manoj Tulsian, Financial Controller & Company Secretary, certify that:

- (A) We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2007, and that to the best of our knowledge and belief
- (I) These statements do not contain any material 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 violation of the Company's Code of Conduct.
- (C) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control system of the Company pertaining to financial reporting and 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 that:
- (I) There has not been any significant change in internal control over financial reporting during the year under reference;
  - (II) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - (III) There has not been any instance during the year of significant fraud of which we had 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 : May 14, 2007

Manoj Tulsian  
Financial Controller &  
Company Secretary

K. N. Subramaniam  
Managing Director

**ATTENDANCE SLIP**

**Gabriel India Limited**

*Registered Office :*

29th Milestone, Pune-Nashik Highway, Village Kuruli, Taluka Khed, Pune 410 501  
(To be handed over at the entrance of the Meeting Hall)

Name of the Shareholder  
(in Block Letters)

Member's Folio  
Number

Name of the Proxy (in Block Letters)  
(To be filled in if the Proxy attends instead of the Member)

No. of shares held.....

I hereby record my presence at the 45th Annual General Meeting on Monday, July 23, 2007 at the Auditorium, Gabriel India Limited, 29th Milestone, Pune-Nashik Highway, Village Kuruli, Taluka Khed, Pune 410 501.

\_\_\_\_\_  
Member's/Proxy's Signature

To be signed at the time of handing over this slip

**Proxy**

I/We .....of .....  
being a Member of Gabriel India Limited, hereby appoint .....  
..... of ..... or failing him  
..... of .....  
as my/our proxy to attend and vote for me/us and on my/our behalf at the forty fifth Annual General Meeting of the Company to be held on July 23, 2007 and at any adjournment thereof.

As witness my/our hand (s) this ..... day of ..... 2007

Signed by the said.....

Affix  
Re. 0.15  
Revenue  
Stamp

