

**BOARD OF DIRECTORS**

Raghu Mody	Chairman
P. K. Choudhary	Managing Director
Vinay Sarin	Executive Director
V. D. Ingle	Executive Director
Varunn Mody	
Keith M. Robinson	
D. Lawson Lyon	
V. B. Haribhakti	
A. B. Vaidya	
Haigreave Khaitan	Alternate Director to Mr. K. M. Robinson
Amit Goenka	G. M. Finance & Company Secretary

**AUDITORS**

Lodha & Co.

**SOLICITORS**

Khaitan & Co.

**BANKERS**

Bank of Baroda  
Union Bank of India

**REGISTERED OFFICE**

B-11, Paragon Condominium,  
Pandurang Budhkar Marg, Worli,  
Mumbai - 400 013.

**REGISTRAR & TRANSFER AGENTS**

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W),  
Mumbai - 400 078.

**WORKS**

Paithan : D-2/1, MIDC Industrial Area.  
Bhandara : C-10/1, Bhandara Indl. Area, Gadegaon.  
Jalna : C-11, Addl. Jaina Indl. Area.

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Fourth Annual General Meeting of the Company will be held at Baba Saheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001 at 4.00 p.m. on Tuesday, 30<sup>th</sup> September, 2008 to transact the following business:

### ORDINARY BUSINESS

- 1) To consider, approve and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2008 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008 together with the Report of the Directors and Auditors thereon.
- 2) To appoint Director in place of Mr. A.B.Vaidya who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Varunn Mody who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

- 5) To consider and, if thought fit, to pass with our without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to sections 198, 269, 302, 310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to the approval, if any, as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Mr.P.K.Choudhary as Managing Director of the Company for a period of 3 years w.e.f 18<sup>th</sup> March 2008, on the terms and conditions as set out in the Explanatory Statement attached to this Notice, be and is hereby approved, with liberty to the Board of Directors to revise the terms with regard to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

**Registered Office :** **By Order of the Board of Directors**  
 B-11, Paragon Condominium,  
 P. B. Marg, Worli,  
 Mumbai – 400 013. **Amit Goenka**  
 Date : 9<sup>th</sup> May 2008 G M Finance & Company Secretary

### NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
- 2) The Register of Members and the Share Transfer Books of the Company will remain closed from 24<sup>th</sup> September, 2008 to 30<sup>th</sup> September, 2008 (both days inclusive).
- 3) The Company has listed its shares at Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd., and Calcutta Stock Exchange. Listing fees for the financial year 2007-08 has been paid except Calcutta Stock Exchange Association Limited where it has applied for delisting.
- 4) Shareholders are requested to bring their copies of the Annual Report to the Meeting.
- 5) Members who hold the shares in dematerialized form are requested to bring their client ID and DPID numbers for easier identification of attendance at the meeting.
- 6) Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the Meeting.

### ANNEXURE TO NOTICE

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

**Directors being proposed for appointment / re-appointment** *(information required under Clause 49(VI)(A) of the Listing Agreement).*

**Mr. A.B.Vaidya** aged 68 years, possesses 45 years of rich experience in Banking, Insurance & Realty Sector. He does not hold any shares in the Company.

**Mr. Varunn Mody** aged 24 years, is a young entrepreneur. He holds 150 shares in the Company.

**Mr. P.K.Choudhary**, aged 53 years is a Chartered Accountant and Company Secretary is associated with the Company since last 17 years. He has rich experience of 28 years in the field of Finance, Manufacturing and administration. He holds 100 shares in the Company.

**ITEM NO.5**

Mr.P.K.Choudhary was appointed as Managing Director of the Company on 18<sup>th</sup> March, 2008 for a period of 3 years.

In terms of Article 132 of the Articles of Association, read with Section 198, 269 and 309 of the Companies Act, 1956 the Board of Directors re-appointed him as Managing Director for a period of 3 years w.e.f 18<sup>th</sup> March 2008.

- 1. **Salary** Rs.54,000/- per month, with an increase which may be decided by the Board of Directors from time to time within the limits, specified in Schedule XIII of the Companies Act, 1956.
- 2. **Accommodation** Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises and reimbursement of the cost of servants, etc; not exceeding Rs.18,200/- per month.
- 3. **Motor Car** Provision of motor car with driver.
- 4. **Medical** Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs.40,000/- per annum.
- 5. **Leave Travel Concession** As per rules of the Company's Scheme not exceeding Rs.1,00,000/- per annum.

- 6. **Provident and other funds including superannuation and gratuity** As per the rules of the Company's Scheme.
- 7. **Personal Accident Insurance** Premium not to exceed Rs.5000/- per annum.
- 8. **Club Subscription** Reimbursement of club subscription fees of two clubs.
- 9. **Leave Encashment** Encashment of leave accumulation as per the rules of the Company.

The above remuneration to be paid as minimum remuneration in the absence of inadequacy of profits, subject to the provision of Part II of Schedule XIII to the Companies Act, 1956."

In view of considerable gain to the Company by the appointment of Mr.P.K.Choudhary through his expertise and experience, the Directors recommend the Ordinary Resolution for approval of the members.

Except Mr.P.K.Choudhary, none of the Directors are interested in this resolution.

**Registered Office :**  
 B-11, Paragon Condominium,  
 P. B. Marg, Worli,  
 Mumbai – 400 013.  
 Date : 9<sup>th</sup> May 2008

**By Order of the Board of Directors**  
  
**Amit Goenka**  
 G M Finance & Company Secretary

## DIRECTORS' REPORT

Your Directors present their Forty Fourth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2008.

### 1. FINANCIAL RESULTS

	Rs.Lacs	Rs.Lacs
	Year ended	Year ended
	31st March	31st March
	2008	2007
<b>Net Sales</b>	<b>7158</b>	6587
<b>Profit before interest, depreciation &amp; separation cost:</b>	<b>807</b>	780
<b>Interest (Net)</b>	<b>(411)</b>	(192)
<b>Depreciation (Net)</b>	<b>(328)</b>	(276)
<b>Profit before separation cost and tax</b>	<b>68</b>	312
<b>Employees separation cost</b>	<b>(383)</b>	(779)
<b>Profit / (Loss) before tax</b>	<b>(315)</b>	(467)
<b>Provision for taxation</b>		
- Current (including FBT)	19	18
- Deferred	(135)	(97)
- Tax adjustments related to prior years	-	(26)
<b>Profit / (Loss) after taxation</b>	<b>(199)</b>	(362)

### 2. DIVIDEND

Although the Company made an operating profit, however, after considering the exceptional item of employees separation cost, a position of net loss has emerged. The Directors do not, therefore, recommend any dividend for the year ended 31<sup>st</sup> March 2008.

### 3. PERFORMANCE

The net turnover of the Company has increased by 9% to Rs. 71.58 Crores from Rs. 65.87 Crores in the previous year. However, operating margin remained under pressure, primarily on account of major cost escalation in raw materials and other input costs, which could not be passed on to the customers, due to competitive market conditions. Despite this the gross profit increased from Rs. 780 Lacs to Rs. 807 Lacs with several cost rationalization initiatives. Interest payment during the year was much higher at Rs. 411 Lacs (Rs. 192 Lacs), mainly on account of additional loan taken for employees separation cost. Similarly, provision for depreciation was also higher at Rs. 328 Lacs (Rs. 276 Lacs) because of new investment in fixed assets.

Therefore, after providing for increased Interest & Depreciation, the profit before the extra ordinary item was lower at

Rs. 68 Lacs (Rs. 312 Lacs) and after considering the extra ordinary item relating to employees separation cost of Rs. 383 Lacs (Rs. 779 Lacs), there was loss of Rs. 315 Lacs, as against loss of Rs. 467 Lacs in previous year.

Though, the Paithan Plant of the Company achieved higher turnover, profitability remained under pressure with lower price realization of products, due to highly competitive market conditions.

Performance of the Bhandara Plant was satisfactory with increased production of Industrial Products. The Management has entered into a Productivity Linked Agreement with the Union for a period of 3 years effective from 1<sup>st</sup> April, 2008.

Working of the Jalna Plant has also improved with increased production of Industrial Textile Products.

The Management is exploring various options to unlock the value of the Company's Ghatkopar property.

Although, market situation remained competitive, the pressure on margins, due to high inflation is expected to be cushioned with upgradation of process technology, improvement in productivity and several cost cutting measures. The Company has identified growth potential in the areas of its entire range of Asbestos-free products. The Company will continue to provide a major thrust towards growth in OEM Business with focus on R & D.

The Company participated at the Auto Expo 2008 at Pragati Maidan, New Delhi, in the month of January 2008. This is rated as the largest exhibition of its kind in Asia. The response from both Domestic & International customers is encouraging.

### 4. PUBLIC DEPOSITS

There were no deposits at the beginning of the year and the Company did not accept any deposits from the public during the year.

### 5. PERSONNEL

The information required under Section 217 (2A) of the Companies Act, 1956 is not given as none of the employee was in receipt of remuneration in excess of the limits specified thereunder.

### 6. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption are given in an Annexure to this Report

### 7. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning from exports amounted to

Rs. 725 Lacs, of FOB value basis whilst the outgo for raw materials, components and spares amounted to Rs. 597 Lacs.

**8. DIRECTORS**

Mr. A.B. Vaidya and Mr. Varunn Mody, Directors retire by rotation and being eligible offer themselves for re-appointment.

The Board of Directors have appointed Mr. P.K. Choudhary as Managing Director for a period of 3 years with effect from 18.03.2008, subject-to confirmation by Share-holders at the forth coming Annual General Meeting.

**9. AUDITORS**

M/s Lodha & Co., the Auditors of your Company who hold office until the conclusion of the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

**10. CORPORATE GOVERNANCE**

As required by the Listing Agreement, the Corporate Governance Report, including Management Discussion and Analysis Report and the Certificate of Compliance from the Auditors, is attached and forms part of this Report.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

On the basis of information placed before them, the Directors state that –

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;

- (ii) appropriate accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (iv) the annual accounts have been prepared on a going concern basis.

**12. ACKNOWLEDGEMENT**

The Directors gratefully acknowledges the support and co-operation given by all dealers, distributors, employees, shareholders and bankers and look forward to their continued support.

By order of the Board of Directors

Place: Mumbai  
Date : 9<sup>th</sup> May 2008

**RAGHU MODY**  
Chairman

Additional information as required under Section 217 (1)(e) of the Companies Act, 1956, read with the Rules framed thereunder forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2008.

**ANNEXURE TO THE DIRECTORS' REPORT**

**CONSERVATION OF ENERGY**

Based on the recommendation of Energy consultancy Firm, the Company has implemented the following Energy conversation programmes.

- Preventing dissipation of heat energy by insulating the Moulding dies & press parts
- Installing OLTC s on Transformer
- Increasing capacitor banks to maintain Power Factor to unity at sustaining level.

**R & D**

- (1) Specific Areas where R & D being carried out by the company.
  - 1.1 Asbestos Free Industrial Roll Linings.
  - 1.2 L Type M.G. Coaching Brake Blocks.

- (2) Benefits as results of above R & D :
  - Additional business with Railways and Export.
- (3) Future Plan of Action.
  - 3.1 Railway Brake Block / Pads for New Applications.
  - 3.2 Disc Brake Pads for Commercial vehicles and Railways.
- (4) Expenditure
  - 4.1 Capital - Rs.57 Lacs
  - 4.2 Recurring - Rs.56 Lacs
  - 4.3 Total - Rs. 113 Lacs
  - 4.4 Total as a % of Turnover. - 1.6%
- (5) Technical Absorption, adaptation & innovation.
  - Association with the overseas consultancy firm for technical know-how continues.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **OVERALL REVIEW**

Though Indian economy continued to grow in 2007-08, its pace could not be sustained in the later part of the year, primarily because of global slow-down. Meantime, inflation have also increased from 5% to 7.5%. The situation has further aggravated with a surge in international oil prices, which has adversely impacted the cost of all essential raw materials and other inputs, resulting in pressures on margins.

### **PRODUCTION RANGE**

Our Company is engaged in the manufacturing and marketing of fibre based composite materials, consisting of Friction and Sealing products. Friction Materials include Brake Liners, Roll Linings, Clutch Facings, Disc Brake Pads used in Heavy and Light Trucks, Passenger Cars, 2/3 wheelers, off-road-vehicles, Construction & Mining equipment. Composition Brake Blocks are also used by the Railways. Sealing materials include Jointings, Textile and Insulation Board used in automobiles and other industries.

### **OPPORTUNITIES AND THREATS**

With a positive economic environment, the Company has positioned itself for major growth. Technologies and focus on OEM business continue to be a driving force for the Company. Several new products in Asbestos-free segment have been developed at its technology centre. However, with too many small players in the Indian Market, more particularly in the small scale sector, prices have been under constant pressure resulting in lower realization. Increase in essential input costs is again an area of concern. However, this threat is being overcome by constant product upgradation, cost reduction, value engineering and finding new markets both locally and globally.

### **BUSINESS OUTLOOK**

Although, a competitive situation continues in the current year with higher inflation, the Company expects improved results in the coming years with upgradation of process technology, improvement in productivity and several cost cutting measures. The Company has identified growth potential in the areas of the entire range of Asbestos-free products. The Company will continue to provide a major thrust towards growth in OEM Business with focus on R & D.

### **RISKS AND CONCERNS**

The Asbestos based products are being replaced with Asbestos-free products internationally as well as by major customers in India. The Government is also putting stricter control on manufacture and usage of Asbestos based products. While the Company is systematically displacing Asbestos based production with Asbestos free production, a complete transition can be only in a phased manner.

### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company believes that Internal Control is a necessary concomitant of governance. The Company has effective internal control systems under which Management Reports on key performance indicators and variance analysis are made. Regular Management Committee Meetings are held, where these reports and variance analysis are discussed and action plan initiated with proper follow-up. The Internal Audit function also reviews the execution of all operations to ensure controls are adequate. Operational Reports are tabled at Board Meetings after being discussed in Audit Committee Meetings.

### **HRD / INDUSTRIAL RELATIONS**

The thrust of the Company's human resource development is to create a responsive and market-driven organization with emphasis on performance. Continuous appraisal of the competencies of the personnel in line with job requirements are carried out to provide for necessary training to personnel thereby facilitating higher levels of output and productivity. The relations at Paithan, Bhandara & Jalna are satisfactory.

### **COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS**

The Company's financial performance and analysis is already discussed in detail in the Directors' Report which forms part of this Annual Report.

### **CAUTIONARY STATEMENT**

The statement in the Management Discussion and Analysis Report cannot be construed as holding out any forecasts, projections, expectations, invitations, offers, etc within the meaning of applicable securities, laws and regulations. This Report basically seeks to furnish information, as laid down within the different headings to meet the Listing Agreement requirements.

**AUDITORS' REPORT**

To  
The Members,  
Hindustan Composites Limited.

1. We have audited the attached Balance Sheet of **Hindustan Composites Limited** as at 31<sup>st</sup> March, 2008, the Profit & Loss Account and also 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

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

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Act, to the extent applicable;

e) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a Director in terms of Section 274 (1)(g) of the Act;

f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with "Significant Accounting Policies and notes to accounts" appearing in Schedule – 18 and those appearing elsewhere in the financial statements, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles accepted in India:

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;

ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For LODHA & COMPANY**  
Chartered Accountants

**R. P. BARADIYA**

Partner

Membership No. 44101

Place: Mumbai

Date: May 9, 2008

## ANNEXURE TO THE AUDITORS' REPORT

**Annexure referred to in paragraph 3 of our report of even date to the Members of HINDUSTAN COMPOSITES LIMITED on the financial statements as at and for the year ended 31<sup>st</sup> March, 2008**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. There is a phased programme of physical verification of all fixed assets over a period of three years, based on which physical verification of certain fixed assets was carried out during the year which, in our opinion, is reasonable considering the size of the Company and nature of its fixed assets. The discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the books of account. No substantial part of fixed assets was disposed off during the year.
2.
  - a) The inventory has been physically verified by the management at reasonable intervals during the year. Inventory lying with third parties and in - transit is being verified by the management with reference to confirmations or statements of account or subsequent receipt of goods.
  - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification of inventory between the physical stock and book records were not material and have been properly dealt with in the books of account.
3.
  - (a) During the year, the Company has not given any loan, secured or unsecured, to companies, firms, or other parties covered in the register maintained under Section 301 of the Act. Loans outstanding as at the end of previous year were repaid and the terms and conditions were not, prima facie, prejudicial to the interest of the Company.
  - (b) The Company has taken unsecured loan from a Company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. / Thousand 107,500 (previous year Rs. / Thousand 98,200) and the year end balance is Rs. / Thousand 27,500 (previous year Rs. / Thousand 96,000). The rate of interest and other terms and conditions of loan taken, prima facie, are not prejudicial to the interest of the Company.
4. In our opinion and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods. During the course of our audit, no major weaknesses have been noticed in the internal control system.
5.
  - (a) According to the information and explanations given to us, we are of the opinion that particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, no transactions have been made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rupees Five lacs or more in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits within the meaning of Section 58A, 58AA or any other relevant provisions of the Act and Rules framed thereunder.
7. The Company has an adequate internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Act in respect of Automotive parts and are of the opinion that, prima facie, the prescribed records have been made and maintained. However, we are not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.
9.
  - a) According to the information and explanations given to us and according to the books and records as produced and examined by us, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other



material statutory dues as applicable have generally been regularly deposited by the Company during the year with the appropriate authorities and there were no arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.

- b) According to the records of the Company and the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as under:

Name of the Statutes	Nature of Dues	Amount (Rs. in Thousands)	Forum Where Disputed
Central Sales Tax Act, 1956	Sales tax	1,097	Appellate Tribunal, Mumbai.
Income Tax Act, 1961	Income tax	783	C.I.T. (Appeals), Mumbai.

10. The Company does not have accumulated losses as at 31<sup>st</sup> March, 2008 and has not incurred a cash loss during the financial year ended on that date. The Company had incurred cash loss in the immediate preceding financial year without considering Employees' separation cost.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
12. During the year, 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. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue 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 practice in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For LODHA & COMPANY**  
Chartered Accountants

**R. P. BARADIYA**

Partner

Membership No. 44101

Place: Mumbai  
Date: May 9, 2008

**CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2007 - 2008.**

(Pursuant to Clause-49 of the Listing Agreement entered into with the Stock Exchanges)

**1. A brief statement on Company's philosophy on code of governance.**

The Company believes in transparency, professionalism and accountability, which are basic principles of corporate governance and would constantly endeavor to improve on these aspects.

**2. Corporate Ethics.**

The Company adheres to the highest standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings.

**2.1 Code of Conduct of Board Members and Senior Management.**

The Board of Directors of the Company adopted the Code of Conduct for its members and Senior Management at their meeting held on 5<sup>th</sup> September 2005 and it is reviewed periodically. The Code highlights Corporate Governance as the cornerstone for sustained management performance and for serving all the stakeholders and for instilling pride of association. The code has been posted on the website of the Company i.e www.hindcompo.com.

**2.2 Code of Conduct for Prevention of Insider Trading.**

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by directors, top level executives and staff whilst dealing in shares. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence to the Code.

**2.3 Whistle Blower Mechanism.**

The Company encourages all employees, officers and directors to report any suspected violations promptly and intend to investigate any good faith report of violations.

**2.4 SHE (Safety, Health & Environment) System.**

The Company has adopted Safety, Health and Environment (SHE) System with a commitment to provide a safe and healthy working environment.

**3. Secretary's Responsibility Statement.**

The Company Secretary confirms that the Company has:

- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the rules made thereunder.
- Filed all the forms and returns and furnished necessary particulars in time to the Registrar of Companies (RoC), Ministry of Corporate Affairs (MCA) and/ or Authorities as required under the Act.
- Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by law.
- Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.
- Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the Directors.
- Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- Given loans and made investments in accordance with the requirements of the Act.
- Not exceeded the borrowing powers of the Company.
- Registered all the particulars relating to the creation, modification and satisfaction of the charges with the Registrar of Companies/Ministry of Corporate Affairs.
- Effected share transfers and despatched the certificates within the time prescribed under the Act and the rules made thereunder.
- Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges wherever the Company's shares are listed.

The Company has also complied with the requirements prescribed by Securities and Exchange Board of India (SEBI) and other statutory authorities and also the requirements under the Act and related statutes in force.

**4. Board of Directors**

• **Composition:**

The Board of Directors as on 31<sup>st</sup> March 2008 consists of **Nine** Directors and **One** alternate Director. The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting, number of directorships in other companies and committees are given below:

Name of Director	Category	No. of Board Meetings held during the year.	Attendance particulars		No. of other Directorships	Committee Positions	
			Board Meetings	Last AGM		Member	Chairman
Mr. Raghu Mody	Non-Executive Chairman, Promoter	7	4	Yes	4	1	2
Mr. Varunn Mody	Non-Executive Director, Promoter	7	7	Yes	3	-	-
Mr. V. B. Haribhakti	Non-Executive, Independent	7	6	Yes	7	2	4
Mr. A.B.Vaidya	Non-Executive, Independent	7	6	Yes	-	-	-
Mr. Douglas L. Lyon	Non-Executive, Independent	7	1	Yes	1	-	-
Mr. Keith M Robinson	Non-Executive, Independent	7	1	Yes	-	-	-
Mr. P. K. Choudhary	Executive Director	7	7	Yes	1	-	-
Mr. V. D. Ingle	Executive Director	7	4	Yes	-	-	-
Mr. Vinay Sarin	Executive Director	7	5	Yes	-	-	-
Mr. Haigreve Khaitan	Alternate Director to Mr.Keith M Robinson	7	1	N.A	15	8	-

• **Number, date & of Board Meetings held:**

There were seven Board Meetings held during the year. The dates on which the meetings were held are as follows:

Date of Board Meeting	Strength of the Board	No. of Directors' present
11 <sup>th</sup> May 2007	9	4
31 <sup>st</sup> July 2007	9	6
03 <sup>rd</sup> September 2007	9	9
30 <sup>th</sup> October 2007	9	5
7 <sup>th</sup> January 2008	9	7
30 <sup>th</sup> January 2008	9	7
17 <sup>th</sup> March 2008	9	4

• **Details of the Directors being proposed for Appointment / Re-appointment at the forthcoming Annual General Meeting (pursuant to Clause 49(VI)(A) of the Listing Agreement).**

Mr. P.K.Choudhary, aged 53 years is a Chartered Accountant and a Company Secretary is associated with the Company since last 17 years. He has rich experience of 28 years in the field of Finance, Manufacturing and Administration. He holds 100 shares in the Company.

Mr. A.B.Vaidya aged 68 years, possesses 45 years of rich experience in Banking, Insurance & Realty Sector. He does not hold any shares in the Company.

Mr. Varunn Mody aged 24 years, is a young entrepreneur. He holds 150 shares in the Company.

**5. Audit Committee**

• **Brief description of terms of reference:**

The terms of reference of this committee are wide enough covering the matters specified for Audit Committees under Clause-49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956.

• **Composition:**

The Audit Committee is constituted by the Board of Directors consisting of three non-executive directors viz., Mr. V. B.

Haribhakti, the Chairman, is a leading Chartered Accountant, Mr. Raghu Mody, Member, is a prominent industrialist and Mr. A.B.Vaidya, is a qualified Civil Engineer and also was associated with LIC, SIDBI, NABARD, IFCI etc. The Company Secretary acts as the Secretary to the Committee.

• **Meetings and attendance during the year:**

There were **four** meetings of the Audit Committee during the year on **11<sup>th</sup> May 2007, 31<sup>st</sup> July 2007, 30<sup>th</sup> October 2007 & 30<sup>th</sup> January 2008** and the attendance for the meetings was as follows:

Sl. No.	Name of Directors	No. of Meetings Attended
1.	Mr. V. B. Haribhakti	4
2.	Mr. Raghu Mody	2
3.	Mr. A.B.Vaidya	4

The Broad terms and reference of Audit Committee are to review the financial statements before submission to Board, to review reports of the Internal Audit department and/or to review the weakness in internal controls reported by Concurrent, Internal and Statutory Auditors and to review the remuneration of Internal Auditor. In addition, the powers and role of the Audit Committee are as laid down under clause 49(II)C & 49(II)D of the Listing Agreement and Section 292A of the companies Act, 1956.

**6. Remuneration Committee**

• **Brief description of terms of reference:**

The terms of reference of this committee are wide enough covering the matters specified for Remuneration to the Directors under Clause-49 of the Listing Agreement.

• **Composition:**

The Remuneration Committee is constituted by the Board of Directors consisting of three Independent Directors viz., Mr. V. B. Haribhakti, the Chairman, is a leading Chartered Accountant, Mr. A.B.Vaidya, is a qualified Civil Engineer and also was associated with LIC, SIDBI, NABARD, IFCI etc and Mr.Haigreve Khaitan a leading Advocate. The Company Secretary acts as the Secretary to the Committee.

• **Meetings and attendance during the year:**

There was one meeting of the Remuneration Committee during the year on **15<sup>th</sup> March 2008** and the attendance for the meeting was as follows:

Sl. No.	Name of Directors	No. of Meetings Attended
1.	Mr. V. B. Haribhakti	1
2.	Mr. A.B.Vaidya	1
3.	Mr. Haigreve Khaitan	0

• **Remuneration policy:**

The remuneration policy is directed towards rewarding performance based on review of achievements on a periodical basis.

• **Details of remuneration / fee to the Directors are as under:**

Name of the Director	Salary & Perquisites (Rs. In lacs)	Sitting Fees Board Meeting (in Rs.)	Sitting Fees Audit Committee Meeting (in Rs.)	Sitting Fees Shareholders'/ Investors Grievance Committee Meeting (In. Rs.)	Sitting Fees Remuneration Committee Meeting (In. Rs)
Mr.Raghu Mody	NA	20,000	10,000	5,000	NA
Mr.Varunn Mody	NA	35,000	NA	N.A	NA
Mr.Keith M. Robinson	NA	5,000	NA	N.A	NA
Mr.D.Lawson Lyon	NA	5,000	NA	N.A	NA
Mr.V.B. Haribhakti	NA	30,000	20,000	5,000	5,000
Mr.A.B.Vaidya	NA	30,000	20,000	N.A	5,000
Mr.P. K. Choudhary	15	NA	NA	N.A	NA
Mr.Vinay Sarin	10	NA	NA	N.A	NA
Mr.V. D. Ingle	10	NA	NA	N.A	NA
Mr.Haigreve Khaitan	NA	5,000	NA	NA	NA

Note - *Salary includes Basic Salary, House Rent Allowance, Bonus, LTA, Use of Company's Car, Furniture & Equipment and perquisites, but does not include Company's Contribution to Gratuity Fund.*

The Non-Executive Directors did not draw any remuneration from the Company. Sitting fees to Non-executive Independent Directors is being paid at the rate of Rs.5000/- for each meeting of the Board and Committees attended by them.

• **Shareholding of Non-Executives Director(s).**

As on 31<sup>st</sup> March 2008 following is the share holding of the Non-Executive Director(s) of the Company.

Sl.No	Name of the Non-Executive Director	No.of Shares
1.	Mr.Varunn Mody	150

**7. Shareholders' / Investors' Grievance Committee**

The Shareholders' / Investors' Grievance Committee comprises of Mr. Raghu Mody - Chairman, Mr.V.B.Haribhakti, Independent Director and Mr. Amit Goenka – G M Finance & Company Secretary as Compliance Officer & the Secretary to the Committee. During the year under review, 60 complaints were received from investors which were replied / resolved to the satisfaction of the investors. All the complaints received upto 31<sup>st</sup> March 2008 was duly attended in time.

Mr. Amit Goenka – G.M Finance & Company Secretary is the Compliance Officer. His address and contact details are given below;

Address : B-11, Paragon Condominium, Pandurang Budhkar Marg, Worli, Mumbai-400013

Phone : 66530101 – 04

Fax : 66530105

Email : [amitgoenka@hindcompo.com](mailto:amitgoenka@hindcompo.com)

There was one meeting of the Shareholders' / Investor Grievance Committee during the year on 30<sup>th</sup> January 2008 and the attendance for the meeting was as follows:

Sl. No.	Name of Directors	No. of Meetings Attended
1.	Mr. V. B. Haribhakti	1
2.	Mr. R.N.Mody	1

No. of Shareholders' Complaints received during the year ended 31.03.2008 : **60**

No. of pending complaints : **NIL**

No. of pending share transfers as on 31.03.2008 : **NIL**

- There were no share transfers pending for registration for more than 15 days on the said date.

#### 8. General Body Meetings

- **Location and time, where last three Annual General Meetings held:**

AGM for the financial year ended	Date & Time of AGM	Location
2004-05	September 5, 2005 at 4.00 pm	The Convention Hall, 4 <sup>th</sup> Flr, Y.B. Chavan Centre, Gen. J.B. Marg, Nariman Point, Mumbai-400 021.
2005-06	September 4, 2006 at 4.00 pm	As above
2006-07	September 3, 2007 at 4.00 pm	Baba Saheb Dahanukar Hall, MCCI & A, Oricon House, 6 <sup>th</sup> Floor, 12 K Dubhash Road, Fort, Mumbai-400001

- **Special Resolutions**

The Company has not passed any special resolution at the Annual General Meeting held on 5<sup>th</sup> September, 2005, 4<sup>th</sup> September, 2006 & 3<sup>rd</sup> September 2007.

- **Postal Ballot :**

The Company issued Postal Ballot Notice to its shareholders on 7<sup>th</sup> January 2008 to accord their consent under section 293(1)(a) of the Companies Act, 1956 to give power to the Board of Directors of the Company to sell the Ghatkopar unit of the Company.

The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Mr. Manish L. Ghia, Practicing Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot process. The results of the Postal Ballot was announced on 19<sup>th</sup> February 2008.

The details of resolutions passed through postal ballot and the voting pattern for the same are as follows:

Sl. Business No.	Postal Ballot forms received		Valid Votes Cast		
	Total	Valid	Total	In favour	Against
1. Ordinary Resolution under Section 293(1) (a) of the Companies Act, 1956 for transfer/ sale / lease or dispose off of Ghatkopar unit of the Company.	92	54	34,18,818	34,18,685	133

The resolution was passed with requisite majority.

No resolution is proposed to be passed through postal ballot at ensuing Annual General Meeting.

#### 9. Disclosures

- There are no related party transactions of a materially significant nature that may have a potential conflict with the interests of the Company at large.
- The Company has complied with the requirement of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital market during the last three years, except the delay in compliance with regulation 6, 7 & 8 of SEBI (Substantial Acquisition of shares and Takeover) Regulation, 1997 in the year 1997, 2001, 2002 & 2004 for which SEBI has levied a penalty of Rs.85000/- accordingly it was paid and settled. No other penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other statutory Authorities.
- The whistle blower policy is reviewed regularly and it is ensured that everybody has the direct access to the audit committee.

#### 10. Means of communication

- The Company has published its Quarterly Results in 'The Free Press Journal' (English) and 'Navshakti' (Hindi) as per the details mentioned below ;

News Paper	Date of Board Meeting	Date of Publishing
Free Press Journal & Navshakti	11/05/2007	12/05/2007
Free Press Journal & Navshakti	31/07/2007	01/08/2007
Free Press Journal & Navshakti	30/10/2007	31/10/2007
Free Press Journal & Navshakti	30/01/2008	31/01/2008

#### 10.1 EDIFAR FILING

- As per the requirement of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc., are being electronically filed on the EDIFAR website [www.sebidifar.nic.in](http://www.sebidifar.nic.in) within the time frame prescribed in this regard. Also in Company's website i.e [www.hindcompo.com](http://www.hindcompo.com). Any important news releases are also displayed in Company's website.

**11. General Shareholder information**

- 1) **Annual General Meeting** : 30<sup>th</sup> September, 2008
- 2) **Financial Calendar 2008-09**
  - a) First quarter results – End of July 2008
  - b) Second quarter results – End of October 2008
  - c) Third quarter results – End of January 2008
  - d) Fourth quarter results – End of April 2009
- 3) **Date of Book closure** : 24<sup>th</sup> September, 2008 to 30<sup>th</sup> September, 2008 **(both days inclusive)**

**4) Listing on Stock Exchanges**

- a) Bombay Stock Exchange Ltd.
- b) National Stock Exchange Ltd.
- c) Calcutta Stock Exchange Association Ltd. (Applied for delisting)

**• Scrip Code**

BSE : 509635  
NSE : HINDCOMPOS  
ISIN : INE310C01011

**• Listing Fees**

The Company has paid the listing fees for the year 2008- 09 to all the stock exchanges where the shares are listed, except Calcutta Stock Exchange Association Ltd., where the Company has applied for delisting.

- **Market Price Data** : High/low during each month in last financial year:

Month	BSE (share price)		BSE Sensex	
	High(Rs.)	Low(Rs.)	High	Low
April 2007	314.35	239.00	14383.72	12425.52
May 2007	271.00	238.10	14576.37	13554.34
June 2007	264.95	223.50	14683.63	13946.99
July 2007	351.00	262.00	15868.85	14638.88
August 2007	373.00	303.00	15542.40	13779.88
September 2007	374.90	316.05	17361.47	15323.05
October 2007	365.00	286.05	20238.16	17144.58
November 2007	384.20	234.75	20204.21	18182.83
December 2007	467.00	309.00	20498.11	18886.40
January 2008	500.00	306.10	21206.77	15332.42
February 2008	392.00	311.05	18895.34	16457.74
March 2008	336.50	203.35	17227.56	14677.24

**• Registrar and Transfer Agents:**

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (w), Mumbai-400 078.  
Tel : 25963838 Fax : 25946969  
e-mail : [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

**• Share Transfer System:**

Shares sent for physical transfer are generally registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee of the Company meets on fortnightly basis.

**• Distribution of Shareholding as on 31<sup>st</sup> March, 2008**

Range of ordinary shares	No. of holders	%	No. of shares	%
1-500	12642	97.727	6665120	12.118
501 – 1000	128	0.989	1012420	1.841
1001-2000	75	0.580	1087560	1.977
2001-3000	18	0.139	441980	0.804
3001-4000	8	0.062	286050	0.520
4001-5000	7	0.054	335760	0.610
5001-10000	17	0.131	1284010	2.335
10001 and above	41	0.317	43887100	79.795
<b>TOTAL</b>	<b>12936</b>	<b>100.00</b>	<b>5500000</b>	<b>100.00</b>

**• Categories of Shareholders on March 31, 2008**

Category	No. of shares of Rs.10 each	%
Promoters		
- Indian	3416082	62.1106
- Persons acting in concert	250	0.0045
Indian Institutional Investors/ Mutual Funds	823	0.0142
Bodies Corporate	717626	13.0477
Indian Public	1344491	24.4453
NRIs	13394	0.2435
Clearing Members	7234	0.1315
Trusts	100	0.0018
<b>Total</b>	<b>5500000</b>	<b>100.00</b>

**• Dematerialization of Shares:**

As on March 31, 2008, 31.40 % of the total shares of the Company are dematerialised.

- The Company has not issued any Global Depository Receipt/ American Depository Receipt/warrants or any convertible instrument, which is likely to have impact on the company's equity.

**• Plant Locations :**

Paithan : D-2/1, MIDC Industrial Area, Aurangabad  
Jalna : C-11, Addl. Jalna Indl. Area, Aurangabad  
Bhandara : C-10/1, Bhandara Indl.Area,  
Gadegaon, Nagpur

**• Regd. Office & Address for Correspondence**

Hindustan Composites Limited  
B-11, Paragon Condominium,  
Pandurang Budhkar Marg,  
Worli, Mumbai – 400 013.  
Telephone : 66530101/2/3/4 Fax:66530105  
e-mail : [investor@hindcompo.com](mailto:investor@hindcompo.com)

**• Compliance Certificate by Auditors:**

The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in clause-49, which is annexed herewith.

**• Compliance Certificate for Code of Conduct**

The declaration by Managing Director and CEO affirming compliance of Board and Senior Management Personnel to the Code is also annexed herewith.

**AUDITOR'S CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE****To the Members of Hindustan Composites Limited**

We have examined the compliance of the conditions of Corporate Governance by Hindustan Composites Limited for the year ended 31<sup>st</sup> March, 2008 as stipulated in clause-49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and explanations given to us representations made by the management, we certify that

the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We 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 LODHA & Co.,**  
Chartered Accountants

(R.P.BARADIYA)

Partner

Member No: 44101

Place : Mumbai

Dated : 9<sup>th</sup> May 2008

**DECLARATION**

As provided under Clause-49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct applicable with effect from 01<sup>st</sup> April 2007 to 31<sup>st</sup> March. 2008.

**For Hindustan Composites Ltd.,**

**P.K.Choudhary**  
Managing Director

**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule No.	As at 31st March 2008 Rupees	As at 31 st March 2007 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds :</b>			
(a) Share Capital	1	55,000,000	55,000,000
(b) Reserves and Surplus	2	227,819,866	252,705,889
		<b>282,819,866</b>	<b>307,705,889</b>
<b>Loan Funds :</b>			
(a) Secured Loans	3	285,174,026	238,783,572
(b) Unsecured Loans	4	75,113,885	161,917,929
		<b>360,287,911</b>	<b>400,701,501</b>
<b>Deferred Tax Liabilities (Net)</b>		<b>568,941</b>	<b>14,073,612</b>
Total		<b>643,676,718</b>	<b>722,481,002</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
(a) Gross Block	5	694,062,854	735,350,181
(b) Less: Depreciation		249,677,843	270,283,379
(c) Net Block		444,385,011	465,066,802
(d) Capital work-in-progress		7,305,494	16,308,733
		<b>451,690,505</b>	<b>481,375,535</b>
<b>Investments</b>	6	64,641,746	64,681,459
<b>Current Assets, Loans and Advances :</b>			
(a) Inventories	7	83,973,754	97,783,536
(b) Sundry Debtors	8	147,126,370	159,020,710
(c) Cash and Bank Balances	9	8,130,576	8,052,380
(d) Loans and Advances	10	15,921,795	22,246,064
		<b>255,152,495</b>	<b>287,102,690</b>
<b>Less : Current Liabilities and Provisions:</b>			
(a) Current Liabilities	11	187,979,210	208,263,322
(b) Provisions	12	5,369,429	6,293,252
		<b>193,348,639</b>	<b>214,556,574</b>
<b>Net Current Assets</b>		<b>61,803,856</b>	<b>72,546,116</b>
<b>Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)			
Early Voluntary Retirement Scheme Compensation		65,540,611	103,877,892
Total		<b>643,676,718</b>	<b>722,481,002</b>
<b>Significant Accounting Policies and Notes to the Financial Statements</b>		18	
Schedules referred to above form an integral part of the Financial Statements			

As per our attached report of even date

**FOR LODHA & COMPANY**

Chartered Accountants

**R.P. BARADIYA**

Partner,

Membership No. 44101

Mumbai, 9th May, 2008

**AMIT GOENKA**

G.M. Finance &amp; Company Secretary

On behalf of the Board of Directors

**RAGHU MODY**

Chairman

**P. K. CHOUDHARY**

Managing Director

**V. B. HARIBHAKTI**

Director

**A. B. VAIDYA**

Director

Mumbai, 9th May, 2008



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

	<u>Schedule No.</u>	<u>Year ended 31st March 2008 Rupees</u>	<u>Year ended 31 st March 2007 Rupees</u>
<b>INCOME</b>			
Sales		820,086,124	756,861,975
Less : Excise Duty		104,297,278	98,142,208
Net Sales		715,788,846	658,719,767
Other Income	13	11,722,214	28,484,619
Increase/(Decrease) in Stocks	14	3,800,251	(13,764,190)
		731,311,311	673,440,196
<b>EXPENDITURE</b>			
Consumption of Raw Materials and Components		327,918,564	298,729,346
Power and Fuel		53,860,975	57,273,613
Stores and Spare parts consumed		23,219,127	16,725,380
Employees' cost	15	75,684,702	76,665,505
Other Expenses	16	169,871,521	146,035,355
Interest (net)	17	41,143,624	19,170,063
Depreciation		37,793,211	28,084,143
Less : Transfer from Revaluation Reserve		(4,968,682)	(414,057)
		724,523,042	642,269,348
<b>PROFIT BEFORE EMPLOYEES' SEPARATION COST AND TAXATION</b>		<b>6,788,269</b>	<b>31,170,848</b>
Less : Employees' Separation Cost		38,337,282	77,846,747
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(31,549,013)</b>	<b>(46,675,899)</b>
<b>Provision for taxation</b>			
Current Tax (including FBT)		1,873,000	1,842,275
Deferred Tax		(13,504,671)	(9,701,001)
Taxation adjustments related to prior years		-	(2,606,580)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(19,917,342)</b>	<b>(36,210,593)</b>
Surplus brought forward		-	3,882,237
Transferred from General Reserve		19,917,342	32,328,356
Balance available for Appropriation		-	-
<b>BASIC AND DILUTED EARNINGS PER SHARE (in Rupees)</b>		<b>(3.62)</b>	<b>(6.58)</b>

Significant Accounting policies and Notes to the Financial Statements 18  
Schedules referred to above form an integral part of the Financial Statement

As per our attached report of even date

**FOR LODHA & COMPANY**

Chartered Accountants

**R.P. BARADIYA**

Partner,

Membership No. 44101

Mumbai, 9th May, 2008

**AMIT GOENKA**

G.M. Finance & Company Secretary

On behalf of the Board of Directors

**RAGHU MODY**

Chairman

**P. K. CHOUDHARY**

Managing Director

**V. B. HARIBHAKTI**

Director

**A. B. VAIDYA**

Director

Mumbai, 9th May, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	2007-08 (Rs. In Lacs)	2006-07 (Rs. In Lacs)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT BEFORE EMPLOYEES SEPRATION COST AND TAX</b>	<b>67.88</b>	<b>311.71</b>
Adjustment for		
Depreciation	328.24	280.84
Loss on sale of Investment /written off	-	2.6
Dividend received	(7.27)	(5.03)
Interest earned	(49.41)	(83.94)
Profit on Sale of Fixed Assets	(74.74)	(222.71)
Interest expenditure	460.85	275.64
	<b>657.67</b>	<b>247.40</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>725.55</b>	<b>559.11</b>
Adjustment for		
(Increase)Decrease in Trade and other receivable	149.10	(16.45)
(Increase)Decrease in Inventories	138.10	(66.76)
(Decrease)Increase in Trade and other payables	166.25	(346.71)
	<b>453.45</b>	<b>(429.92)</b>
	<b>1,179.00</b>	<b>129.19</b>
Employee Seperation Cost -Extraordinary Item Paid / incurred during the year	(1,167.71)	(406.65)
<b>Cash Generated from operations</b>	<b>11.29</b>	<b>(277.46)</b>
Interest paid	(464.75)	(265.49)
Direct Taxed Paid	(24.18)	(37.74)
	<b>(488.93)</b>	<b>(303.23)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(477.64)</b>	<b>(580.69)</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(434.72)	(771.44)
Sale of Fixed Assets	428.38	264.64
Advance against Sale of Fixed Assets	800.00	-
Purchase of Investments	-	(330.00)
Sale of Investments	0.40	2.96
(Increase)/Decrease in Inter- Corporate Deposits (Net)	35.50	75.00
Interest Received	49.41	83.94
Dividend Received	7.27	5.03
	<b>886.24</b>	<b>(669.87)</b>
<b>NET CASH FLOW (USED IN)/ FROM INVESTING ACTIVITIES (B)</b>	<b>886.24</b>	<b>(669.87)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings (Net)		
Increase/(Decrease) in Inter Corporate Loans	(685.00)	960.00
(Decrease)/Increase in Long Term borrowings	416.79	376.94
Increase/(Decrease) in Short Term borrowings	(135.92)	(31.96)
Dividend Paid ( including Corporate Dividend Tax)	(1.26)	(61.76)
	<b>(405.39)</b>	<b>1,243.22</b>
<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>	<b>(405.39)</b>	<b>1,243.22</b>
<b>Net Increase/ Decrease in cash and cash equivalent (A+B+C)</b>	<b>3.21</b>	<b>(7.34)</b>
<b>Cash and Cash equivalents</b>		
Opening Balance	<b>61.68</b>	<b>69.02</b>
Closing Balance	<b>64.89</b>	<b>61.68</b>

**Notes:-**

- The above cash flow statement has been prepared by using indirect method as per Accounting Standards 3- Cash Flow Statement Issues by the Institute of Chartered Accountants of India.
- Cash and cash equivalents excludes balance in margin money deposit and dividend accounts aggregating to Rs. 16.42 Lacs (previous year Rs.18.84)
- Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's classification.

As per our attached report of even date

**FOR LODHA & COMPANY**

Chartered Accountants

**R.P. BARADIYA**

Partner,

Membership No. 44101

Mumbai, 9th May, 2008

**AMIT GOENKA**

G.M. Finance &amp; Company Secretary

On behalf of the Board of Directors

**RAGHU MODY**

Chairman

**P. K. CHOUDHARY**

Managing Director

**V. B. HARIBHAKTI**

Director

**A. B. VAIDYA**

Director

Mumbai, 9th May, 2008

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	<u>As at 31st March 2008 Rupees</u>	<u>As at 31 st March 2007 Rupees</u>
<b>1. <u>SHARE CAPITAL</u></b>		
<b>AUTHORISED</b>		
5,500,000 Equity Shares of Rs. 10 each	55,000,000	55,000,000
500,000 Unclassified Shares of Rs.10 each	5,000,000	5,000,000
	<u>60,000,000</u>	<u>60,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
5,500,000 Equity Shares of Rs.10 each, fully paid-up	<u>55,000,000</u>	<u>55,000,000</u>
Of the above :		
(a) 1,449,992 Equity Shares were allotted as fully paid-up pursuant to a contract without payment having been received in cash.		
(b) 1,985,362 Equity Shares were allotted as fully paid-up bonus shares by capitalisation of Securities Premium and General reserve.		
<b>2. <u>RESERVES AND SURPLUS</u></b>		
<b>CAPITAL RESERVE</b>		
As per last Balance Sheet	<u>65,455</u>	<u>65,455</u>
<b>SECURITIES PREMIUM ACCOUNT</b>		
As per last Balance Sheet	<u>2,492,830</u>	<u>2,492,830</u>
<b>REVALUATION RESERVE</b>		
As per last Balance Sheet	165,208,662	-
Add: Revaluation of Residential Premises during the year (Refer note no 6 in schedule 18 )	-	165,622,719
	165208662	165622719
Less : Transferred to Profit & Loss Account	4,968,682	414,057
	<u>160,239,980</u>	<u>165,208,662</u>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	84,938,943	117,267,299
Less : Transfer to Profit & Loss Account	19,917,342	32,328,356
	<u>65,021,601</u>	<u>84,938,943</u>
	<u>227,819,866</u>	<u>252,705,889</u>
<b>3. <u>SECURED LOANS</u></b>		
(For nature of security Refer Note 3 in Schedule 18)		
From Banks		
Term Loans		
- Foreign Currency Loan	2,280,000	14,867,595
- Rupee Loans	147,167,225	94,302,795
- Housing Loan	23,339,458	27,606,281
- Vehicle Loans	1,631,505	2,538,188
<b>Working Capital Loans</b>		
- Foreign Currency Loan	50,000,000	50,000,000
- Rupee Loans	60,755,838	49,468,713
	<u>285,174,026</u>	<u>238,783,572</u>
<b>4. <u>UNSECURED LOANS</u></b>		
From SICOM Ltd. by way of deferral of sales tax liability	47,613,885	41,945,311
From Others ( Short Term)		
- Banks	-	23,972,618
- Inter Corporate Deposit	27,500,000	96,000,000
	<u>75,113,885</u>	<u>161,917,929</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS AS ON 31st MARCH, 2008**
**5. FIXED ASSETS**

Description	GROSS BLOCK ( AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
	As at 1st April, 2007 Rs.	Additions Deductions Rs.	Adjustments/ Rs.	As at 31st MARCH, 2008 Rs.	As at 1st April, 2007 Rs.	Additions Deductions Rs.	Adjustments/ Rs.	As at 31st MARCH, 2008 Rs.	As at 31st March, 2007 Rs.	As at 31st MARCH, 2008 Rs.
<b>Land:</b>										
- Freehold	403,894	-	-	403,894	-	-	-	403,894	403,894	403,894
- Leasehold in perpetuity	830,761	-	-	830,761	-	-	-	830,761	830,761	830,761
- Leasehold- long term	546,153	-	-	546,153	272,996	13,659	-	259,497	273,157	273,157
Buildings @	268,184,811*	15,239,792	-	283,424,603	33,342,942	8,372,796	-	241,708,866	234,841,870	234,841,870
Plant & Machinery	442,215,891	36,961,301	93,722,640	385,454,553	228,282,208	27,494,160	58,360,733	188,038,919	213,933,683	213,933,683
Furniture & Fixtures	7,694,679	274,235	-	7,968,914	3,914,205	471,137	-	3,583,572	3,780,474	3,780,474
Motor Vehicles #	10,169,778	-	40,015	10,129,763	3,602,558	986,539	38,014	5,578,680	6,567,220	6,567,220
Technical Know-How	5,304,212	-	-	5,304,212	868,471	454,920	-	3,980,821	4,435,742	4,435,742
<b>Total</b>	<b>735,350,181</b>	<b>52,475,328</b>	<b>93,762,655</b>	<b>694,062,854</b>	<b>270,283,379</b>	<b>37,793,211</b>	<b>58,398,747</b>	<b>444,385,011</b>	<b>465,066,802</b>	<b>465,066,802</b>
<b>AS AT 31ST MARCH 2007</b>	<b>516,756,542</b>	<b>237,294,451</b>	<b>18,700,812</b>	<b>735,350,181</b>	<b>256,702,356</b>	<b>28,084,143</b>	<b>14,503,121</b>	<b>465,066,802</b>		

@ Building includes two flats, the title to which is evidenced by 15 shares of Rs. 50 each, fully paid in a Co-operative Housing Society.

\* Refer Note No. 6 in Schedule 18

# Motor Vehicles include Rs 7,763,600 (previous year Rs 7,763,600 ) being assets acquired on hire purchase basis.

**SCHEDULES TO THE FINANCIAL STATEMENTS**

		As at 31st March 2008 Rupees	As at 31 st March 2007 Rupees
<b>6. INVESTMENTS</b>			
NON-TRADE, LONG TERM QUOTED :-	No. of Equity Shares (Fully paid of Rs 10 each) (Figures in bracket indicate previous year's figures)		
J.L.Morison (India) Ltd.	219400 (219400)	30,709,480	30,709,480
Rasoi Ltd.	175068 (175199)	23,061,636	23,101,349
Autolite Industries Ltd.	100 (100)	3,216	3,216
Lumax Industries Ltd.	100 (100)	3,599	5,392
Lumax Automotive Systems Ltd.	50 (Nil)	1,793	( Nil )
Sona Koyo Steering Systems Ltd. (Paid up value Rs.2 each)	1000 (1000)	4,679	4,679
Rane (Madras) Ltd.	50 (50)	2,151	4,302
Rane Holdings Ltd.	50 ( Nil )	2,151	( Nil )
Reinz-Talbro Ltd.	100 (100)	1,229	1,229
ZF Steering Gear (I) Ltd.	100 (100)	2,749	2,749
Clutch Auto Ltd.	50 (50)	455	455
Daewoo Motors India Ltd.	10 (10)	63	63
Bajaj Auto Ltd.	10 (10)	3,000	3,000
Ashok Leyland Ltd.	100 (10)	525	525
LML Ltd.	10 (10)	274	274
Rane Brake Lining Ltd.	20 (10)	550	550
Bosch Chassis System India Ltd.	10 (10)	1,077	1,077
Tata Motors Ltd	10 (10)	767	767
Hero Honda Motors Ltd.	10 (10)	1,693	1,693
Mahindra & Mahindra Ltd.	20 (10)	1,251	1,251
Himachal Futuristic Communication Ltd.	2255 (2255)	139,408	139,408
Century Enka Ltd.	120 (120)	26,100	26,100
UNQUOTED			
Worli Management Services P Ltd.	4990 (4990)	49,900	49,900
Mode Enterprises Pvt. Ltd.	4900 (4900)	49,000	49,000
Leaders Healthcare Pvt. Ltd.	157500 (157500)	9,450,000	9,450,000
Rasoi Finance Ltd.	22500 (22500)	1,125,000	1,125,000
<b>AGGREGATE COST OF INVESTMENTS :</b>		<b>64,641,746</b>	64,681,459
<b>AGGREGATE COST OF QUOTED INVESTMENTS :</b>		<b>53,967,846</b>	54,007,559
<b>AGGREGATE COST OF UNQUOTED INVESTMENTS :</b>		<b>10,673,900</b>	10,673,900
<b>AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS :</b>		<b>131,152,511</b>	109,532,504
<b>7. INVENTORIES</b>			
(As taken, valued and certified by the Management)			
Stores and spare parts		8,337,187	11,049,141
Raw materials including components		31,239,606	46,137,685
Work-in-progress		25,586,775	21,782,785
Finished goods		18,810,186	18,813,925
		<b>83,973,754</b>	97,783,536
<b>8. DEBTORS - Unsecured</b>			
Considered good -			
Outstanding over six months		9,182,490	5,758,262
Others		137,943,880	153,262,448
		<b>147,126,370</b>	159,020,710

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March 2008 Rupees	As at 31 st March 2007 Rupees
<b>9. CASH AND BANK BALANCES</b>		
Cash in hand <b>119,693</b>	151,904	
Cheques in hand	<b>5,075,641</b>	4,154,798
Balances with Scheduled Banks		
- in Current Accounts	<b>1,292,849</b>	1,861,677
- in Margin Deposit Accounts *	<b>953,781</b>	1,069,100
- In Dividend Accounts	<b>688,612</b>	814,901
	<b>8,130,576</b>	8,052,380
* Against letters of credit and guarantees issued by the Bank		
<b>10. LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	<b>3,611,658</b>	8,103,082
Inter-Corporate Deposits	-	3,550,000
Deposits	<b>7,489,412</b>	8,331,631
Balances with Central Excise, Cenvat Credit & Service Tax Receivable	<b>2,739,529</b>	2,261,351
Advance payments of Taxation (less provision Rs. 1,231,363)	<b>2,081,196</b>	-
	<b>15,921,795</b>	22,246,064
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note No.19 in Schedule 18)	<b>73,899,683</b>	66,808,467
Liabilities towards Employees' Separation Cost	<b>422,835</b>	117,193,980
Other Liabilities	<b>112,191,679</b>	22,279,769
Interest accrued but not due on Loans	<b>776,401</b>	1,166,205
Investor Education and Protection Fund shall be credited by the following amount - Unpaid Dividend*	<b>688,612</b>	814,901
	<b>187,979,210</b>	208,263,322
* There is no amount due as at the Balance Sheet date		
<b>12. PROVISIONS</b>		
Provision for Gratuity	<b>4,019,166</b>	4,519,305
Provision for Leave Encashment	<b>1,350,263</b>	1,228,554
Provision for taxation ( Previous year: net of payment of Rs. 6269520)	-	545,393
	<b>5,369,429</b>	6,293,252
	Year ended 31st March 2008 Rupees	Year ended 31 st March 2007 Rupees
<b>13. OTHER INCOME</b>		
Dividend on Long Term Investments	<b>726,634</b>	503,455
Excess provision & unclaimed balances written back	<b>1,163,127</b>	1,980,274
Profit on sale/discarding of Fixed Assets (net)	<b>7,473,832</b>	22,271,086
Miscellaneous income	<b>2,251,404</b>	3,697,670
Insurance Claim	<b>107,217</b>	32,134
	<b>11,722,214</b>	28,484,619

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	<u>Year ended 31st March 2008 Rupees</u>	<u>Year ended 31 st March 2007 Rupees</u>
<b>14. <u>INCREASE/(DECREASE) IN STOCKS</u></b>		
Opening Stock :-		
Work-in-progress	21,782,785	22,981,263
Finished goods	18,813,925	31,379,637
	<u>40,596,710</u>	<u>54,360,900</u>
 Closing Stock :-		
Work-in-progress	25,586,775	21,782,785
Finished goods	18,810,186	18,813,925
	<u>44,396,961</u>	<u>40,596,710</u>
 Increase/(Decrease) in stocks	<u>3,800,251</u>	<u>(13,764,190)</u>
 <b>15. <u>EMPLOYEES' COST</u></b>		
Salaries, Wages and Bonus	65,915,052	64,202,962
Gratuity	948,162	4,053,778
Contribution to Provident and other Funds	4,350,894	4,669,362
Staff Welfare	4,470,594	3,739,403
	<u>75,684,702</u>	<u>76,665,505</u>
 <b>16. <u>OTHER EXPENSES</u></b>		
Packing materials consumed	12,627,623	11,730,757
Rent (including lease rent)	2,183,259	2,112,555
Rates and taxes	1,325,176	2,139,189
Insurance(including transit insurance, net of recoveries)	1,379,029	2,209,978
Freight and delivery(net of recoveries)	24,974,610	21,678,057
Repairs & Maintenance:		
Plant & Machinery	7,732,962	4,727,720
Buildings	1,943,741	339,410
Job charges	36,369,613	27,026,849
Increase /(Decrease) in Excise Duty on Closing Stock	(147,108)	(1,813,913)
Travelling & Conveyance	17,305,744	15,244,607
Postage,Printing,Stationery & Telephones	7,498,414	6,768,841
Rebates, discounts, etc.	34,545,299	29,538,994
Provision for doubtful debts	-	114,330
Bad Debts written off	-	717,439
Less : Provision for Doubtful Debts utilised	-	(717,439)
Loss on sale of long term investment	-	260,403
Miscellaneous Expenses	22,133,157	23,957,578
	<u>169,871,521</u>	<u>146,035,355</u>
 <b>17. <u>INTEREST (NET)</u></b>		
Interest :		
On loans for fixed periods	27,752,953	11,276,525
On Others	18,331,861	16,287,481
	<u>46,084,814</u>	<u>27,564,006</u>
Less : Interest income	4,941,190	8,393,943
On Others (includes Rs 4,498,131 in respect of earlier years, previous year Rs. 6,575,113)		
(Tax deducted at source Rs 1,073,578, previous year Rs 1,015,040)	<u>41,143,624</u>	<u>19,170,063</u>

**SCHEDULE 18.**
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008.**

(Figures in brackets pertain to the financial statements for the year ended 31<sup>st</sup> March, 2007)

**A SIGNIFICANT ACCOUNTING POLICIES:**
**a) General:**

- i) The financial statements are prepared on the basis of historical cost convention, in accordance with the applicable accounting standards and on the accounting principles of a going concern. All expenses and income to the extent ascertainable with reasonable certainty are accounted for on accrual basis.
- ii) Export benefit in terms of duty free imports of raw materials is accounted for in the year of exports.

**b) Use of estimates :**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

**c) Revenue recognition:**

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the customers and their logistics. Sales are net of sales returns and trade discounts.

**d) Fixed assets:**

- i) Fixed assets are stated at cost less accumulated depreciation except in case of residential premises, which are stated at revalued amounts less accumulated depreciation. Costs comprise the purchase price, related pre-operational expenses, borrowing cost and any attributable cost of bringing the assets to its working condition for its intended use.

- ii) Impairment of Assets:

The Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such asset is reduced to its recoverable amount and the impairment loss is charged to profit and loss account. If at the Balance Sheet date there is any deduction that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

**e) Depreciation:**

Depreciation on fixed assets is provided on straight-line method at the rates (except for the following) and in the manner specified in Schedule XIV to the Companies Act, 1956:

<b>Buildings:</b>	<b>Rate applied</b>	<b>Rates prescribed under Schedule XIV</b>
a) Factory	3.5%	3.34%
b) Office	3.0%	1.63%
c) Residential	3.0%	1.63%

Depreciation on the fixed assets added/disposed off/discarded during the year is provided on pro-rata basis with reference to the month of addition/disposal/discarding.

Depreciation on spares purchased for specific machinery and having irregular use is provided prospectively over the residual life of the specific machinery.

Leasehold Land-long term is being amortized at the rate of 2.5% per annum on the original cost.

Revaluation: - In case of increase on Revaluation of Residential Premises, depreciation is provided at the rate of 3% broadly in conformity with the life of the assets as appraised by the approved valuer. In case of revalued assets, the incremental depreciation attributable to the revaluation is transferred from the revaluation reserve.

Intangible assets :- Technical know-how is depreciated, as per the rate applicable to plant and machinery prescribed under schedule XIV to the Companies Act, 1956 and also in accordance with the requirements of Accounting Standard 26 issued by the Institute of Chartered Accountants of India.

**f) Investments:**

Value of long term investments are stated at cost. No adjustment is made in the carrying cost for temporary decline in the value of long term investments.

**g) Inventories:**

Inventories are valued at the lower of the cost (computed on weighted average basis) and estimated net realizable value after providing for obsolescence and other anticipated losses, if any. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**h) Employee benefits:**

- i) Provident Fund and Superannuation Fund:

Retirement benefits in the form of Provident fund / Superannuation fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.



- ii) **Gratuity:**  
Gratuity liability is a defined benefit obligation. The company has taken an insurance policy under the Group Gratuity Scheme with the insurers to cover the gratuity liability of the staff and workmen at plants and the amount paid / payable in respect of the present value of liability of past services is charged to the Profit & Loss Account every year. In respect of other employees, gratuity liability is provided for on actuarial valuation as the year end.
- iii) **Leave Encashment:**  
Liability for leave encashment is provided on the basis of the actuarial valuation at the year end.
- iv) **Deferred Revenue Expenditure:**  
Compensation paid to employees who retire under the Early Voluntary Retirement Scheme is amortized over a period of 36 months from the month following the end of the scheme.
- i) **Research and Development Expenditure:**  
Revenue expenditure is charged to the Profit & Loss Account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.
- k) **Translation of foreign currency:**  
Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. Current assets and Current liabilities are stated at the rate of exchange prevailing at the year end and resultant gains/losses are recognised in the profit and loss account.  
In case of forward contracts, the exchange differences are dealt with in the profit and loss account over the period of the contracts.
- l) **Borrowing costs :**  
Borrowing costs attributable to acquisition or construction of qualifying assets are capitalized as part of the cost of such assets upto the date when such asset is ready for its intended use. Other borrowing costs are charged to the Profit and Loss Account.
- m) **Accounting for Taxes on Income :**
- i) Income Tax expenses comprises current tax , fringe benefit tax (i.e. amount of tax for the period determined in accordance with the income tax law ) and deferred tax charge or credit ( reflecting the tax effects of timing differences between accounting income and taxable income for the year).
- ii) Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain as the case may be to be realized.
- n) **Provisions, Contingent Liabilities and Contingent Assets :**  
A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities, if material ,are disclosed by way of notes to accounts. Contingent assets are not recognised or disclosed in the financial statements.

**B NOTES TO ACCOUNTS:**

1. Contingent Liabilities not provided for in respect of :
- (a) Claims against the Company not acknowledged as debts, estimated at Rs.Nil (Rs.237,136).
- (b) Certain Sales tax matters, mainly on account of pending concessional forms (excluding interest): Rs.1,096,750 (Rs. 980,144).
- (c) Disputed Income Tax Matters : Rs. 1,083,237 (Rs. Nil ).
2. Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of advances, unsecured, considered good, of: Rs.1,697,980 ( Rs.16,308,733 )] Rs.7,146,711 ( Rs.16,838,616 )
3. Loan from Banks:
- a) Foreign Currency Term Loan and Rupee Term Loans are secured by way of hypothecation of certain machinery, machinery spares, tools & accessories and mortgage by deposit of title deed of an immovable property at Mumbai.
- b) Rupee Term Loans for Equipment finance are secured by way of hypothecation of machinery, machinery spares, tools and accessories purchased there against and by way of first charge on immovable properties at Jalna Unit.
- c) Rupee Term Loans other than stated above are secured by equitable mortgage on immovable properties at Paithan Unit.
- d) Working Capital Loans, Foreign Currency Loans and non fund based limit utilised amount Rs.10,175,000 ( Previous year Rs.11,351,000 ) are secured by hypothecation of stocks, debtors and all liquid assets and charge on immovable properties at Bhandara Unit.
- e) Housing Term Loans are secured against equitable mortgage of two residential flats and an office premises situated at Mumbai.
- f) Vehicle Loans are secured by way of hypothecation of motor vehicles purchased thereagainst.
4. a) In the opinion of the Board, current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- b) The accounts of Sundry Debtors, Sundry Creditors and Loans and advances are, subject to confirmations/reconciliation and adjustments, if any. The Management does not expect any material difference affecting the current years' financial statements.
5. Pursuant to adoption of revised Accounting Standard ( AS- 15 ) on ' Employee Benefits, unamortized portion of Early Voluntary Retirement Scheme Compensation as on March 31, 2007 are now being charged over a period of 36 months ending March 31, 2010 as against earlier policy

of amortising the same in 60 months . Consequent to this change, employees separation cost debited to the Profit and Loss Account for the year has increased by Rs.1,185,730 .

6. The Company has revalued all its Residential Premises as on 31-03-2007 on their fair market value ,using standard indices as assessed and valuation reports submitted by the approved valuers. This has resulted in a net increase in the Book Value by Rs. 165,208,662 which has been transferred to Revaluation Reserve. The historical cost in the Gross block of the fixed Assets has been substituted with the Revalued amount of Rs. 185,544,000.

7. The amount of exchange difference (net) credited to the Profit and Loss Account is Rs.793,402 (Previous year Rs.259,798).

8. "Rebates, discounts, etc." under "Other Expenses" in the profit and loss account includes:

	Rs.	Rs.
Commission to selling agents	399,913	(241,301)
Brokerage on sales and cash discount	6,582,144	(5,876,185)

9. Miscellaneous Expenses include:

Auditors' remuneration:

Audit fees	250,000	(250,000)
Certification	10,000	(Nil)
Reimbursement of out of pocket expense	37,783	(54,740)

(Including Service Tax Rs.4,156 and previous year Rs.5,970)

10. a) Remuneration to Directors (exclusive of provision for incremental liability for gratuity and Leave Encashment on actuarial valuation determined on an overall basis for the Company as a whole):

Salaries	1,488,000	(1,416,000)
Allowances and Perquisites	1,778,240	(583,600)*
Contribution to Provident Fund and Superannuation Fund	401,760	(382,320)
Sitting Fees	200,000	(195,000)
<b>Total</b>	<b>3,868,000</b>	<b>(2,576,920)</b>

\* Valued as per the Income Tax Rules,1962 wherever applicable

(b) In view of losses no commission is payable to Directors/Managing Director and hence computation of Net Profits in accordance with Section 198, 309 and 349 of the Companies Act, 1956 has not been given.

(c) The remuneration paid to the Managing Director for the period from 18<sup>th</sup> March, 2008 to 31<sup>st</sup> March 2008 aggregating to Rs.54,173 is subject to the approval of the shareholders in the forthcoming Annual

General Meeting.

11. **Earnings per Share:**

Net Profit/(Loss) as per Profit and Loss account	(19,917,342)	(36,210,593)
Weighted average number of equity shares outstanding	5,500,000	(5,500,000)
Basic and Diluted earnings per share (Face value – Rs.10 per share)	(3.62)	(6.58)

12. a) **The break-up of net deferred tax liability is as under:**

Deferred Tax Liabilities		
- Depreciation / Amortisation	38,736,530	(39,471,705)
- Early Voluntary Retirement	2,844,762	(7,678,088)
Deferred Tax Assets		
- Gratuity /Leave encashment /others	1,433,376	(1,536,112)
- Depreciation / Carry Forward	39,578,975	(31,540,069)
Business Loss		
Net deferred tax liability	<b>568,941</b>	<b>(14,073,612)</b>

Note: In view of the steps initiated for disposal of surplus properties which are likely to result in substantial gain, the management is virtually certain of reversal of Deferred Tax Assets recognized in respect of unabsorbed loss/depreciation.

b) Provision for current tax includes Rs. 1,845,000 (Rs. 1,814,275) in respect of Fringe Benefit Tax and Rs. 28,000 ( Rs.28,000) in respect of Wealth Tax..

13. **Research and Development expenditure:**

(a) Fixed assets	5,681,000	(Nil)
(b) Profit and loss account (Debited to respective expense heads in Profit and Loss A/c.)	5,625,255	(10,413,200)

**14. (a) Value of imports on C.I.F. basis:-**

Raw Materials	<b>59,656,388</b>	(73,516,107)
Components and spare parts	<b>Nil</b>	(240,121)

Note: Where items have been invoiced by suppliers on F.O.B. or C & F basis, the freight and insurance paid aggregating to Rs.6,422,417 (Rs.4,769,165) in local currency has been included in the above figures.

**(b) Expenditure in foreign currency (on actual payment basis)**

Travelling and other expenses	<b>767,980</b>	(791,158)
Commission	<b>1,86,137</b>	(241,301)
Interest on Foreign Currency Loans	<b>5,998,300</b>	(6,831,553)

**(c) Earnings in foreign currency on account of:**

Exports on F.O.B. basis.	<b>72,543,845</b>	(77,515,593)
Others (freight, insurance, etc.)	<b>31,93,410</b>	(5,246,647)

**(d) (i) Foreign Exchange Currency exposures covered by Forward Contract as on 31<sup>st</sup> March, 2008.**

Type of Instruments	Currency Type	As on 31 <sup>st</sup> March, 2008		As on 31 <sup>st</sup> March, 2007	
		Amount (In Rs.)		Amount (In Rs.)	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
FCNR (B) Working Capital Loan	Dollar	1,256,281	50,150,754	(1,133,786)	(50,918,367)

**(ii) Foreign Exchange Currency exposures not covered by derivative instruments as on 31<sup>st</sup> March, 2008**

Type of Instruments	Currency Type	As on 31 <sup>st</sup> March, 2008		As on 31 <sup>st</sup> March, 2007	
		Amount (In Rs.)		Amount (In Rs.)	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
Foreign Currency Loan	Dollar	57,000	2,280,000	(342,000)	(14,867,596)
Debtors	Dollar	239,021	9,560,854	(188,186)	(8,180,445)
Debtors	GBP	18,650	1,473,350	(5,400)	(459,324)
Debtors	Euro	6,722	417,772	(22,748)	(1,293,689)
Commission Payable	Dollar	5,344	213,776	(1,329)	(57,793)
Commission Payable	Euro	Nil	Nil	(1,079)	(62,425)
Creditors for Goods	Dollar	40,784	1,631,340	(94,172)	(4,037,009)
Creditors for Goods	Euro	Nil	Nil	(69,928)	(4,047,438)
Creditors for Goods	CAD	10,000	395,000	(90,400)	(3,404,464)

**15. Raw materials and Components consumed:**

	Unit	Quantity	Rs.	Quantity	Rs.
Rubber	Tonnes	289	26,746,934	(367)	(33,733,781)
Chemicals & solvents	Tonnes	3492	139,994,048	(3617)	(121,507,882)
Fibres	Tonnes	3039	79,083,456	(3080)	(87,686,922)
Ferrous materials	Tonnes	701	43,461,067	(894)	(37,641,040)
Yarn / Intermediate Product	Tonnes	145	16,082,170	(57)	(5,240,442)
Rivets / Ceramic Spares	Nos.000	23913	22,550,889	(18677)	(12,919,279)
			<b>327,918,564</b>		<b>298,729,346</b>
		%	Rs.	%	Rs.
Imported materials		25.40	83,281,037	(29.47)	(88,040,399)
Indigenous materials		74.60	244,637,526	(70.53)	(210,688,947)
		<b>100.00</b>	<b>327,918,564</b>	<b>(100.00)</b>	<b>(298,729,346)</b>

The above figures have been arrived at after adjustments for excesses/shortages ascertained on physical count, write off of unserviceable items, etc.

**16. Stores and Spare parts consumed:**

	%	Rs.	%	Rs.
Imported	0.61	140,756	(1.68)	(281,512)
Indigenous	99.39	23,078,371	(98.32)	(16,443,868)
	<b>100.00</b>	<b>23,219,127</b>	<b>(100.00)</b>	<b>(16,725,380)</b>

The above figures have been arrived at after adjustments for excesses/shortages ascertained on physical count, write off of unserviceable items, etc.

**17. Capacities/production of Finished Goods**

	Unit	Installed capacity		Production*	
				Per annum	
Brake Linings	Tonnes	4850	(4850)	3759	(3616)
Clutch facings	Nos.'000	2760	(2760)	2095	(2020)
Industrial Textiles	Tonnes	600	(480)	425	(370)
Jointings/Limpet sheets	Tonnes	1490	(1800)	1148	(1196)
Compestos	Tonnes	30	(30)	10	(15)
Others	Tonnes	180	(150)	175	(130)

Notes :

- Licensed Capacity: Delicensed
- The installed capacities have been certified by the Management and relied on by the Auditors without verification, this being a technical matter.

\* Including production for inter-unit use.

**18. Turnover and Stocks.**
**(a) Goods Manufactured by the Company**

Class of Finished Goods*	Unit	Net Turnover **		Stocks (Inclusive of Excise)			
		Quantity	Rs.	Opening Quantity	Closing Quantity	Opening Rs.	Closing Rs.
Brake linings	Metres	313	79,421,982	1	2	450,558	204,820
	'000	(398)	(70,196,054)	(18)	(1)	(4,636,158)	(450,558)
Brake liners	Nos.	5008	378,293,642	274	189	11,345,044	13,260,690
	'000	(4254)	(327,355,668)	(288)	(274)	(13,196,078)	(11,345,044)
Clutch facings	"	2140	93,913,036	79	34	3,355,007	2,186,408
		(2054)	(87,555,281)	(131)	(79)	(4,230,571)	(3,355,007)
Industrial Textiles	Tonnes	424	54,114,626	1	2	137,824	230,757
		(389)	(60321418)	(19)	(1)	(3,374,612)	(137,824)
Jointing Sheets	"	1149	68,206,440	38	37	3,037,100	2325114
		(1221)	(83,484,307)	(63)	(38)	(4,431,250)	(3,037,100)
Compestos	Nos.	6354	12,029,133	0	2	Nil	17,193
		(6007)	(13,216,231)	(854)	(0)	(1,144,857)	(Nil)
Others	"	176	12,762,881	13	12	488,392	585,203
		(129)	(5,851,585)	(1)	(13)	(133,646)	(488,392)
<b>(b) Goods Traded by the Company</b>							
Ceramic Spares	Nos	185	17,047,306	0	Nil	Nil	Nil
	'000	(113)	(10,739,224)	(3)	0	(232,465)	(Nil)
			715,788,846			18,813,925	18,810,186
			(658,719,767)			(31,379,637)	(18,813,925)

\* Various types/sizes

\*\* Scrap has been excluded in terms of quantity and included in terms of value.

19. The Company has commenced the process of obtaining / compiling information from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006 and hence the disclosure, if any, relating to amounts unpaid as at the end of the period together with interest paid / payable as required under the Act could not be furnished.

20. Segment reporting:

a) Primary Segment Information (Business Segment)

The Company is in the business of manufacturing Fibre based composite materials used for Automotive, Rail and Industrial applications and all its products fall in the same segment as nature of the products, production process, methods used for distribution, the regulatory environment and the resulting risks and rewards associated with these business lines are not materially different and is, consequently, not subject to business segment reporting.

b) Secondary Segment Information (Geographical Segments)

i. Segment Revenue

Within India Rs. 640,052,086 (Rs. 705,513,339)

Outside India Rs. 75,736,760 (Rs. 82,360,985)

ii. Assets

- No Assets held outside India

iii. Capital Expenditure

- No Expenditure incurred outside India

21. Disclosures as required by Accounting Standard -18, on "Related Party Disclosure" are given below:

List of Related Parties: (with whom the Company has entered into transaction during the year in the ordinary course of business.)

(i) Associates

- Rasoi Ltd.
- J L Morison ( India ) Ltd.
- Pallawi Resources Ltd.
- Rasoi Express Pvt.Ltd.
- Rasoi Finance Ltd

(ii) Key Management Personnel

- Mr. R.N. Mody , Chairman
- Mr. Varunn Mody , Director
- Mr. P. K. Choudhary, Managing Director.
- Mr. V.D. Ingle, Executive Director (Manufacturing)
- Mr. Vinay Sarin, Executive Director (Marketing)

(iii) Relatives of Key Managerial Persons

- Mrs. Sumitra Devi Mody (Wife of Mr. R.N. Mody, Chairman)

The details of Transactions are:

<b>A) Nature of Transactions with Associates/ Relatives</b>		Others	Nil
Investments In Shares of Rasoi Limited	Nil (12,800,000)	Rent Paid to Rasoi Limited	(37,039) 474,000
Loans given Rasoi Limited	Nil (10,000,000)	Pallawi Resources Ltd.	(378,000) 120,000
Pallawi Resources Ltd.	Nil (150,000)	Others	(119,500) 60,000
Loan Taken J L Morison (India) Limited	27,500,000 (115,429,000)	Received From J L Morison (India) Ltd.	(120,000) Nil
Interest Paid J L Morison (India) Limited	6,646,116 (2,812,015)	Others	(1,500,000) 12,000
Interest Received Rasoi Limited	Nil (54,245)	<b>B) NATURE OF TRANCTIONS WITH KEY MANAGEMENT PERSONNEL</b>	(12,000)
Dividend Received J L Morison (India) Limited	548,500 (212,500)	Salary and Allowances	3,668,000 (2,330,856)
Rasoi Limited	143,068 (286,136)	<b>C) Closing Balance with Associates / Relatives</b>	
Reimbursement of Expenses to J L Morison (India) Limited	27,491 (6408)	<b>Particulars</b>	<b>AMOUNT(RS)</b>
From J L Morison (India) Limited	3,594,834 (2174961)	Loan Taken J L Morison (India) Ltd	27,500,000
		Advances against sale of property J L Morison (India) Ltd	(96,000,000)
		Deposits Pallawi Resources Ltd	80,000,000 (Nil)
			550,000 (550,000)

Sumitra Devi Mody	996,736 (996,736)
<b>Investments In</b>	
J L Morison (India) Ltd	30,709,480 (30,709,480)
Rasoi Limited	23,061,637 (23,101,349)
Others	1,125,000 (1,125,000)

**Notes:**

- i) No amount pertaining to related parties has been provided for as doubtful debts. Also, no amount has been written off/back.
- ii) Details relating to investments in the above related parties have been disclosed in Schedule '6':- Investments.
- iii) The related parties are as identified by the Company and relied upon by the Auditors.

**22. Loans & Advances include:**

Loans where there is no interest or at an interest rate below that specified in the Companies Act, 1956.	Amount Outstanding as on 31.03.08 Rs.	Maximum amount Outstanding During the year Rs.	No. of Equity Shares held in Company	Maximum Nos. of Equity Shares held in the Company
Willard India Ltd.	Nil	3,550,000	—	—
Employees (as per general rules of the Company)	187,700	454,000	—	—

**23.** In respect of properties taken/given by the Company, the lease agreements are mutually renewable / cancelable.

**24.** Figures of the previous year have been regrouped / rearranged / re-classified, wherever necessary to conform to current year's presentation.

As per our attached report of even date

**FOR LODHA & COMPANY**

Chartered Accountants

**R.P. BARADIYA**

Partner,

Membership No. 44101

Mumbai, 9th May, 2008

On behalf of the Board of Directors

**RAGHU MODY**

Chairman

**P. K. CHOUDHARY**

Managing Director

**V. B. HARIBHAKTI**

Director

**A. B. VAIDYA**

Director

**AMIT GOENKA**

G.M. Finance & Company Secretary

Mumbai, 9th May, 2008

**ADDITIONAL INFORMATION PURSUANT TO REQUIREMENT OF PART IV OF  
SCHEDULE VI OF THE COMPANIES ACT, 1956**

Balance Sheet abstract and company's general business profile

**I. REGISTRATION DETAILS**

	0	1	2	9	5	5	State Code	1	1
BALANCE SHEET DATE	3	1		0	3				
	Date		Month		Year				

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs.'000)**

Public Issue			N	I	L	Rights Issue			N	I	L
Bonus Issue			N	I	L	Private Placement			N	I	L

**III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (Amount in Rs. '000)**

	Total Liability					Total Assets						
	8	3	7	0	2	5	8	3	7	0	2	5
	Paid up Capital					Reserves & surplus						
Sources of Funds :		5	5	0	0	0	2	2	7	8	2	0
	Secured Loans					Unsecured Loans						
	2	8	5	1	7	4		7	5	1	1	4
	Net Fixed Assets					Deffered Tax Liability						
Application of Funds :	4	4	4	3	8	5				5	6	9
	Net Current Assets					Investments						
		6	1	8	0	4		6	4	6	4	2
						Miscellaneous Expenditure						
								6	5	5	4	1

**IV. PERFORMANCE OF COMPANY (Amount in Rs. '000)**

	Turnover					Total Expenditure						
	7	1	5	7	8	8	7	6	2	8	6	0
	Profit Before Tax					Profit After Tax						
	-	3	1	5	4	9	-	1	9	9	1	7
	Earning per share (Rs.) Annualised					Dividend Rate %						
		-	3	.	6	2						0

**V. GENERIC NAMES OF THE PRINCIPAL PRODUCTS OF THE COMPANY (As per Monetary terms)**

Item Code : (ITC Code)	Product Description
8 7 0 8 3 1 . 0 0	B R A K E L I N E R S
8 4 8 4 9 0 . 0 0	C O M P R E S S A S B E S T O S F I B R E J O I N T I N G S
8 7 0 8 9 3 . 0 0	C L U T C H F A C I N G S

On behalf of the Board of Directors  
**RAGHUMODY** Chairman  
**P. K. CHOUDHARY** Managing Director  
**V. B. HARIBHAKTI** Director  
**A. B. VAIDYA** Director

**AMIT GOENKA**

Mumbai, 9th May, 2008

G.M. Finance & Company Secretary

Mumbai, 9th May, 2008

# HINDUSTAN COMPOSITES LTD.

B-11, Paragon Condominium, P. B. Marg, Worli, Mumbai - 400 013.

## ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the AGM venue.

I hereby record my presence at the Forty Fourth Annual General Meeting of the Company to be held at Babasaheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001, at 4.00 p.m. on Tuesday 30th September, 2008.

I am shareholder of the Company

I am Proxy / Authorised Representative of the above shareholder(s)\*

My Name is : .....

Folio No./Client ID. : .....

Address : .....

.....

.....

.....  
Signature

\* Please Strike off any one which is not applicable

----- TEAR HERE -----

# HINDUSTAN COMPOSITES LTD.

B-11, Paragon Condominium, P. B. Marg, Worli, Mumbai - 400 013.

## PROXY FORM

I/We ..... Folio No./Client ID .....

of ..... being a member/members of HINDUSTAN COMPOSITE LTD. hereby appoint

..... of

..... or failing him ..... of

..... or failing him ..... of

..... or failing him .....

as my/our proxy to attend and vote for me/us and on my/our behalf at the Forty Fourth Annual General Meeting of the Company to be held at The .....

.....

Signed this ..... day of ..... 2008

Member's Folio Number/Client I.D. ....

Affix a  
Rs. 1/-  
Revenue  
Stamp