

BOARD OF DIRECTORS

CHAIRMAN

Sunil Kant Munjal

MANAGING DIRECTOR

Neeraj Munjal

DIRECTORS

Satyanand Munjal

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Bhagwan Dass Narang

Surrinder Lal Kapur

Vinayshil Gautam

FINANCE TEAM

Davendra Ujlayan, *GM – Finance & Accounts*

Sanjeev Chaba, *AGM-Finance & Accounts*

Varika Rastogi, *Company Secretary*

AUDITORS

S. S. Kothari Mehta & Co.

Chartered Accountants

146-149, Tribhuvan Complex

Ishwar Nagar, Mathura Road

New Delhi – 110065

BANKERS

HSBC Limited

IDBI Limited

REGISTERED OFFICE

2A/3, Asaf Ali Road

New Delhi – 110 002

PLANT

58th Km. Stone

Delhi – Jaipur Highway

Village: Binola – 122 413

Dist.: Gurgaon (Haryana)

SHARE TRANSFER AGENTS

MCS Limited

Shri Venkatesh Bhawan, W-40

Okhla Industrial Area, Phase II,

New Delhi -110 020

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NOTICE

Notice is hereby given that the 2nd Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Wednesday, the 29th day of August, 2007 at 11.30 A.M. at The Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi - 110001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2007 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend to the equity shareholders for the financial year 2006-07.
3. To appoint a Director in place of Mr. Satyanand Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Brijmohan Lall Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Om Prakash Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring auditors to hold office as auditors from the conclusion of this meeting, until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (and/or any statutory modification or re-enactment thereof from time to time) and in partial modification of the resolution passed at the 1st Annual General Meeting of the Company appointing Mr. Neeraj Munjal as Managing Director for a period of five years effective from April 1, 2006, approval of the members be and is hereby accorded to increase the remuneration of Mr. Neeraj Munjal, Managing Director with effect from April 1, 2007 for the remainder of his tenure in the manner as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts,

deeds, matters and things as may be considered necessary to give effect to this resolution.”

By Order of the Board
For Shivam Autotech Limited

New Delhi
July 30, 2007

VARIKA RASTOGI
Company Secretary

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

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself / herself and the proxy need not be a member of the Company. The proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting, is annexed hereto.
4. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, August 25, 2007 to Wednesday, August 29, 2007.
5. The dividend as recommended by the Board of Directors, upon declaration by the members at the 2nd Annual General Meeting, shall be paid to those members whose names appear on the Register of Members of the Company on August 29, 2007.

In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on August 29, 2007 as per the details furnished by the Depositories for this purpose.

6. Members are requested to notify immediately any change in address and signature updation for their **physical holdings** to the Company at its Registered Office and to the respective DPs in case of shares held in demat mode.

7. In view of the Circular No. DCC/FIIT/Cir-3/2001 dated October 15, 2001 issued by SEBI, the ECS facility should mandatorily be used by the Companies for the distribution of dividend to its members. Those members holding shares in physical form are requested to send the duly filled in ECS form annexed to the Annual Report at the earliest, to avail the benefits of this facility. In case of members holding shares in demat mode, they should furnish details in the prescribed format to their Depository Participant (DP).
8. In view of the Circular No. MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006 issued by SEBI and Clause 47(f) of the Listing Agreement entered into with the Stock Exchanges, the Company has designated varika@shivamautotech.com exclusively for the purpose of registering complaints by investors.

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

Item No. 7

Mr. Neeraj Munjal was appointed as Managing Director w.e.f. April 1, 2006 for a period of five years. Since then there has been a considerable increase in the duties and responsibilities performed by him. The Board of Directors at their meeting held on July 30, 2007, on the recommendations of the Remuneration Committee, has approved the proposal of increase in his remuneration, subject to the approval of the members. All other terms and conditions of his appointment will remain unchanged.

Increased remuneration will be subject to the overall limits as prescribed under Section 198, 309 and 310 of the Companies Act, 1956 read with Schedule XIII of the said Act and will be effective from April 1, 2007.

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

- (a) **Basic Salary:** Rs. 1,50,000/- (Rupees One Lac Fifty Thousand Only) per month.
- (b) **Commission:** Not exceeding 1% of net profits of the Company in any financial year, restricted to maximum of Rs. 20 Lacs.
- (c) **Benefits, Perquisites & Allowances:**
Perquisites and allowances as detailed in draft agreement proposed to be entered into with Mr. Neeraj Munjal.

The above may be treated as an abstract of the draft agreement proposed to be entered into by the Company with Mr. Neeraj Munjal, as required under Section 302 of the Companies Act, 1956.

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

The Board of Directors recommends the resolution at item no.7 for the approval of members.

By Order of the Board
For Shivam Autotech Limited

New Delhi
July 30, 2007

VARIKA RASTOGI
Company Secretary

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

DIRECTORS' REPORT

Dear Members

The Directors have pleasure in submitting their Report for the year ended March 31, 2007:

FINANCIAL RESULTS

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

the Company stipulated under Clause 49 of the Listing Agreement is also attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(Rs. In Lacs)

Particulars	2006-07	2005-06 (for period of 8 months from Aug.01, 2005 to Mar.31, 2006)
Sales & Other Income	15172.05	9702.64
Profit before Depreciation and Interest	3777.49	2672.74
Depreciation	1039.93	592.22
Interest	292.22	173.57
Profit before Taxation	2445.34	1906.95
Provision for Taxation (Deferred & Current)	849.07	648.36
Profit after Taxation	1596.27	1258.59
Profit available for appropriations	1596.27	1258.59
Appropriations		
Amount transferred to General Reserve	300.00	—
Proposed Dividend on Equity Shares	250.00	250.00
Tax on Dividend	42.49	35.06
Profit after Appropriations	1003.78	973.53

PERFORMANCE

During the year, the Sales of the Company were Rs. 15111.42 Lacs. Operating Profit (PBDIT) of the company for the year was Rs. 3777.49 Lacs. The Profit before Tax (PBT) was Rs. 2445.34 Lacs and Profit after Tax (PAT) was Rs. 1596.27 Lacs.

DIVIDEND

The Directors recommend a Dividend of Rs. 2.50 per equity share for the year (previous year Rs. 2.50 per share). If approved by the shareholders in the forthcoming Annual General Meeting, the Dividend will absorb Rs. 2.50 Crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 42.49 Lacs.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexures 'A' and 'B' respectively to this Report.

A certificate from the Statutory Auditors of the Company regarding the compliance of the conditions of Corporate Governance by

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 profits of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

FIXED DEPOSITS

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

BOARD OF DIRECTORS

Mr. Satyanand Munjal, Mr. Brijmohan Lall Munjal and Mr. Om Prakash Munjal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

AUDITORS

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

AUDITORS' REPORT

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

PARTICULARS OF EMPLOYEES

Information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is enclosed in this report as Annexure – 'C'.

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

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

ACKNOWLEDGEMENTS

Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the various Government Departments, the State Government and other Government agencies, Bankers, our valued customers and our vendors. Your Directors place on record their appreciation of the efforts, dedication, commendable teamwork of the employees in the various initiatives of the Company and contributing to the performance of the Company.

The Board also takes this opportunity to express its deep gratitude for the co-operation and support received from its valuable shareholders.

For and on behalf of the Board

Place: New Delhi
Date: June 22, 2007

SUNIL KANT MUNJAL
CHAIRMAN

ANNEXURE 'A'

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The production of India's automotive industry is expected to achieve a growth rate of over 15% in 2007-08. The export during the same period is expected to grow over 20%. To maintain this high rate of growth and to retain the attractiveness of Indian market and further enhancing the competitiveness of Indian companies, the Government prepared a 10 year Automotive Mission Plan. The idea is to draw a futuristic plan of action with full participation of the stakeholders and to implement it in mission mode to meet the challenges coming in the way of growth of industry. Besides, making concerted efforts for removal of obstacles in the way of competition, the required infrastructure is put in place well in time to alleviate its constraining impact on the growth. Through this Automotive Mission Plan, Government also wants to provide a level playing field to the players in the sector and to lay a predictable future direction of growth to enable the manufacturers in making a more informed investment decision. The Indian automotive industry started its new journey from 1991 with de licensing of the sector and subsequent opening up for 100% foreign direct investment through automatic route. Since then almost all the global majors have set up their facilities in India taking the production of vehicle from 2 million in 1991 to 9.7 million in 2006.

The growth of real GDP is 9.2 percent in 2006-07 up from 8.1 percent in the previous year. Sustained expansion in domestic as well as export demand, increased capacity utilization, augmentation of capacities and positive business and consumer confidence underpinned the strength of the manufacturing sector.

Overall, auto industry clocked a 13.50% growth over the previous year. Good times in the automobile industry as far as volumes are concerned have been continuing and there are no signs of let up at least in the near future. This 'feel-good' factor prevailing in the automobile industry has prompted several automakers to line up fresh investments to ramp up their operational capacities.

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian Two-wheeler industry volumes rose 11.42% year to year on the back of 12.79% year to year increase in motorcycle volumes. Hero Honda Motors Limited (HHML) – our principal customer continued to lead the motorcycle segment in 2006-07, registering an impressive growth of 11.20% as compared to financial year 2005-06.

Healthy growth of two wheeler industry and in particular the continuing dominance of principal customer HHML is the backbone of your Company's impressive operational performance and the present indications are that they would continue to be favourable.

OPPORTUNITIES AND THREATS

Indian Automobile Industry has been growing at a blistering pace. Auto Component Industry is on a fast track, where quality manufacturers continue to enjoy opportunities for new business. Two-wheeler manufacturers deserve special attention as they are continuously recording healthy and consistent growth.

At present, your Company is heavily dependent on the prospects of growth of two-wheeler industry and within that the business of HHML.

The steel is the major raw material being used by your Company. The rise in the prices of steel can really prove a challenge to the Company and can exert pressure on the operating margins. Your Company can offset the price increase by passing on the same to its customers and further increasing the production capacities and volumes.

FUTURE OUTLOOK

To cater to the increased requirements of existing customers and to bring in new business and customers, the Company has decided to set up another plant in Haridwar. By setting up plant in Haridwar, the Company would be availing the various fiscal incentives announced by the Government of India for the industrial units being set up in the State of Uttarakhand. The Haridwar Project would involve the CAPEX of approximately Rs. 180 crores by March, 2009.

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

RISKS AND CONCERNS

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

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

Dependence of your Company on the principal customer i.e. Hero Honda Motors Limited, may adversely affect the profitability of the Company. However, to mitigate these risks, your Company is continuously working on this and widening the customer base as and when opportunity arises.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has a proper and adequate system of internal controls. This ensures that all assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported properly.

An extensive programme of internal audits and management reviews, supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose. The internal control system has been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The Company has also an Audit Committee comprising of four Non-Executive Directors, three of whom being Independent and professionally qualified Directors. The Committee mainly deals with accounting matters, financial reporting and internal control procedures.

OPERATIONAL AND FINANCIAL PERFORMANCE

The Company is presently engaged in the manufacturing of Forging and Gear Components at its plant located at Binola near Gurgaon in Haryana. During the year, the Sales of the Company were Rs. 15111.42 Lacs. Operating Profit (PBDIT) of the company for the year was Rs. 3777.49 Lacs. The Profit before Tax (PBT) was Rs. 2445.34 Lacs and Profit after Tax (PAT) was Rs. 1596.27 Lacs.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

During the year under review, development of leadership and people capabilities in the organization continued to be of focus and your company continues to develop the internal capabilities of its people through a number of programs of training and development activities. However, as several companies are

witnessing in this buoyant economy, fast growing sectors like Retail and Financial Services are attracting talent. This has resulted in some attrition in your Company as well. We are deeply connected to our people and will work to address the needs of our worker's and staff even more proactively in the year 2007-08.

Company has continued with initiatives to develop its employees at professional and personal levels. A sizeable number of employees have undergone training that accord an opportunity to sharpen their professional and personal skills & improve their performance.

Company has also put in place a system of performance appraisal to ensure a direct link between employees' performance and their variable pay as well as training needs. On the industrial relations front, your company continued to enjoy a cordial and harmonious relationship with its employees.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations including raw material availability and prices, cyclical demand and pricing in the markets, changes in Government regulations, tax regimes, economic developments within the country and other incidental factors.

ANNEXURE – B TO DIRECTORS’ REPORT

Report On Corporate Governance

A. MANDATORY REQUIREMENTS

1. COMPANY’S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company’s philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. The Company’s philosophy of Corporate Governance is aimed at assisting the management in the efficient conduct of its business and in meeting its obligations to stakeholders.

2. BOARD OF DIRECTORS

(a) Composition of the Board

The present strength of the Board is nine Directors. Five Directors, including the Chairman, are Non-Executive; three are Non-Executive Independent Directors and one is Executive Director. As 1/3rd of the Board comprises of Independent Directors, the composition of the Board is pursuant to Clause 49 of the Listing Agreement.

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

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

During the Financial Year 2006-07, four meetings of the Board of Directors were held on 31st May, 2006, 3rd August, 2006, 30th October, 2006 and 30th January, 2007. The gap between two Board Meetings did not exceed four months.

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

Name of Directors	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. Satyanand Munjal	4	-	No
Mr. Brijmohan Lall Munjal	4	2	No
Mr. Om Prakash Munjal	4	-	No
Mr. Vijay Munjal	4	-	No
Mr. Sunil Kant Munjal	4	4	Yes
Mr. Neeraj Munjal	4	4	Yes
Mr. Bhagwan Dass Narang	4	3	No
Mr. Surrinder Lal Kapur	4	2	Yes
Dr. Vinayshil Gautam	4	4	Yes

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

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

Name	Category	No. of Outside Directorships in Public Ltd. Companies	No. of Committee Memberships (including Chairmanship)	No. of Committee Chairmanships
Mr. Satyanand Munjal	Non-Executive	4	-	-
Mr. Brijmohan Lall Munjal	Non-Executive	8	-	-
Mr. Om Prakash Munjal	Non-Executive	10	-	-
Mr. Vijay Munjal	Non-Executive	6	1	-

Mr. Sunil Kant Munjal Chairman	Non-Executive	9	3	1
Mr. Neeraj Munjal Managing Director	Executive	-	-	-
Mr. Bhagwan Dass Narang	Non-Executive & Independent	3	-	-
Mr. Surrinder Lal Kapur	Non-Executive & Independent	6	4	1
Dr. Vinayshil Gautam	Non-Executive & Independent	3	2	1

Further, there are no pecuniary relationships or transactions between the Non-Executive Directors and the Company, except the sitting fees drawn by the Non-Executive Directors for attending the meetings of the Board and its Committee(s) thereof.

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

RE-APPOINTMENT OF DIRECTORS

Mr. Satyanand Munjal, Mr. Brijmohan Lall Munjal and Mr. Om Prakash Munjal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief resume of Directors appointed/eligible for re-appointment along with the additional information required under Clause 49 (VI) (A) of the Listing Agreement is as under:

Mr. Satyanand Munjal

Mr. Satyanand Munjal, son of Late Shri Bahadur Chand Munjal was born on May 24, 1917 at Kamaliya, now in Pakistan. He joined the Board of the Company on July 29, 2005. He retires by rotation at the 2nd Annual General Meeting and being eligible, offers himself for reappointment. He is Co-Chairman and Managing Director of Hero Cycles Limited, the flagship Group Company. Under his leadership Hero Cycles Limited became the 'largest manufacturer of cycles in the world'. He believes in change, innovation, modern technology and power of dream. He has not only nurtured the Hero Group but also has made it the fastest growing enterprise in Northern India. A philanthropist by nature, he also serves on the Board of various social institutions.

Presently, he is on the Board of the following Companies.

Sl. No.	Name of Company	Nature of Office
1	Shivam Autotech Limited	Director
2	Hero Cycles Limited	Co-Chairman and Managing Director
3	Munjal Auto Industries Limited	Chairman and Director
4	Rockman Industries Limited	Chairman and Director
5	Satyam Auto Components Limited	Director
6	Hero Investments Pvt Ltd	Director
7	Thakurdevi Investments Pvt. Ltd.	Director
8	Bhagyoday Investment Pvt Ltd	Director
9	Dayanand Munjal Investment Pvt Ltd	Director
10	Munjal Bros. Pvt. Ltd.	Director

He (either own or held by/for other persons on a beneficial basis) does not have any shareholding in the Company.

Mr. Brijmohan Lall Munjal

Mr. Brijmohan Lall Munjal was born on July 1, 1923 in Kamaliya, now in Pakistan. Mr Brijmohan Lall joined the Board of the Company on July 29, 2005. He retires by rotation at the 2nd Annual General Meeting and being eligible, offers himself for reappointment. Mr. Brijmohan Lall Munjal is Chairman of the Hero Group and one of the foremost and most respected industrialists of India. He has enriched the Hero Group with his vision of sound business governance and value driven management practices. His foresight has made the Hero Group a leader in its business. The Group companies have been honoured with the best industrial governance and safety awards. He is the past president of CII, SIAM and a member of the Regional Board of the Reserve Bank of India. He has also been conferred the distinguished civilian honour – *Padma Bhushan* by the Government of India in recognition of his immense contribution to the nation in the field of trade and industry. He also received a Lifetime Achievement Award for excellence in Corporate Governance in 2005 from the Institute of Company Secretaries of India.

Presently, he is on the Board of the following Companies:

Sl. No.	Name of Company	Nature of Office
1	Shivam Autotech Limited	Director
2	Hero Cycles Limited	Chairman and Director
3	Hero Honda Finlease Limited	Chairman and Director
4	Hero Honda Motors Limited	Chairman and Whole-time Director
5	Munjal Showa Limited	Chairman and Director
6	Sunbeam Auto Limited	Chairman and Director
7	Munjal Auto Industries Limited	Director
8	Easy Bill Limited	Director
9	Hero Financial Services Limited	Director
10	Munjal Bros. Pvt. Ltd.	Director
11	BCM Energies Pvt Ltd.	Director

He (either own or held by/for other persons on a beneficial basis) does not have any shareholding in the Company.

Mr. Om Prakash Munjal

Mr. Om Prakash Munjal was born on August 5, 1928 in Kamaliya, now in Pakistan. Mr Om Prakash Munjal joined the Board of the Company on July 29, 2005. He retires by rotation at the 2nd Annual General Meeting and being eligible, offers himself for reappointment. Mr. Om Prakash Munjal is a co-founder of Hero Group. He is Co-Chairman cum Managing Director (Marketing) of Hero Cycles Limited, the flagship Group Company. He carries enriched experience and due to his rare administrative and entrepreneurial skills, Hero Cycles has found its position in the Guinness Book of World Records. In the year 1990, he was awarded the Indira Gandhi National Unity Award by the President of India.

Presently, he is on the Board of the following Companies:

Sl. No.	Name of Company	Nature of Office
1	Shivam Autotech Limited	Director
2	Hero Cycles Limited	Co-Chairman and Managing Director
3	Majestic Auto Limited	Chairman & Director
4	Hero Financial Services Limited	Director
5	Hero Motors Limited	Director
6	Munjal Auto Industries Limited	Director
7	Highway Industries Limited	Director
8	Hero Global Design Limited	Director
9	Easy Bill Limited	Director
10	Hero Honda Motors Limited	Director
11	Hero Honda Finlease Limited	Director
12	Munjal Bros. Pvt. Ltd.	Director
13	Roma Cycle Manufacturing Co. Pvt. Ltd.	Director

He (either own or held by/for other persons on a beneficial basis) does not have any shareholding in the Company.

3. AUDIT COMMITTEE

(a) Terms of Reference

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

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment, replacement and removal of the statutory auditors and fixation of the audit fees.

- Reviewing with the management, the annual financial statements with specific reference to matters required to be included in the Directors' Responsibility Statement, changes, if any, in accounting policies and practices and reasons for the same, major accounting entries, compliance with listing and other legal requirements relating to financial statements and qualifications in the draft audit report.
- Reviewing the quarterly and half-yearly financial results before submission to the Board for approval.
- Reviewing the adequacy of the internal control systems, internal audit function and company's financial and risk management policies.
- Review of Foreign Exchange Exposure.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with internal auditors any significant findings and follow up thereon.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.

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

The Audit Committee comprises mainly of Independent Directors and meetings of the Audit Committee were held on 3rd August, 2006, 30th October, 2006 and 30th January, 2007.

Name	Designation	Category of Directorship	Attendance out of 3 meetings held
Mr. Surrinder Lal Kapur	Chairman	Non-Executive & Independent	2
Mr. Bhagwan Dass Narang	Member	Non-Executive & Independent	2
Dr. Vinayshil Gautam	Member	Non-Executive & Independent	3
Mr. Sunil Kant Munjal	Member	Non-Executive	3

Finance Head, Internal Auditors and Statutory Auditors attend the meetings of the Committee on the invitation of the Chairman. The Company Secretary acts as the Secretary of the Committee.

Mr. Surrinder Lal Kapur, the Chairman of the Audit Committee, was present at the Annual General Meeting of the Company.

4. REMUNERATION COMMITTEE

(a) Terms of Reference

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

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

The Remuneration Committee comprises mainly of Independent Directors. During the year, the Committee met once on 2nd August, 2006 to consider the terms of appointment and remuneration of Mr. Neeraj Munjal, Managing Director of the Company.

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

(c) Remuneration Policy

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

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

(d) Details of Remuneration Paid to Directors

					Amount in Rs.
Executive Directors	Salary	Commission	Perquisites and Allowances	Contribution to Provident Fund	Total
Mr. Neeraj Munjal	11,40,000/-	24,84,710/-	11,40,000/-	1,37,000/-	49,01,710/-

NOTES:

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

Non-Executive Directors	Total Sitting Fees (Rs.)
Mr Satyanand Munjal	NIL
Mr Brijmohan Lall Munjal	40,000
Mr Om Prakash Munjal	NIL
Mr Vijay Munjal	NIL
Mr Sunil Kant Munjal	1,20,000
Mr Bhagwan Dass Narang	1,20,000
Mr Surrinder Lal Kapur	90,000
Dr Vinayshil Gautam	1,30,000

5. SHAREHOLDERS' GRIEVANCE COMMITTEE

During the year, 3 (three) meetings of the Shareholders' Grievance Committee were held on 2nd August, 2006, 30th October, 2006 and 30th January, 2007. The composition of the Shareholders' Grievance Committee is as follows:

Name of the Member	Designation	Category of Directorship	Attendance out of 3 meetings held
Mr. Bhagwan Dass Narang	Chairman	Non-Executive & Independent	3
Mr. Surrinder Lal Kapur	Member	Non-Executive & Independent	2
Mr. Neeraj Munjal	Member	Executive	3

Compliance Officer

Ms. Varika Rastogi - Company Secretary

Details of shareholders' complaints received during the F.Y. 2006-07 and their status are as follows:

	Nature of Complaint / Query	Total Received	Total Replied / Resolved	Pending
1.	Inquiry pertaining to non receipt of shares after transfer	5	5	-
2.	Request for issue of duplicate share certificates	1	1	-
3.	Non-receipt of share certificate	27	27	-
4.	Non receipt of dividend / Revalidation of dividend warrants	40	40	-
5.	Change of Address	48	48	-
6.	Non-receipt of Annual Report	11	11	-
7.	Dematerialization of shares	29	29	-
8.	Rematerialization of shares	1	1	-

6. GENERAL BODY MEETINGS

The 1st Annual General Meeting of the Company was held on Wednesday, 20th September, 2006 at 11:30 a.m. at Essex Farms, Aurobindo Marg, New Delhi – 110 016.

Following Special Resolutions were passed by the shareholders in the last Annual General Meeting:

- Appointment of Mr. Neeraj Munjal as Managing Director.
- Borrowing powers of the Board of Directors u/s 293(1)(d) of the Companies Act, 1956 upto Rs. 100 Crores.
- Contribution to charitable and other funds upto Rs. 25 Lacs u/s 293(1)(e) of the Companies Act, 1956.
- Authorizing Board of Directors u/s 293(1)(a) of the Companies Act, 1956 upto Rs. 100 Crores

Provisions of Section 192A relating to the postal ballot were not applicable since as on the date of AGM, the Company was not a listed entity.

7. DISCLOSURES

- a) There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note 12 of Notes to Accounts of Schedule 13 to the financial statements in the Annual Report.
- b) The guidelines / accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) have been followed in preparation of the financial statements of the Company.
- c) There were neither any non-compliance by the Company on any matters relating to capital markets; nor did the Company attract any penalties or strictures by the Stock Exchanges, SEBI or any statutory authority.
- d) Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
- e) The Code of Conduct applicable to all Directors and employees of the company have been posted on the Company's website. For the year under review, all Directors and senior management personnel of Company have confirmed their adherence to the provisions of the said codes.

CEO & CFO CERTIFICATION

Certificate from Mr. Neeraj Munjal, Managing Director and Mr. Davendra Ujlayan, G.M. (Finance), in terms of Clause 49(V) of the Listing Agreement with the Stock Exchanges was placed before the Board of Directors in their meeting held on 22nd June, 2007. A copy of the same certificate is given alongwith the Annual Report.

8. MEANS OF COMMUNICATION

- a) The quarterly results are published in widely circulating national and local newspapers such as The Economic Times, Business Standard, Pioneer, in English and Hindustan, in Hindi.
- b) The Company's results are displayed on the Company's website i.e. **www.shivamautotech.com**. The website also displays the Distribution Schedule and Shareholding Pattern pursuant to Clause 35 of the Listing Agreement. Moreover, pursuant to Clause 51 of the Listing Agreement, financial information and shareholding pattern etc. are available on the SEBI website **www.sebidifarnic.in**.

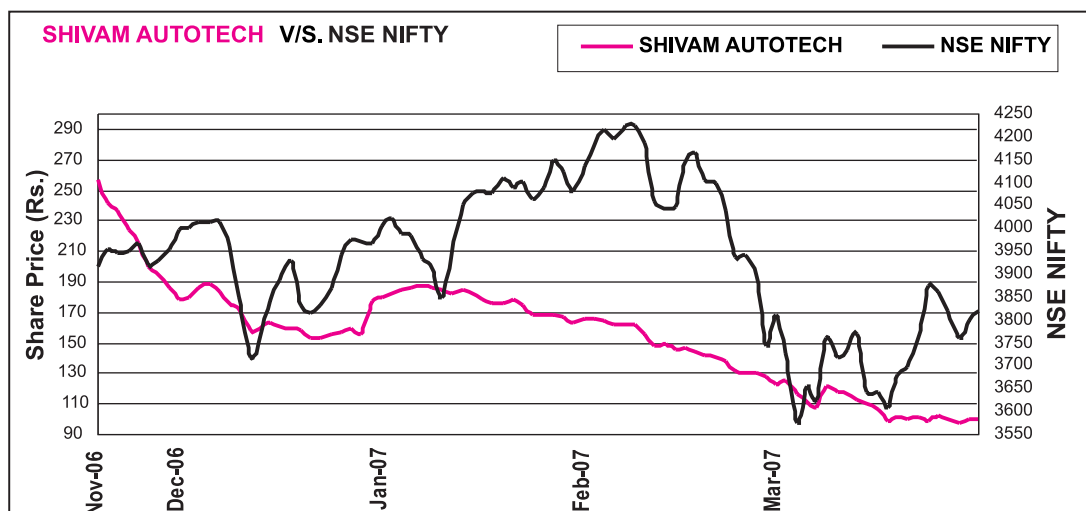
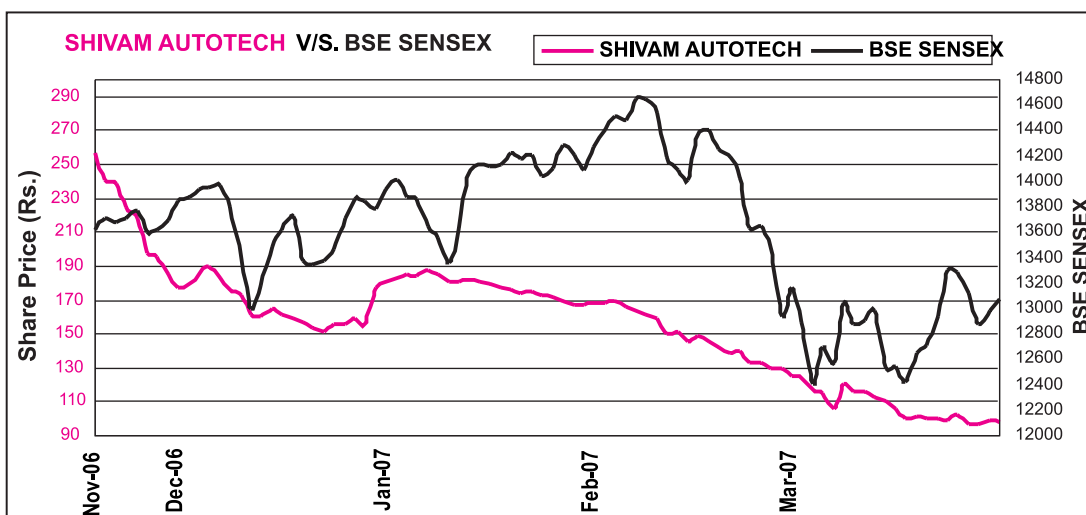
9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting	August 29, 2007 at 11.30 A.M. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi - 110001
Financial Year	April 1 to March 31
	i) First Quarter Results – last week of July
	ii) Second Quarter Results – last week of October
	iii) Third Quarter Results – last week of January
	iv) Results for the year ended March 31, 2007 – June 2007
Dates of Book Closure	Saturday, August 25, 2007 to Wednesday, August 29, 2007 (both days inclusive)
Dividend Payment Dates	After August 29, 2007
Listing on Stock Exchanges	The Bombay Stock Exchange Limited The National Stock Exchange of India Limited
	The Company has paid the Listing Fees for the year 1 st April, 2006 to 31 st March, 2007.
Stock Code	532776 – The Stock Exchange, Mumbai SHIVAMAUTO – The National Stock Exchange
Demat ISIN Number for NSDL and CDSL	INE 637H01016

MARKET PRICE DATA

The equity shares of the Company were listed on 21st November, 2006. The monthly high and low quotations as well as the volume of shares traded on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) are as follows:

Bombay Stock Exchange (BSE)						National Stock Exchange (NSE)				
Month (Rs.)	High (Rs.)	Date	Low (Nos)	Date (Rs.)	Volume	High (Rs.)	Date	Low	Date	Volume (Nos)
Nov' 06	281.00	21.11.06	161.00	21.11.06	4,305,590	282.00	21.11.06	175.00	21.11.06	2,606,843
Dec' 06	201.10	06.12.06	150.00	21.12.06	400,684	202.00	06.12.06	148.00	21.12.06	367,713
Jan' 07	195.00	04.01.07	165.00	29.01.07	137,287	193.85	04.01.07	160.05	31.01.07	121,213
Feb' 07	175.00	02.02.07	129.00	27.02.07	33,120	174.40	05.02.07	127.00	28.02.07	33,299
Mar' 07	130.25	14.03.07	94.35	26.03.07	122,907	138.00	09.03.07	94.20	29.03.07	96,044



Distribution of Shareholding as on March 31, 2007

No. of shares held	No. of shareholders		No. of shares	
	Numbers	%	Numbers	%
Up to 500	7504	95.20	848896	8.49
501 – 1000	193	2.45	150550	1.51
1001 – 2000	99	1.26	141770	1.42
2001 – 3000	28	0.36	70311	0.70
3001 – 4000	7	0.09	24716	0.25
4001 – 5000	11	0.14	51896	0.52
5001 – 10000	20	0.25	144290	1.44
10001 – 50000	7	0.09	160678	1.61
50001 – 100000	2	0.02	140500	1.40
100001 & above	11	0.14	8266393	82.66
Total	7882	100.00	10000000	100.00

Categories of Shareholders as on March 31, 2007

Categories	Holders (No.)	No. of shares held	% of shareholding
PROMOTER HOLDING			
Indian Promoters Bodies Corporate	11	7479595	74.80
Total Promoter Holding	11	7479595	74.80
PUBLIC HOLDING			
Institutions-			
● Mutual Funds-	6	899304	8.99
● Banks, Financial Institutions	6	55391	0.55
Non-Institutions-			
● Bodies Corporate	290	247256	2.47
● Individuals	7488	1245074	12.45
● NRIs	80	73380	0.73
Total Public Holding	7870	2520405	25.20
Grand Total	7881	10000000	100.00

Registrar and Transfer Agents	MCS Limited Sri Venkatesh Bhawan W – 40, Okhla Industrial Area, Phase-II, New Delhi-110 020 Tel: 011-41406149-52 Fax No: 011-41709881 E-mail: admin@mcsdel.com
Share Transfer System	All the transfers received are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month. Share Transfers are registered and returned within the prescribed period if documents are complete in all respects.
Dematerialization of Shares and Liquidity	33.98% of the total paid up equity share capital has been dematerialized as on 31 st March, 2007.
Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity	Not Issued
Plant Location	58 th Km Stone, Delhi – Jaipur Highway Village – Binola, Distt. Gurgaon –122 413, Haryana
Address for correspondence	Ms. Varika Rastogi Company Secretary 58 th Km Stone, Delhi – Jaipur Highway Village – Binola, Gurgaon – 122 413 Tel. Nos.: 0124-2379444-6 E-mail ID: varika@shivamautotech.com

B. NON-MANDATORY REQUIREMENTS

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

CEO & CFO CERTIFICATE

We hereby certify to the Board that:

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

Place: New Delhi
Date: June 22, 2007

(Neeraj Munjal)
Managing Director

(Davendra Ujlayan)
GM- Finance

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF SHIVAM AUTOTECH LIMITED

We have reviewed the implementation of Corporate Governance procedures by Shivam Autotech Limited during the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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

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

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

New Delhi
Date: June 22, 2007

ARUN K. TULSIAN
(PARTNER)
Membership No. 89907

ANNEXURE 'C' TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2007.

Sl.No	Name and Qualification	Designation	Remuneration (In Rs.)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1	Mr. Neeraj Munjal B.Com, DIBM	Managing Director	49,01,710/-	19	40	01.04.2006	Hero Exports Chief Executive

NOTES:

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

ANNEXURE 'D' TO THE DIRECTORS' REPORT

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

(a) Conservation of Energy

Energy conservation is being perused with considerable focus and commitment by the Management. Judicious use of energy, particularly in the hard core manufacturing processes of the Company, continues to be an important ingredient of conservation of energy. Optimal utilization of various energy resources like power, fuel and oil is ensured by ongoing measures / steps that improve power factor and other consumption. Various projects undertaken during the year for optimal energy utilization have resulted in some savings in the energy cost.

(b) Technology Absorption, Adaptation and innovation

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

Following measures were adopted by the Company during the year under review:

- Indigenization of Tools and Fixtures for Gear Hobbing, Honning and Bore finishing operations.
- Development of Product namely Cog Wheel, for export.

(c) Foreign Exchange Earnings and outgo

(Rs. In Lacs)

	F.Y. ended on March 31, 2007
(a) Total Foreign Exchange Earnings	-
(b) Total Foreign Exchange Outgo	1642.88

AUDITORS' REPORT

To the members of Shivam Autotech Limited

We have audited the attached Balance Sheet of Shivam Autotech Limited as at 31st March, 2007 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

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

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

Place: New Delhi
 Dated: June 22, 2007

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

ANNEXURE TO AUDITORS' REPORT (Annexure referred to in our report of even date)

- 1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (c) Fixed assets disposed off during the year were not substantial.
- (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. There were no discrepancies noticed on such verification
- 2. (a) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of inventory. Further stocks in the possession and custody of third parties as at 31st March 2007 have been verified by the

- management with reference to confirmations or statement of account or correspondence of the third parties. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not granted any loan, secured or unsecured, to Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has taken unsecured loan in the nature of advance against supplies, from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 2250.00 lacs and year end balance of such loan was Rs 1687.50 lacs. Apart from this, the company has not taken any other loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) In our opinion, other terms and conditions of such loan are, prima facie, not prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loan, the company were regular in repayment of principal amount and interest due thereon as per the terms of the acceptance.
4. In our opinion, and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees five lakhs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.
9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues have been generally regularly deposited with the appropriate authorities during the year and there are no such undisputed statutory dues outstanding as on the date of Balance Sheet for a period exceeding six months from the date they became payable.
- (b) According to the information & explanations given to us and as per the books and records examined by us, there are no dues in respect of Excise Duty, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Income Tax and Cess which have not been deposited on account of any dispute.
10. The company is in existence for less than 5 years. However, there are no accumulated losses of the Company at the end of the financial year. There are no cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. According to the information and explanations given to us, the Company has not granted any loans and

- advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit fund / Nidhi / Mutual Benefit fund / Society and hence the related reporting requirements are not applicable.
14. The Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.
15. The company has not given any guarantees for loans taken by others from bank or financial institution.
16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained.
17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds
18. raised by the Company on short-term basis have not been applied for long term investments.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures nor has any outstanding debentures during the year.
20. The Company has not raised any money by way of public issues during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

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

Place: New Delhi
Dated: June 22, 2007

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

BALANCE SHEET AS AT MARCH 31, 2007

	Schedules	As at 31st March, 2007	As at 31st March, 2006 (8 Months)
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital (Including equity share capital suspense account)	1	100,000,000	100,500,000
Reserves & Surplus	2	472,892,315	336,909,830
Loan Funds			
Secured Loans	3	481,369,509	388,019,460
Unsecured Loans		-	40,000,000
Deferred Tax Liability (Refer note 14 of Schedule 13)		71,329,892	64,403,657
TOTAL		1,125,591,716	929,832,948
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	1,204,989,653	918,146,676
Less: Depreciation		334,139,743	232,592,756
Net Block		870,849,910	685,553,920
Capital Work in Progress		14,250,644	5,229,051
		885,100,554	690,782,971
Investments	5	-	30,018,043
Current Assets, Loans & Advances	6		
Inventories		83,130,227	67,382,354
Sundry Debtors		210,226,890	210,738,159
Cash & Bank Balances		4,589,812	1,685,320
Loans & Advances		443,896,831	131,038,828
		741,843,760	410,844,662
Less: Current Liabilities & Provisions	7		
Current Liabilities		334,113,556	114,778,009
Provisions		167,239,041	87,034,720
Net Current Assets		240,491,163	209,031,934
TOTAL		1,125,591,716	929,832,948
Notes on Accounts & Accounting Policies	13		
As per our report of even date for S.S. KOTHARI MEHTA & CO. Chartered Accountants		For and on behalf of the Board	
Arun K. Tulsian Partner Membership No.89907		Sunil Kant Munjal Neeraj Munjal Brijmohan Lal Munjal Bhagwan Dass Narang Surrinder Lal Kapur Vinayshil Gautam Davendra Ujlayan Varika Rastogi	Chairman Managing Director Director Director Director GM - Finance Company Secretary
New Delhi June 22, 2007			

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedules	For the year ending 31st March, 2007	(Amount in Rs.) For the period 1st August, 2005 to 31st March, 2006 (8 months)
INCOME			
Gross Sales		1,511,142,761	965,898,969
Less:- Excise duty		<u>214,101,374</u>	<u>135,692,003</u>
Net Sales		1,297,041,387	830,206,966
Other Income	8	6,062,729	4,364,900
Increase/(Decrease) in Stocks of Finished goods & WIP	9	<u>6,860,748</u>	<u>7,554,988</u>
		<u>1,309,964,864</u>	<u>842,126,855</u>
EXPENDITURE			
Raw Material & Components Consumed		352,191,237	235,755,024
Remuneration and Benefits to Employees	10	91,122,470	43,773,919
Manufacturing & Other Expenses	11	488,901,620	295,323,906
Interest & Other Financial Charges	12	29,221,871	17,356,600
Depreciation	4	<u>103,992,706</u>	<u>59,222,397</u>
		<u>1,065,429,904</u>	<u>651,431,847</u>
Profit Before Taxation		244,534,959	190,695,008
Provisions for taxation			
Income Tax-Current		76,749,477	56,187,939
Deferred Tax		6,926,235	7,958,306
Wealth Tax		64,219	28,350
Fringe Benefit Tax		1,168,376	661,512
Profit After Taxation		159,626,652	125,858,901
Balance brought forward from previous year		97,352,651	-
Profit Available for Appropriations		256,979,303	125,858,901
Appropriations			
Proposed Dividend		25,000,000	25,000,000
Provision for Dividend Distribution Tax		4,248,750	3,506,250
Transfer to General Reserve		30,000,000	-
Balance Carried Over		197,730,553	97,352,651
Earnings Per Share		15.93	12.52
Basic and Diluted (Nominal value of shares Rs. 10 each)			
Notes on Accounts & Accounting Policies	13		
As per our report of even date			
for S.S. KOTHARI MEHTA & CO.			
Chartered Accountants			
For and on behalf of the Board			
		Sunil Kant Munjal	Chairman
		Neeraj Munjal	Managing Director
		Brijmohan Lall Munjal	Director
		Bhagwan Dass Narang	Director
		Surrinder Lal Kapur	Director
		Vinayshil Gautam	Director
		Davendra Ujlayan	GM - Finance
		Varika Rastogi	Company Secretary
Arun K. Tulsian			
Partner			
Membership No.89907			
New Delhi			
June 22, 2007			

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(Amount in Rs.)

	As at 31st March, 2007	As at 31st March, 2006
A. Cash Flow from operating activities		
Profit Before Tax and extra ordinary items	244,534,959	190,695,008
Adjustments for :		
Add		
Depreciation	103,992,706	59,222,397
Loss on sale of Fixed Assets	3,728,435	140,089
Lease Rent paid	918,864	1,148,580
Interest Expenses	29,221,871	17,356,600
Miscellaneous Expenditure Amortized	-	175,000
	382,396,835	268,737,673
Less		
Gain on Foreign Exchange Rate Fluctuations	13,448	204,257
Interest Income	20,305	381,159
Profit on Sale of Investments	2,248,127	152,614
Dividend Income	388,108	1,569,698
	2,669,989	2,307,728
Operating Profit before working capital changes	379,726,846	266,429,945
Add		
<u>Increase in Current Liabilities / Decrease in Current Assets</u>		
Current Liabilities	197,033,937	10,182,192
Debtors	511,270	-
Working Capital Finance from Banks	73,489,534	-
Provisions for Liability	80,204,321	9,341,763
	351,239,063	19,523,954
Less		
<u>Decrease in Current Liabilities / Increase in Current Assets</u>		
Inventories	15,747,873	8,545,719
Other Current Assets	312,858,003	139,955,432
Working Capital Finance from Banks	-	4,634,876
	328,605,875	153,136,028
Less Direct Taxes Paid	79,659,945	101,663,424
Net Cash from Operating ActivitiesA	322,700,089	31,154,448
B. Cash Flow from investing activities		
Add		
Sale of Fixed Assets	1,612,361	1,424,758
Sale of Investment	46,759,275	113,786,152
Dividend Income	388,108	1,569,698
Interest Income	20,305	381,159
Profit on Sale of Investment	-	-
Gain on Foreign Exchange Rate Fluctuations	13,448	204,257
	48,793,497	117,366,024
Less		
Purchases of Fixed Assets	316,089,781	182,191,655
Lease Rent paid	918,864	1,148,580
	317,008,645	183,340,235
Net Cash used in Investing ActivitiesB	268,215,148	65,974,211
C. Cash Flow from Financing activities		
Add		
Proceeds from Long Term Borrowings	19,860,515	90,750,000
Sales Tax Subsidy Received	5,604,583	3,680,985
Increase in Share capital	-	500,000
	25,465,098	94,930,985
Less		
Interest paid	29,221,871	17,356,600
Repayment of Long Term Borrowings	47,823,675	58,426,324
	77,045,546	75,782,924
Net Cash from Financing ActivitiesC	(51,580,449)	19,148,061
Net increase/(decrease) in Cash & Cash equivalents	29,04,492	(15,671,703)

Cash and Cash Equivalents at the beginning of the period	1,685,320	17,357,023
Cash and Cash Equivalents at the end of the period	45,89,812	1,685,320
Notes on Accounts	13	

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

Arun K. Tulsian
 Partner
 Membership No.89907

New Delhi
 June 22, 2007

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

Chairman
 Managing Director
 Director
 Director
 Director
 GM - Finance
 Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS

(Amount in Rs.)

	As at 31st March,2007	As at 31st March,2006 (8 Months)
SCHEDULE -1		
SHARE CAPITAL		
Authorised		
1,26,00,000 Equity Shares of Rs.10/- each	126,000,000	126,000,000
	<u>126,000,000</u>	<u>126,000,000</u>
Issued, Subscribed & Paid Up		
1,00,00,000 (Previous Year 50,000)Equity Shares of Rs.10/- each	100,000,000	500,000
Equity Share Capital Suspense account	-	100,000,000
Preference Shares 500,000*	-	-
Less: Redeemed during the year 500,000*	-	-
	<u>100,000,000</u>	<u>100,500,000</u>
* Refer note 1 of Schedule 13		
SCHEDULE -2		
RESERVES & SURPLUS		
Capital Redemption Reserve		
Opening	-	-
Add:- Transfer from General Reserve	500,000	-
Closing Balance	500,000	-
Sales Tax Subsidy from the Government of Haryana (Refer note 4 of Schedule 13)		
Balance as per last Year	32,733,344	29,052,359
Add:- During the Year	5,604,583	3,680,985
Closing Balance	<u>38,337,927</u>	<u>32,733,344</u>
General Reserve		
Balance as per last Account	206,823,835	-
Add:- Transferred from Profit & Loss account	30,000,000	206,823,835
Less :- Transfer to Capital Redemption Reserve	500,000	-
Closing Balance	236,323,835	206,823,835
Profit & Loss Account	<u>197,730,553</u>	<u>97,352,651</u>
	472,982,315	336,909,830
SCHEDULE -3		
SECURED LOANS		
A. Term Loans		
IDBI Bank Ltd.	175,926,325	71,065,810
Hong Kong & Shanghai Bank Ltd.	203,750,000	288,750,000
	<u>379,676,325</u>	<u>359,815,810</u>
B. Working Capital borrowings		
From Banks		
(i) IDBI Bank Ltd. Cash Credit Account	101,693,185	18,565,740
(ii) Citi Bank Cash Credit Account	-	9,637,910
	<u>101,693,185</u>	<u>28,203,650</u>
TOTAL	<u>481,369,509</u>	<u>388,019,460</u>

Details of Securities:

1. Term Loans availed from Banks are secured by an exclusive charge on the machinery financed by the said loans.
2. Amount due with in one year Rs.1435.25 lacs (Previous Year 1676.39 lacs)
3. Working Capital facilities availed from the Banks are secured by a first charge on inventories, receivables and all other current assets of the company.

**SCHEDULE -4
FIXED ASSETS**

PARTICULARS	AS AT	ADDITIONS	GROSS BLOCK	AS AT	AS AT	FOR THE	DEPRECIATION	TOTAL UPTO	NET BLOCK	
	01.04.2006		DEDUCTION/ ADJUSTMENTS				31.03.2007		DEDUCTION/ ADJUSTMENTS	31.03.2007
FIXED ASSETS										
LAND	-	43,465,164	-	43,465,164	-	-	-	-	43,465,164	-
BUILDING	52,837,078	15,564,736	-	68,401,814	4,407,990	2,038,220	-	6,446,210	61,955,604	48,429,088
PLANT & MACHINERY	834,529,839	224,529,181	7,786,516	1,051,272,504	216,903,582	97,170,810	2,445,720	311,628,672	739,643,832	617,626,257
COMPUTER	5,541,538	1,059,509	-	6,601,046	2,920,356	988,955	-	3,909,311	2,691,735	2,621,182
OFFICE EQUIPMENTS	6,668,557	2,228,674	-	8,897,231	1,566,300	563,534	-	2,129,833	6,767,398	5,102,257
FURNITURE & FIXTURE	4,890,747	1,780,831	-	6,671,578	1,431,259	670,313	-	2,101,572	4,570,005	3,459,488
VEHICLES	7,289,247	5,237,675	-	12,526,922	2,001,374	924,422	-	2,925,795	9,601,127	5,287,873
INTANGIBLE ASSET (Softwares & Licences)	6,389,670	763,723	-	7,153,393	3,361,896	1,636,452	-	4,998,348	2,155,045	3,027,774
TOTAL	918,146,676	294,629,493	7,786,516	1,204,989,653	232,592,756	103,992,706	2,445,720	334,139,743	870,849,910	685,553,920
Previous Year	709,408,796	181,695,816	2,957,936	918,146,676	174,763,449	59,222,396	1,393,089	232,592,756	685,553,920	
Capital Work in process	5,229,051			14,250,644						

Note:

- Capital work in progress includes pre-operative expenditure pending allocation of Rs. 48,17,464/- (Previous Year NIL)
- Additions include foreign exchange fluctuations Rs. 5,43,926/- (Previous Year 3,77,734/-)

SCHEDULE -5
INVESTMENTS- NON TRADE(UNQUOTED) (At Cost)

	Face Value per unit	As at 31st March,2007	As at 31st March,2006
Current Mutual Fund Schemes			
(No. of Units)			
Deutsche Floating rate Fund (Number of Units)	10/-	-	12,147 (1,181)
Birla Sun Life Mutual Fund (Number of Units)	10/-	-	5,896 (587)
DSP Saving plus Fund -Growth-Aggressive (Number of Units)	10/	-	10,000,000 (804,725)
HDFC MIP Long term Growth (Number of Units)	10/	-	10,000,000 (746,180)
DSP Merrill Lynch Bal- Fund (Number of Units)	10/	-	5,000,000 (154,178)
ICICI Balanced regular growth fund (Number of Units)	10/	-	5,000,000 (168,011)
		-	<u>30,018,043</u>

Details of purchase and sales of Mutual Fund units during the Year

	Purchase		Sales	
	No. of Units	Amount (Rs.)	No. of Units	Amount (Rs.)
DSP Merrill Lynch Opportunities Fund - Dividend	44611	1,250,000	44611	1,394,524
DSP Merrill Lynch Opportunities Fund - Dividend	41890	1,250,000	41890	1,309,469
HDFC Equity Fund Dividend Plan	30448	1,250,000	30448	1,301,849
HDFC Equity Fund Dividend Plan	29187	1,250,000	29187	1,247,923
Magnum Multiplier Plus Scheme 93	28084	1,250,000	28084	1,385,822
Reliance Equity Opportunities Fund - Dividend	64395	1,250,000	64395	1,324,804
Franklin India Opportunities Fund-Dividend	72171	1,250,000	72171	1,154,734
Franklin India Opportunities Fund-Dividend	67277	1,250,000	67277	1,076,427
DSP Saving plus Fund -Aggressive	804725	10,000,000	804725	10,588,013
HDFC Monthly income -Growth	361000	4,837,978	361000	5,028,911
HDFC Monthly income -Growth	385180	5,162,022	385180	5,456,338
DSPML Balanced Fund - Growth	154178	5,000,000	154178	5,316,616
PRU- Icici Balanced Fund	168011	5,000,000	168011	5,109,841
HDFC Capital Builder Fund	223945	5,028,911	223945	5,051,857
Deutsche Floating rate fund	-	-	1181	12,147

(Amount in Rs.)

	As at 31st March,2007	For the period 1st August, 2005 to 31st March, 2006 (8 months)
SCHEDULE -6		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories		
(As taken, valued and certified by management)		
Raw Materials	11,970,419	16,513,673
Work in Process	24,517,157	21,650,629
Finished Goods	8,198,345	4,153,357
Consumable stores, Spares Dies & Tools	38,408,106	24,980,927
Packing Material	3,800	600
Scrap	32,400	83,168
	<u>83,130,227</u>	<u>67,382,354</u>
Sundry Debtors		
(Unsecured, considered good unless otherwise stated)		
For a period exceeding six months	-	596,080
Other Debts	210,226,890	210,142,079
	<u>210,226,890</u>	<u>210,738,159</u>
Cash & Bank Balances		
Cash in hand	324,468	341,906
Balances with scheduled Banks:		
on current accounts	4,265,344	868,414
on fixed deposit account	-	475,000
	<u>4,589,812</u>	<u>1,685,320</u>
Loans & Advances		
(Unsecured, considered good unless otherwise stated)		
Loans & Advances to Employees	697,385	348,780
Advances recoverable in cash or in kind or value to be received(including Capital advances of Rs. 2,89,49,708 /- (Previous Year Rs.53,71,075/-)	40,843,766	14,226,527
Advance for Land Purchase	225,000,000	-
Advance Tax & Tax deducted at source	137,223,195	83,806,424
Balance with Govt. departments and others	32,298,150	27,652,004
Deposits & Security	7,834,335	5,005,094
	<u>443,896,831</u>	<u>131,038,828</u>
TOTAL	<u>741,843,760</u>	<u>410,844,662</u>

(Amount in Rs.)

	As at 31st March,2007	For the period 1st August, 2005 to 31st March, 2006 (8 months)
SCHEDULE -7		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors:*		
Small Scale Industries	14,283,312	12,464,928
Others	125,868,399	95,157,254
* including creditors for Capital Supplies Rs.2,23,01,610/- (Previous Year Rs.71,12,246/-)	<u>140,151,711</u>	<u>107,622,182</u>
Advances From Customers	169,288,269	103,835
Due to Directors	2,627,185	1,662,500
Security Deposit	548,981	548,981
Bank book overdraft	10,407,210	-
Other Liabilities	10,696,474	4,840,511
Investor Education & Protection Fund*	-	-

Unpaid dividend	393,725	-
	<u>193,961,845</u>	<u>7,155,827</u>
TOTAL	<u>334,113,556</u>	<u>114,778,009</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund

Provisions

Proposed Dividend on equity shares	25,000,000	25,000,000
Dividend Tax	4,248,750	3,506,250
Income Tax	132,937,416	56,187,939
Wealth Tax	92,569	28,350
Fringe Benefit Tax	1,829,888	661,512
Gratuity & Leave Encashment	3,130,418	1,650,669
	<u>167,239,041</u>	<u>87,034,720</u>

SCHEDULE - 8

OTHER INCOME

Miscellaneous receipts	563,287	326,794
Interest (TDS Rs. Nil, previous year Rs.42424/-)	20,305	381,159
Dividend received on current investment (non trade)	388,108	1,569,698
Cash Discount	2,829,453	1,730,378
Profit on Sale of Current Investments	2,248,127	152,614
Gain on Foreign Exchange Rate Fluctuations	13,448	204,257
	<u>6,062,729</u>	<u>4,364,900</u>

SCHEDULE -9

INCREASE/(DECREASE) IN STOCKS OF FINISHED GOODS & WORK IN PROCESS

Closing Stocks

Finished Goods	8,198,345	4,153,357
Work in Process	24,517,157	21,650,629
Scrap	32,400	83,168
	<u>32,747,902</u>	<u>25,887,154</u>

Opening Stock (Transferred pursuant to Scheme of Arrangement)

Finished Goods	4,153,357	4,265,116
Work in Process	21,650,629	13,992,022
Scrap	83,168	75,028
	<u>25,887,154</u>	<u>18,332,166</u>
Increase/ (Decrease)	<u>6,860,748</u>	<u>7,554,988</u>

(Amount in Rs.)

**For the year
ending 31st
March, 2007**

**For the period 1st August,
2005 to 31st March, 2006
(8 months)**

SCHEDULE -10

REMUNERATION & BENEFITS TO EMPLOYEES

Salaries & Wages (Including Managerial Remuneration)	76,948,141	35,460,905
Contribution to Provident Fund and other Funds	5,335,085	2,601,483
Staff & Labour Welfare Expenses	8,839,244	5,711,532
	<u>91,122,470</u>	<u>43,773,919</u>

SCHEDULE - 11

MANUFACTURING & OTHER EXPENSES

Stores, Spares, Tools & Dies consumed	126,316,829	70,160,540
Power & Fuel	105,202,038	55,110,449
Packing Materials consumed	471,139	461,834
Rent (including lease rent)	918,864	1,148,580
Repair & Maintenance:		
- To Building	2,412,708	1,988,703

- To Machinery	8,123,401	5,158,966
- To Others	934,354	590,277
Insurance	5,274,660	3,361,144
Rates & Taxes	247,124	17,834
Wages to contractors	24,794,607	14,349,721
Job work charges	174,701,610	125,804,901
Travelling & Conveyance	14,215,871	7,268,673
Auditors Remuneration		
- As Audit fess	150,000	100,000
- Limited Review	60,000	-
- Out of pocket expenses	96,002	-
Cost Auditors Remuneration		
- As Audit Fees	20,000	15,000
Professional charges	3,782,983	1,410,201
Freight outward	846,705	457,654
Donation	260,000	308,900
Miscellaneous expenses	13,459,851	6,136,998
Loss on sale of Mutual Fund Units	-	-
Loss on sale of Fixed Assets	3,728,435	140,089
Sundry balances written off/ (back) (Net)	211,293	4,220
Security service charges	2,144,087	1,309,601
Excise duty difference on stocks of finished goods (Net)	529,058	19,622
	<u>488,901,620</u>	<u>295,323,906</u>

SCHEDULE - 12
INTEREST & FINANCIAL CHARGES

Interest :		
-On Fixed Loans	26,613,275	16,740,103
-On working capital borrowings	2,044,129	512,833
Bank Charges & Commission	564,467	103,664
	<u>29,221,871</u>	<u>17,356,600</u>

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE - 13

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

I. SIGNIFICANT ACCOUNTING POLICIES

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

1) System of Accounting

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

2) Fixed Assets

All fixed assets are valued at cost and stated net of depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and is net of Cenvat Credit.

Depreciation has been provided for on straight-line method in the manner and at the rates as prescribed in Schedule XIV of the Companies Act, 1956. Fixed Assets costing Rs.5000/- or less are fully depreciated in the year of acquisition.

Intangible Assets, being expenditure on software, including licence fees and implementation cost, it is provided at the rate of 25% considering estimated life thereof.

3) Investments

Current Investments are valued at cost or fair value whichever is lower.

4) Inventories

a) Raw material, stores and spares, packing materials, components, work in progress and finished goods are valued at cost or net realisable value, whichever is lower. Cost of purchases is ascertained on first in first out (FIFO) method.

b) Scrap is valued at estimated net realisable value.

c) Excise duty liability on Finished Goods lying in factory is accounted for and the corresponding amount is considered for the valuation thereof.

5) Tools & Dies

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

6) Sales & Purchases

(i) Domestic sales are accounted for inclusive of excise duty but net of sales tax. Sales net of excise duty is also disclosed separately.

(ii) Sales are accounted for on date of removal of goods from the factory.

(iii) The cost of purchase consists of purchase price including duties and taxes and other expenditure directly attributable to acquisition but net of Cenvat, Service Tax, Value Added Tax, trade discount and rebates.

7) Retirement Benefits

In respect of Gratuity, the liability is estimated annually and the premium is deposited with LIC based on their demand notice. The funding with LIC is updated based on actuarial valuation done by LIC periodically. In respect of Leave Encashment, provision is made in respect of eligible employees as per actual calculation done at the balance sheet date.

8) Taxation

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

9) Foreign Currency Transactions

Transactions denominated in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction.

Assets and liabilities denominated in foreign currency are converted into rupee at the closing rate of the last day of the financial year and the exchange rate difference is recognised as revenue / expenses for the year except in respect of liability for fixed assets in which case such differences are adjusted in the cost of the respective fixed assets which are purchased from a country outside India.

10) Impairment of Assets

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

11) Provisions and contingent Liabilities

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

II) NOTES TO ACCOUNTS

- 1) Pursuant to the Scheme of Arrangement sanctioned by Hon'ble High Courts of Gujarat and Delhi, accounted for during the last year, 50,000 equity shares of Rs.10/- each existing before the scheme have been converted into Preference Shares of Rs. 5 lacs and redeemed immediately upon Scheme becoming effective. Capital Redemption Reserve of Rs. 5 lacs has been created out of General Reserve as per scheme.
- 2) As the Company's business activity falls within a single primary business segment viz. Motorcycles Parts, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India, are not applicable.
- 3) There are no present obligations requiring provision in accordance with the guiding principles as enunciated in Accounting Standard "AS 29" as it is not probable that an outflow of resources embodying economic benefits will be required.
- 4) Company has availed sales tax incentive amounting to Rs.383.38 Lacs (Previous Year 327.33 lacs) by the end of 31st March,2007 in the form of deferment, to be converted later into capital subsidy, in accordance with the scheme of the Govt. of Haryana for development of Industries. The amount is payable to the Government if specified conditions are not fulfilled. Considering the nature of incentive and legal opinion taken by the company, the amount is treated as Capital Receipt and disclosed as such in the Balance Sheet.
- 5) Expenditure on insurance includes Rs.6.30 Lacs (Previous Year Rs.6.30 lacs) being the premium paid under Keyman Insurance Schemes to cover risks on life of Key Management personnel. Benefits to the Company under the said scheme depend on various factors including resignation/survival of the said personnel or premature surrender of the policy. Such benefits will be accounted in the year in which they become due.
- 6) The details of Pre-operative Expenditure pending capitalisation included in the Capital Work in Process :

	<u>2006-07</u>	<u>(Rs. In lacs)</u> <u>2005-06</u>
Financial Charges	48.17	-
	48.17	-

- 7) The previous year figures are for the period from the date of incorporation of the Company in July, 2005 and the Binola unit of Munjal Auto Industries Limited was demerged in this company from the appointed date i.e. 1st August, 2005. Current Year figures are for the full financial year. The figures are strictly not comparable.

8) Details of Prior period expenses

	<u>2006-07</u>	<u>(Rs. In lacs)</u> <u>2005-06</u>
Expenses	0.17	-
Income	-	-
	0.17	-

9) Names of the SSI Units having outstanding amount for a period exceeding 30 days

- (i) BIHANI RAJASTHAN CO. LTD.
- (ii) DEL GEARS LTD.
- (iii) HI TECH ELEC. AUTO PVT. LTD.
- (iv) KDR FORGINGS PVT. LTD.
- (v) N.K MICRO PVT. LTD.
- (vi) S D ENGINEERS
- (vii) UNITOOLS (A DIV. OF MARS ASSO. PVT. LTD.)
- (viii) VARUN PRECISION COMPONENTS PVT. LTD.

However, the Company does not have any liability, under Interest to Small Scale and Ancillary Undertakings Act, 1993 as the payments are made within the period stipulated by the parties.

10) Details of Contingent Liabilities

	2006-07	(Rs. In lacs) 2005-06
a) Unexpired Letter of Credit	1,438.00	41.93
b) Unexpired Lease obligation	-	222.06
c) Excise show cause notice being contested by the Company	53.83	-
d) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	3,531.68	707.22

11) Managerial Remuneration

	2006-07	(Rs. In lacs) 2005-06
Salaries	11.40	6.80
Commission	24.85	10.00
Contribution to PF and other Funds	1.37	0.82
Other Allowances	11.40	6.80
	<u>49.02</u>	<u>24.42</u>

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

	2006-07	(Figures in Rs.) 2005-06
Profit as per Profit & Loss before taxation	244,534,959	190,695,008
Add:		
Managerial Remuneration	4,901,510	2,442,000
Loss on sale of Fixed Assets	3,728,435	140,089
Less:		
Profit on sale of investments	2,248,127	152,614
Net Profit pursuant to Section 349 for the purpose of Director Remuneration	<u>248,471,038</u>	<u>193,124,482</u>

Director's Commission (restricted in terms of the agreement with reference to salaries, allowances and limits prescribed under the Companies Act)

1% of Net Profit to Managing Director

	2,484,710	1,000,000
--	-----------	-----------

13) Computation of Earning Per Share

	2006-07	2005-06
Net Profit After Taxation as per Profit & Loss Account	169,870,596	125,858,901
Basic/ Weighted Average Number of Equity Shares outstanding during the year	10,020,833	10,050,000
Nominal Value of Equity shares	10.00	10.00
Basic & Diluted Earnings Per Share	16.95	12.52

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

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

A. Deferred Tax Liabilities	(Rs. In lacs)		
	<u>2005-06</u> Balance as on 01.04.2006	Charge(Credit) during the Year to P & L	<u>2006-07</u> Balance as on 31.03.2007
Tax Effect of excess Net Block of Fixed assets as per the books of account over written down value as per the income tax computation	649.59	73.60	723.19
B. Deferred Tax Assets			
Tax effect on Provision for Gratuity	0.50	1.69	2.19
Tax effect on Leave encashment	5.06	2.64	7.70
Total (B)	5.56	4.33	9.89
Net Deferred Tax Liabilities (A-B)	644.03	69.27	713.30

15) **Related parties disclosure:**

a) **Key Managerial Personnel**

Mr. Neeraj Munjal, Managing Director

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

Hero Cycles Limited
Sunbeam Auto Limited

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

Hero Honda Motors Limited
Rockman Industries Limited
Puja Investments Private Limited
Anadi Investments Private Limited
Hero Investments Private Limited
Hero Corporate Services Limited
Munjal Auto Industries Ltd.
Satyam Auto Components Limited
Highway Industries Limited
Dayanand Munjal Investments Limited
Bahadur Chand Investments Private Limited
Thakurdevi Investments Private Limited
Bhagyoday Investments Private Limited
Munjal Investments Private Limited
Highway Industries Limited
Munjal Acme Packaging Systems Ltd.

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

i) **Key Managerial Personnel**

	<u>2006-07</u>	<u>2005-06</u>
(Rs. In lacs)		
To the Managing Director:		
Remuneration	24.17	14.42
Commission	24.85	10.00
Total	<u>49.02</u>	<u>24.42</u>
To other Directors:		
As sitting Fee	1.60	-
Total	<u>1.60</u>	<u>-</u>

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

Purchase of Fixed Assets	554.00	-
Payment of rent	7.08	11.48
Miscellaneous Purchases and other Services	2.15	0.97
Balance outstanding at the end of the year payables	375.29	0.21

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

Sale of Goods (inclusive of Excise Duty & Sales Tax)	15,337.15	9,472.79
Purchase of Goods (inclusive of Fixed Assets)	14.22	32.75
Miscellaneous Purchase and other Services	48.59	11.01
Balance outstanding at the end of the year		
Receivables	2,042.88	2,059.04
Payables	1,733.39	2.45

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

III. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF 3, 4C and 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956
1. Particulars in respect of licenced and installed capacities:
in nos.

Class of Goods	Licensed Capacity		Installed Capacity	
	2006-07	2005-06	2006-07	2005-06
Gear Components:				
Forging Components	N.A.	N.A.	22,950,000	14,250,000
Gear Blank Machining	N.A.	N.A.	26,280,000	17,000,000
Gear Finishing	N.A.	N.A.	11,760,000	9,000,000

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

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

2. Particulars in respect of opening and closing stock of finished goods produced
(Qty. in nos.)

Class of Goods	Opening Stock							
	2006-07		2005-06		2006-07		2005-06	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Gear Components	100329	41.53	101401	42.66	189793	81.98	100329	41.53

3. Details of Production and sales
(Qty. in nos.)

Class of Goods	Production			Sales		
	2006-07	2005-06	2006-07	2005-06		
	Qty.	Qty.	Qty.	Value	Qty.	Value
Gear Components	22,639,073	14,319,688	22,549,609	15,111.43	14,320,760	9,564.05

* includes sales of Scrap of Rs. 157.39 lacs (Previous Year 95.91 lacs)

4. Raw Material, processing materials and components consumption:
(Amt. In lacs)

Class of Goods	2006-07		2005-06	
	Qty.	Value	Qty.	Value
Alloy Steel (Qty. in MT)#	6,605	2,956.71	4,623	2,044.06
Bought out parts (Nos.)	2,287,266	565.20	1,727,883	313.49
		<u>3,521.91</u>		<u>2,357.55</u>

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

	2006-07		(Amt. In lacs) 2005-06	
	<u>Value</u>	<u>%age</u>	<u>Value</u>	<u>%age</u>
Raw Material and Components				
Imported	-	0%	-	0%
Indigenous:	3521.91	100%	2,357.55	100%
	<u>3,521.91</u>		<u>2,357.55</u>	
Stores,spares, Tools & Dies consumed				
Imported	1,061.46	84%	102.25	15%
Indigenous	201.71	16%	599.36	85%
	<u>1,263.17</u>		<u>701.61</u>	

6. Expenditure in foreign Currency (on cash basis)

	2006-07	2005-06
Foreign Travelling	19.81	10.15
	<u>19.81</u>	<u>10.15</u>

7. CIF Value of Imports

Raw Materials, BOP & spares	201.71	102.25
Capital Goods	1,421.37	1,053.05
	<u>1,623.07</u>	<u>1155.30</u>

8. Earning in Foreign Exchange

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

Arun K. Tulsian
Partner
Membership No.89907

New Delhi
June 22, 2007

For and on behalf of the Board

Sunil Kant Munjal
Neeraj Munjal
Brijmohan Lall Munjal
Bhagwan Dass Narang
Surrinder Lal Kapur
Vinayshil Gautam
Davendra Ujlayan
Varika Rastogi

Chairman
Managing Director
Director
Director
Director
GM - Finance
Company Secretary

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

Balance Sheet Abstract and Company's General Business Profile

I.	Registration Details	
	<i>Registration No.</i>	<i>State Code</i>
	1 3 9 5 6 3	5 5
	<i>Balance Sheet Date</i>	
	3 1 0 3 2 0 0 7	
II.	Capital raised during the year (Amount in Rs.'000)	
	<i>Public Issue</i>	<i>Rights issue</i>
	N I L	N I L
	<i>Bonus Issue</i>	<i>Private Placement</i>
	N I L	N I L
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)	
	Total Liabilities	Total Assets
	1 1 2 5 5 9 2	1 1 2 5 5 9 2
	Sources of Funds	
	<i>Paid up capital</i>	<i>Reserve & Surplus</i>
	1 0 0 0 0 0	4 7 2 8 9 2
	<i>Secured Loans</i>	<i>Unsecured Loans</i>
	4 8 1 3 7 0	N I L
	<i>Deferred Tax Liability</i>	
	7 1 3 3 0	
	Application of Funds	
	<i>Net Fixed Assets</i>	<i>Investments</i>
	8 8 5 1 0 1	N I L
	<i>Net Current Assets</i>	<i>Misc. Expenditure</i>
	2 4 0 4 9 1	N I L
IV	Performance of Company (Amount in Rs.'000)	
	<i>Turnover</i>	<i>Total Expenditure</i>
	1 5 1 1 1 4 3	1 0 6 5 4 3 0
	<i>Profit Before Tax</i>	<i>Profit After Tax</i>
	2 4 4 5 3 5	1 5 9 6 2 7
	<i>Earning Per Share in Rs.</i>	<i>Dividend in %</i>
	15.93	25
V	Generic Name of Three Principal Products of Company (as per monetary terms)	
	<i>Item Code No.</i>	
	8 7 1 4 1 9 0 0	
	<i>Product description</i>	
	M O T O R C Y C L E P A R T S	

SHIVAM AUTOTECH LIMITED

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

2nd Annual General Meeting ATTENDANCE SLIP

Folio No. _____

No. of Shares(s) Held: _____

Client ID.*

D.P ID.*

Name(s) in full

Father/Husband's Name

Address as registered with the company

1. _____

2. _____

3. _____

I/We hereby record my/our presence at the 2nd Annual General Meeting of the Company being held at The Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi – 110001 on Wednesday, the 29th August, 2007 at 11.30 A.M.

Signature of the Member(s)/Proxy

1. _____

2. _____

3. _____

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

Notes:

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

SHIVAM AUTOTECH LIMITED

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

2nd Annual General Meeting PROXY FORM

Folio No. _____

No. of Shares(s) Held: _____

Client ID.*

Client ID.*

Name(s) in full

Father/Husband's Name

Address as registered with the company

1. _____

2. _____

3. _____

being a member(s) of Shivam Autotech Limited hereby appoint _____ of _____ or
falling him / her _____ of _____ as my / our proxy to vote for me / us on my / our
behalf at the 2nd Annual General Meeting of the Company Schedule to be held on Wednesday 29th August 2007 at 11.30 a.m. at the
Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi - 110001 or/and at any adjournment thereof.

Signature of the Member(s)

Signature of Proxy

1. _____

2. _____

3. _____

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

Affix a 1 Rupee Revenue Stamp

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

Affix a
1 Rupee
Revenue
Stamp