

**ANNUAL REPORT**  
**2006-2007**

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*Automotive Lighting & Signalling Equipments and Mirrors*

## **ABOUT US**

Over 35 years\* FIEM has scripted a trailblazing path in its field with far sighted vision, innovation and sheer dynamism. Today FIEM is one of the leading manufacturers of automotive lighting, signaling equipments and rear view mirrors and is a well-known name in automotive lighting industry with six state of the art manufacturing facilities, world-class R&D facilities and one of the shortest development cycles in the Industry. Adherence to TQM through stringent quality control is the hallmark of Fiem's manufacturing process.

FIEM's versatility is reflected in its capability in developing Automotive Lamps and rear view mirrors for two wheelers as well as four wheelers. FIEM's high caliber team constantly strives to achieve maximum customer satisfaction. Company has always enjoyed encore and applause from its customers and end users, which is reflected by way of various awards and recognitions.

## **VISION**

To be the most preferred supplier of Automotive Lighting, Signaling Equipments and Rear View Mirrors for domestic as well as global OEMs providing advanced design solution, quality products at lower costs by adapting Lean manufacturing process, Value Engineering and total quality management.

## **MISSION**

To be a dominant player in Automotive Lighting, Signaling Equipments and Rear view Mirrors. To Enhance Stakeholders value while conserving the environment and contributing to welfare of the society at large.

\* Before this Company the promoters were doing same business in other entities.



## Chairman's Message

### Dear Shareholders,

At the outset, I place on record my deep gratitude to all the shareholders for making the company's maiden IPO a great success. I am delighted to share with you that FIEM is committed to offer advanced design solution and adoption of the state of the art technologies with lean manufacturing process to deliver world-class quality products for Automobiles to make driving safer. Team FIEM aims at achieving 'Total Customer Satisfaction' by offering zero defect products at competitive price. It pursues this goal with relentless zeal & dynamism and constantly endeavors to add value to all its stakeholders. I would take this opportunity to update you on your company's performance.

- With the existing business, the Management is focusing on increase in exports and established Unit V, a 100% EOU at Hosur, Tamilnadu. This is established in Technical Support Agreement with M/s ICHIKOH Industries Limited, one of the world leaders in automotive lighting, mirrors and wipers arm system. The Machines are imported from Japan and commissioned under the supervision of Engineers from ICHIKOH Industries.

This Unit has started Commercial Production and supplied Mirror Plates to ICHIKOH Industries. Further, ICHIKOH industries have awarded to your company its new project of development of Prismatic Mirror with 100% buy back arrangement. This project is in progress as per scheduled timelines.

- Further, your Company has successfully commissioned the new Unit (Unit-VI) at Nalagarh, Himachal Pradesh in record time. Besides Tractor and after sales market, this unit is also catering the requirements of our esteemed customer M/s TVS Motor Company and other OEMs located in Himachal Pradesh and Uttranchal.

To have a strong foothold in the After Sales market, The Management has chalked out the plan to open depots in major cities

and these depots will supply to the local markets. The Company has already opened 4 Depots in Delhi, Chennai, Kochi and Hyderabad and in the process of opening more depots.

- In its quest to remain technology driven company and to maintain excellence in Quality, the management has taken up the modernization of the Kundli Plant (Unit-I) by setting up ultra modern facilities for Vacuum Metalizing, Hard Coating and BMC Moulding. The machines and equipments have been procured from best manufacturer in their field.
- In January 2007, Your Company has acquired a new Industrial Plot in Industrial Estate, Rai, Sonapat, Haryana. The plot is strategically located in upcoming Industrial Area at proposed "Kundli-Manesar-Palwal Expressway". This will give us direct connectivity and logistics advantage for these cities.

At this Plot, the Management is planning to establish a state of the art manufacturing facility for Automotive Lighting especially for four wheelers. The Civil Construction work has already been started at this plot.

- The financial performance of your company during the year under review has remained satisfactory and Board of Director has recommended a maiden dividend of 25% (Rs. 2.50 per share) for the Financial Year 2006-07.

I would like to complement the entire FIEM family for their dedicated and relentless hard work. I express my sincere thanks to the shareholders for the trust and confidence reposed on us.

Thank You!

**J.K. Jain**



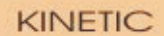


## OUR COLLABORATIONS

- Technical Support Agreement with Ichikoh Industries Ltd., Japan
- Memorandum of Understanding with Aspöck Holding, GmbH, Austria for establishing a Joint Venture Company
- Memorandum of Understanding with Korea Air Conditioners Co. Ltd., Korea
- Memorandum of Understanding with ZADI Divisione Fanaleria CEV Spa, Italy

## MILESTONES SINCE INCEPTION

| Year | Key events  |
|------|---|
| 1989 | Incorporation of Company under the name and style of Rahul Auto Pvt. Limited<br>Unit at HSIDC Industrial Estate, Kundli, Sonapat (Haryana) set-up   |
| 1992 | Change of the name of the Company from Rahul Auto Pvt. Limited to FIEM Industries Pvt. Limited  |
| 1993 | Converted to public Limited Company pursuant to which the name of the Company changed to FIEM Industries Limited<br>Shifted all manufacturing facilities to the plant situated at 32 Mile Stone, G.T. Road, Kundli, Sonapat (Haryana) (Unit I) having full fledged testing laboratory   |
| 1996 | FIEM Sung San (India) Limited, a Joint venture Company set-up in Noida, Uttar Pradesh pursuant to a Joint Venture Agreement in association with Sung San Co. Limited, Korea and Daewoo Motors India Limited (formerly DCM Daewoo Motors Limited). Now this Company has been merged with the Company.  |
| 2004 | Set-up Unit II at Kallukondapalli, Hosur, Tamil Nadu  |
| 2005 | Set-up Unit III at Kelamanglam, Hosur, Tamil Nadu<br>Set-up Unit IV at Mysore, Karnataka<br>Entered into a Technical Support Agreement with Ichikoh Industries Ltd., Japan<br>Established overseas design centre and liaison office in Japan<br>Signed MOU for establishing a Joint Venture company with Aspöck Holding, GmbH, Austria<br>Awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi<br>Presented with the 'Business Sphere Award' for the year 2005-2006 for being the most successful pioneer and among toppers in export & manufacturing of auto components for 2 wheelers. |
| 2006 | Established an EOU at Kelamanglam, Hosur Tamil Nadu (Unit V)<br>Established Unit VI at Nalagarh, Himachal Pradesh<br>Awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality<br>Successfully Completed Initial Public Offer of the Company.   |
| 2007 | Successfully Completed Merger of FIEM Sung San (India) Ltd. with the Company.<br>Opening of various depots in major cities to tap the Replacement Market.<br>Acquirement of Industrial plot at Rai, Distt. Sonapat, Haryana to set up unit VII.   |



## OUR PRESTIGIOUS CUSTOMERS

We have been supplying to almost all major OEMs in the domestic market as well as few global OEMs, besides some global Tier I automotive lamp manufacturers.

Our OEM customers in the four-wheeler segment include the following: -

- General Motors India Ltd.
- Hyundai Motors India Ltd.
- Tata Motors Ltd.
- Inter-national Tractors Ltd.
- Swaraj Mazda Ltd.
- VST Tiller & Tractors Ltd.
- Ashok Leyland Ltd.
- Tractors & Farms Equip. Ltd.
- HMT Tractors Ltd.
- Skoda Auto India Pvt. Ltd.
- Force Motors Ltd.
- Punjab Tractors Ltd.

Our OEM customers in the two-wheeler segment include the following:-

- TVS Motors Co. Ltd.
- Honda Motorcycle & Scooter India Pvt. Ltd.
- Suzuki Motorcycle India Pvt. Ltd.
- Yamaha Motor India Pvt. Ltd.
- LML Ltd.
- Kinetic Motor Co. Ltd.
- Majestic Auto Ltd.
- Hero Motors Ltd.
- Scooters India Ltd.

Some of our overseas customers include the following:-

### Four-Wheelers

- Aspöck Systems, Austria
- Sparex, UK
- Geka, Germany
- Ichikoh, Japan

### Two-Wheelers

- Piaggio, Italy





## PRODUCT PORTFOLIO

### Automotive Lamps & Signaling Equipments

### Rear view mirrors

### Others

Head Lamps

Inside rear view mirrors

Plastic components such as fender Rear, side panels, seat base, engine Guard, frame cover, magneto cover, Meter top and bottom cover, etc.

Tail lamps  
Rear Combination lamps  
Side Indicator lamps (Turn signal lamps)

Outside rear view mirrors  
Prismatic rear view mirrors

Sheet metal components such as frame assembly (chasis for 2 wheelers). Side Indicator lamps (Turn Signal lamps)

Interior lamps  
Front / Fog Auxiliary lamps  
Number plate lamp  
Roof lamps  
Work lamps  
Beacon lamps

LED tail lamps, direction indicator, Side lamps, other market, side market, beacon lamps, bulbs, decorative lights, number plate lights

Warning triangles

We also manufacture and supply value added products such as a complete Rear Fender Assembly for 2-wheelers which typically consists of rear fender (plastic) fitted with two turn signal lamps, tail lamps, number plate, reflex reflectors fitted with various mounting sheet metal brackets.

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## **GENERAL INFORMATION**

### **BOARD OF DIRECTORS**

|                   |                                |
|-------------------|--------------------------------|
| Mr. J.K. Jain     | - Chairman & Managing Director |
| Mrs. Seema Jain   | - Whole Time Director          |
| Mr. J.S.S. Rao    | - Whole Time Director          |
| Mr. Pravin Kumar  | - Whole Time Director          |
| Ms. Aanchal Jain  | - Whole Time Director          |
| Mr. Rahul Jain    | - Non-Executive Director       |
| Mr. C.D. Shah     | - Independent Director         |
| Mr. Iqbal Singh   | - Independent Director         |
| Mr. K.S. Lamba    | - Independent Director         |
| Mr. P.S. Bhatia   | - Independent Director         |
| Mr. C.S. Kothari  | - Independent Director         |
| Mr. J.S. Chandhok | - Independent Director         |

### **COMPANY SECRETARY AND COMPLIANCE OFFICER**

Arvind K. Chauhan

### **BANKERS**

CITI Bank N.A.

Standard Chartered Bank

### **AUDIT COMMITTEE**

|                   |            |
|-------------------|------------|
| Mr. J.S. Chandhok | - Chairman |
| Mr. C.S. Kothari  | - Member   |
| Mr. P.S. Bhatia   | - Member   |

### **SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

|                  |            |
|------------------|------------|
| Mr. C.S. Kothari | - Chairman |
| Mr. J.S.S. Rao   | - Member   |
| Mr. Rahul Jain   | - Member   |

### **REMUNERATION COMMITTEE**

|                  |            |
|------------------|------------|
| Mr. C.S. Kothari | - Chairman |
| Mr. P.S. Bhatia  | - Member   |
| Mr. Iqbal Singh  | - Member   |

### **AUDITORS**

M/s Anil S. Gupta & Associates

201, Vikram Tower, 16 Rajendra Place, New Delhi-110008

### **REGISTERED OFFICE**

D-34, DSIDC Packaging Complex

Kirti Nagar, New Delhi-110015

### **CORPORATE OFFICE**

32 Mile Stone, G.T. Road

Kundli, Sonapat, Haryana –131028

Website: [www.fiemauto.com](http://www.fiemauto.com)

### **REGISTRAR AND SHARE TRANSFER AGENT**

Intime Spectrum Registry Limited

2<sup>nd</sup> Floor, A-40, Naraina Industrial Area, Phase-II, New Delhi-110028

Ph: 011-41410592/93/94 Fax No: 011-41410591



## **NOTICE**

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the company will be held on Monday the 17<sup>th</sup> day of December 2007 at 10.30 A.M. at Airforce Auditorium, Subrato Park, New Delhi-110010, to transact the following business:

### **ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet as on 31<sup>st</sup> March 2007 and Profit & Loss Account for the period ended on that date together with Directors' Report and Statutory Auditor's Report thereon.
2. To declare dividend on the Equity Shares of the Company for the financial year 2006-07.
3. To appoint a Director in place of Mr. Pravin Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.S.S. Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Iqbal Singh, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. R.S. Bhatia, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint statutory auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s Anil S. Gupta & Associates, Chartered Accountants, be and are hereby appointed as statutory auditors of the Company to hold the office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

### **SPECIAL BUSINESS**

#### **8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:**

RESOLVED THAT in accordance with the provisions of Section 198,309,310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof) and in terms of Articles of Association of the Company, the members hereby approve the increase in remuneration of Mr. J.S.S. Rao, Whole Time Director of the Company as revised w.e.f. 1<sup>st</sup> April, 2007 by the Board of Directors of the Company for the remaining period of his tenure i.e. up to 30.11.2008 on the terms and conditions as mentioned hereunder with an authority to the Board of the Company to further modify /alter the remuneration suitably with in the overall limit under section 198, schedule XIII and other applicable provisions of the Companies Act, 1956.

##### **(a) Salary**

Rs. 2,00,000/- (Rs. Two Lac only) per month

##### **(b) Other Benefits, Perquisites & Allowances**

In addition to salary, he will be entitled to:

- i) Medical Insurance/ Personal Accident Policy and such other perquisites / allowances in accordance with the rules of the Company as decided by the Board or any Committee thereof, from time to time.
- ii) Company maintained car with driver for official use.
- iii) Leave Encashment and gratuity in accordance with the rules of the Company.
- iv) Telecommunication / mobile phone facilities.

RESOLVED FURTHER THAT if in any subsequent financial year during his tenure as Whole Time Director, the Company has made no profits or profits are inadequate then the remuneration payable to Mr. J.S.S. Rao will be as permissible in Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company be and is hereby authorized to do all such acts, things and deeds necessary and incidental to give effect to this resolution."

#### **9. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:**

RESOLVED THAT in accordance with the provisions of Section 198,309,310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof) and in terms of Articles of Association of the Company, the members hereby approve the increase in remuneration of Mrs. Seema Jain, Whole Time Director of the Company as revised w.e.f. 1<sup>st</sup> April 2007 for the remaining period of her tenure i.e. up to 31.03.2008 by the Board of Directors of the Company on the terms and conditions as mentioned hereunder.

##### **(a) Salary**

Rs. 2,00,000/- (Rs. Two Lac only) per month

##### **(b) Other Benefits, Perquisites & Allowances**

In addition to salary, she will be entitled to:

- i) Medical Insurance/ Personal Accident Policy and such other perquisites / allowances in accordance with the rules of the Company as decided by the Board or any Committee thereof, from time to time.
- i) Company maintained car with driver for official use.
- iii) Leave Encashment and gratuity in accordance with the rules of the Company.

- iv) Telecommunication / mobile phone facilities.

RESOLVED FURTHER THAT if in any subsequent financial year during her tenure as Whole Time Director, the Company has made no profits or profits are inadequate then the remuneration payable to Mrs. Seema Jain will be as permissible in Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company be and is hereby authorized to do all such acts, things and deeds necessary and incidental to give effect to this resolution."

**10. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:**

RESOLVED THAT in accordance with the provisions of Section 198,309,310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof) and in terms of Articles of Association of the Company, the members hereby approve the increase in remuneration of Ms. Aanchal Jain, Whole Time Director of the Company as revised w.e.f. 1<sup>st</sup> April, 2007 for the remaining period of her tenure i.e. up to 31.03.2008 by the Board of Directors of the Company on the terms and conditions as mentioned hereunder.

**(a) Salary**

Rs. 1,00,000/- (Rs. One Lac only) per month

**(b) Other Benefits, Perquisites & Allowances**

In addition to salary, she will be entitled to:

- i) Medical Insurance/ Personal Accident Policy and such other perquisites / allowances in accordance with the rules of the Company as decided by the Board or any Committee thereof, from time to time.
- ii) Company maintained car with driver for official use.
- iii) Leave Encashment and gratuity in accordance with the rules of the Company.
- iv) Telecommunication / mobile phone facilities.

RESOLVED FURTHER THAT if in any subsequent financial year during her tenure as Whole Time Director, the Company has made no profits or profits are inadequate then the remuneration payable to Ms. Aanchal Jain will be as permissible in Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company be and is hereby authorized to do all such acts, things and deeds necessary and incidental to give effect to this resolution."

**11. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to provisions of sections 198, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as 'the said Act' including any modification(s) or re-enactment(s) for the time being in force, if any and as recommended

by the Remuneration Committee and approved by the Board of Directors and subject to the approval of Central Government and other approvals as may be required and in super cession of earlier resolution passed in this regard, the remuneration of Mr. Jagjeewan Kumar Jain, Chairman & Managing Director, be and is hereby increased from Rs.2,50,000/- (Rupees Two Lacs Fifty Thousand) per month to Rs. 12,50,000/- (Rupees Twelve Lac fifty thousand) per month with effect from 1<sup>st</sup> April 2007, for a period of three years i.e. for the remaining period of his current tenure i.e. up to 6<sup>th</sup> August, 2009 and on any subsequent re-appointment as Managing Director in the following manner:

**(a) Salary :**

Rs. 12,50,000/- (Rupees Twelve Lac fifty thousand) per month.

**(b) Other Benefits, Perquisites & Allowances:**

In addition to the Salary, he will be entitled to:

- (i) Leave Travel Assistance, medical facility/ reimbursement, medical insurance, club fees, house servants and other perquisites/ allowances not exceeding Rs. 50,000/- (Rupees Fifty Thousand) per month in aggregate.
- (ii) Company maintained car with driver for official use.
- (iii) Telecommunication/ Mobile phone facilities.

The following shall not be included for the purpose of computation of the Managing Director's remuneration as aforesaid:

- (i) The Company's contribution to Provident Fund and Superannuation Fund pursuant to the Rules of the company, to the extent either singly or taken together are not taxable under the Income Tax Act
- (ii) Gratuity payable to the Managing Director as per Payment of Gratuity Act.
- (iii) Encashment of leave at the end of tenure, on ceasing to be the Managing Director of the company.

**RESOLVED FURTHER THAT** the above remuneration be paid as minimum remuneration to Mr. Jagjeewan Kumar Jain, notwithstanding that in any financial year during his tenure as Managing Director, the Company has made no profits or profits are inadequate within the meanings of Schedule XIII and other applicable provisions of the Companies Act, 1956.

**RESOLVED FURTHER THAT** Any Director or Company Secretary of the Company be and is hereby authorized to file such application, representation and documents, as may be prescribed with the Central Government or such other concerned authorities for seeking their approval and to write, sign, file such applications, forms, documents, returns as may be prescribed for the purpose and to do all such acts, deeds and things as may be deemed necessary for the purpose of giving effect to this resolution."

**12. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to section 163 and other applicable provisions of the Companies Act, 1956 (the Act) consent of the Members

be and is hereby accorded to keep the Register and Index of Members, Copies of the Certificates and Documents, if any, as may be required, at the office of Registrar & Transfer Agent of the Company, M/s Intime Spectrum Registry Limited, A-40, Naraina Industrial Area, Pahse-II, Near Batra Banquet Hall, New Delhi-110028 instead of being kept at the Registered Office of the Company and that the aforesaid Registers and Documents be kept open for inspection from 11:00 a.m. to 1:00 p.m. for any working day except when the Registers and Books are closed under the provisions of the Act and/or Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to terminate the arrangement of keeping the above Registers and Documents at the aforesaid address and make alternate arrangements at its discretion considering the requirement of business from time to time."

**By Order Of The Board  
For FIEM Industries Limited**

-Sd-

Place : New Delhi  
Date : 29.10.2007

**Arvind K. Chauhan  
Company Secretary**

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself/ herself and the proxy need not be a member of the company. The instrument appointing the proxy, in order to be effective must be received at the registered office of the company not less than forty-eight hours before the scheduled time for commencement of the meeting. Blank proxy form is enclosed with the Notice.
2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. The Company has obtained the approval of the Registrar of Companies, Delhi and Haryana, Delhi under Sub Section (1) of Section 166 of the Companies Act, 1956, for extension of time for holding the Annual General Meeting of the Company.
4. In terms of Article 159 of the of the Articles of Association read with Section 255 and 256 of the Company Act, 1956, Shri Pravin Kumar, Shri J.S.S. Rao, Shri Iqbal Singh and Shri P.S. Bhatia Directors, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business to be transacted at the Meeting is annexed hereto.
6. Members are requested to bring their Attendance Slip along with their copy of the Annual Report to the Meeting.
7. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
10. The Register of Members and Transfer Books of the Company shall remain closed from December 11, 2007 to December 17, 2007 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.
11. The Board has recommended a dividend at the rate of 25% (Rs. 2.50 per Share) on the equity shares of the Company. The dividend if approved by the members at the said Annual General Meeting, will be paid to those members, whose name appear on the Register of Members of the Company as on December 17, 2007 However, in respect of shares held in electronic form, the dividend will be payable to those persons whose names appear as beneficial owners as at the closure of the business hours on December 10, 2007 as per details to be furnished by the depositories.
12. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents, M/s. Intime Spectrum Registry Limited for consolidation into a single folio.
13. Under section 109A of the Companies Act, 1956 members are entitled to make nomination in respect of shares held by them in physical mode. Members desirous of making nominations are requested to send their request in Form 2B of the Companies (Central government's) General Rules & Forms, 1956 in duplicate to the Company's Registrar & Transfer Agent.
14. Members holding shares in dematerialized mode are advised to intimate all changes pertaining to their bank details, ECS mandate, nominations, power of attorney, address etc. to their depository participant only and not to the Company or its Registrar & Transfer Agent. Members holding shares in physical form are advised to submit particulars of bank account, viz.,



name and address of the Branch of the Bank, 9 digit MICR code of the branch, type of account and account no. to the Company's Registrar & Transfer Agent.

15. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agents, M/s. Intime Spectrum Registry Limited, immediately of:
- a) Change in their Residential status on return to India for permanent settlement.
  - b) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with Pin Code Number, if not furnished earlier.

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

**ITEM No. 8**

Mr. J.S.S. Rao is whole time director of the Company w.e.f. 01.12.2005. He is looking after overseas operations and contributed significantly in establishing 100% Export Oriented Unit of the Company in Hosur. With the increase in operations of the Company his duties and responsibilities have increased. In order to bring his remuneration commensurate with the increased duties & responsibilities and also in line with the industry trend, the Board of Directors of the Company, on the recommendation of Remuneration Committee has approved, subject to approval of the members of the Company and other applicable statutory approvals, if any, the revision in his remuneration in the manner given in the proposed Resolution.

Except Mr. J.S.S. Rao himself, no other Director is interested / concerned in the passing of the resolution.

Your Directors commend this resolution for your approval as Special Resolution.

**ITEM No. 9**

Mrs. Seema Jain is whole time director of the Company w.e.f. 01.04.2005. She is looking after Finance & Accounts Department of the Company. During the year 2006-07 the Company has established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth. With the increase in operations of the Company the duties and responsibilities of Director (Finance) have increased significantly. In order to bring her remuneration commensurate with the increased duties & responsibilities and also in line with the industry trend, the Board of Directors of the Company, on the recommendation of Remuneration Committee has approved, subject to approval of the members of the Company and other applicable statutory approvals, if any, the revision in her remuneration in the manner given in the proposed Resolution.

Mrs. Seema Jain, Mr. J.K. Jain (Chairman & Managing Director), Ms. Aanchal Jain and Mr. Rahul Jain, Directors may be deemed to be concerned or interested in this resolution as all are related to each other and are shareholders of the Company.

Your Directors commend this resolution for your approval as Special Resolution.

**ITEM No. 10**

Ms. Aanchal Jain is whole time director of the Company w.e.f. 01.04.2005. She is looking after Human Resources Department of the Company. During the year 2006-07 the Company has established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth. With the increase in operations of the Company the manpower of the Company has increased substantially and accordingly her duties and responsibilities have increased significantly. In order to bring her remuneration commensurate with the increased duties & responsibilities and also in line with the industry trend, the Board of Directors of the Company, on the recommendation of Remuneration Committee has approved, subject to approval of the members of the Company and other applicable statutory approvals, if any, the revision in her remuneration in the manner given in the proposed Resolution.

Ms. Aanchal Jain, Mr. J.K. Jain (Chairman & Managing Director), Ms. Seema Jain and Mr. Rahul Jain, Directors may be deemed to be concerned or interested in this resolution as all are related to each other and are shareholders of the Company.

Your Directors commend this resolution for your approval as Special Resolution.

**ITEM No.11**

Mr. J. K. Jain was re-appointed as Managing Director of the Company in the Extra-Ordinary General Meeting of company held on April 1, 2005, for a period of 3 years w.e.f. August 7, 2006. Since then he is receiving a remuneration of Rs. 2,50,000/- per month. It is a matter of record that 2005-06 and 2006-07 are the years where the company has seen its major growth. Four new units (Unit-III, IV, V and VI) have been established during this period, the turnover of the company has increased substantially. The Technical Support Agreement with M/s Ichikoh Industries Limited of Japan happened in November 2005, which is a milestone for the Company. Overseas design center and liaison office established in Japan. These all things happened because of dynamic leadership of Mr. J.K. Jain. He is the founder promoter of the Company and because of his vision and passion the Company has achieved the present position. With the increase in operations of the Company his duties and responsibilities have increased manifold. In order to bring his remuneration commensurate with the increased duties & responsibilities and also in line with the industry trend, the Board of Directors of the Company, on the recommendation of Remuneration Committee has approved, subject to approval of the members of the Company and other applicable statutory approvals, the revision in his remuneration in the manner given in the proposed Resolution. The other information required under Shedule XIII are given at the end of explanatory statement.

Mr. J.K. Jain (Chairman & Managing Director), Ms. Seema Jain, Ms. Aanchal Jain and Mr. Rahul Jain, Directors may be deemed to be concerned or interested in this resolution as all are related to each other and are shareholders of the Company.

Your Directors commend this resolution for your approval as Special Resolution.

#### ITEM No.12

The Company has appointed M/s Intime Spectrum Registry Limited as Registrar & Share Transfer Agent to handle the entire work relating to share transfer in both electronic and physical form. To enable the Registrar to carryout their duties expeditiously and efficiently, it is desirable to keep the Register and Index of Members and other documents mentioned in the Resolution at the office of M/s Intime Spectrum Registry Limited at A-40, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi-110028.

Pursuant to section 163 of the Companies Act, 1956 consent of the members by a Special Resolution is required for the above said matter. The Resolution also specifies the time of inspection of Registers and Documents to be kept with the Registrar and Share Transfer Agent.

As required under section 163 of the Act, an advance copy of the proposed special Resolution is being delivered to the Registrar of Companies, NCT of Delhi & Haryana.

No Director has any interest or concern in the Resolution except as member, if any, of the Company.

Your Directors commend this resolution for your approval as Special Resolution.

**The explanatory statement together with the Notice is to be treated as abstracts of the change in terms of the appointment and Memorandum of concern or interest about Mr. J.S.S. Rao, Mrs. Seema Jain, Ms. Aanchal Jain and Mr. J.K. Jain pursuant to Section 302 of the Companies Act, 1956.**

**BY ORDER OF THE BOARD  
For FIEM Industries Limited**

**-Sd-**

**Arvind K. Chauhan  
Company Secretary**

Place : New Delhi  
Date : 29.10.2007

#### **Statement pursuant to Clause I(C) (iv) of Section II of Part II of Schedule XIII to the Companies Act, 1956 in connection with increase of remuneration of Mr. J.K. Jain, Managing Director of the Company.**

| <b>I GENEAL INFORMATION:</b>   |  |
|--|--|
| (1) Nature of Industry   | <b>Auto Components:</b> Automotive Lighting, Signalling Equipments, Rear View Mirrors and Sheet Metal Components.  |
| (2) Date or expected date of commencement of commercial production:  | The Company is already in operations since the year of incorporation i.e. 1989 and Commercial Production started in that year.   |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | Not Applicable, as the Company is already in operations.   |
| (4) Financial performance based on given indicators.   | Given in the Directors Report forming part of this Annual Report. For detailed information kindly refer Financial Statements for the year 2006-07.                                   |
| (5) Export performance and net foreign exchange collaborations.  | The Company don't have any net foreign exchange collaboration. The Export performance and Foreign exchange details are given in Directors Report forming part of this Annual Report. |
| (6) Foreign Investments or collaborators, if any.  | The Company have Technical Support Agreement with Ichikoh Industries Limited of Japan.   |
| <b>II. INFORMATION ABOUT THE APPOINTEE:</b>  |  |
| (1) Background Details   | Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.  |
| (2) Past Remuneration  | Rs. 2,50,000/- per month since April 1, 2005.  |
| (3) Recognition & Awards   | Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.  |

|  |   |  |
|--|---|--|
| (4)  | Job profile and his suitability   | Please refer 'Profile of Directors' in Corporate Governance Report' forming part of the Annual Report.   |
| (5)  | Remuneration Proposed   | As per Resolution in the Notice for the Annual General Meeting.  |
| (6)  | Comparative Remuneration profile with respect to industry, size of the Company, profile of the position and person. | The Company operates in Automotive Lighting and Mirrors segment of the Auto components Industry. Though factors deciding the Managerial Remuneration of a company are specific to each company, still information is given for one other company in this segment, M/s Lumax Industries Limited. As per Directors Report of that Company for the year 2006-07 the annual remuneration paid to Managing Director is Rs. 1,43,14,624. The Proposed remuneration is commensurate with the increased duties & responsibilities, size of the company, profile of the position and person and also in line with the industry trend. |
| (7)  | Pecuniary relationship directly or indirectly with the Company, relationship with the managerial personnel, if any. | Mr. J.K. Jain is the promoter director of the Company and hold 63.96% of the shareholding of the Company with relatives and related concerns. The other Directors i.e. Mrs. Seema Jain, Ms. Aanchal Jain and Mr. Rahul Jain are relatives of Mr. J.K. Jain.  |
| <b>III OTHER INFORMATION:</b>  |   |  |
| (1)  | Reason for loss or inadequacy of the profits  | There are no losses in the Company and the Company is earning good profits. However, The proposed remuneration of Mr. J.K. Jain is exceeding 5% of profits of Financial Year 2006-07 calculated under section 349, & 350 read with section 198 of the Companies Act, 1956. Consequently the total Managerial Remuneration is also exceeding the 10% of profits of Financial Year 2006-07 calculated under section 349, & 350 read with section 198 of the Companies Act, 1956  |
| (2)  | Steps taken or proposed to be taken for improvement.  | The Management of the Company has taken important decisions for business development. During the year 2006-07, the Company has established two more units. The management is focussing on Exports and Replacement market where the margins are better than O.E.M. Customers. Further the management is trying to increase its share in four wheel market and planning for setting up more manufacturing facilities.  |
| (3)  | Expected increase in productivity and profits in measureable terms.   | The Turnover and Net Profit After Tax of the company is expected to increase by 20% to 30% and 10% to 20% respectively on year on year basis.  |
| <b>IV DISCLOSURES:</b>   |   |  |
| Disclosures need to be mentioned in Corporate Governance Report forming part of the Annual Report. |   | Required Disclosures are mentioned in Corporate Governance Report forming part of the Annual Report.   |



## DIRECTORS' REPORT

### Dear Shareholders,

The Directors of your company have pleasure in presenting the 18<sup>th</sup> Annual Report on the affairs of the company together with the Audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March 2007 and the report of Statutory Auditors thereon.

### FINANCIAL RESULTS:

The working results of the company, in brief, are as under

(Rs. In Lacs)

| PARTICULARS   | F.Y. (2006-07) | F.Y. (2005-06) |
|---|----------------|----------------|
| Gross Sales   | 19423.59       | 14318.47       |
| Sales, Net of Excise  | 16833.54       | 12360.06       |
| Profit before Tax, Depreciation, Interest, Bank charges & Prior Period Expenses | 2486.29        | 1696.80        |
| Less Prior Period Expenses.   | 14.88          | 32.96          |
| Less Interest & Bank Charges  | 189.21         | 187.24         |
| Profit before Tax & Depreciation  | 2282.20        | 1476.60        |
| Less Depreciation   | 512.53         | 361.65         |
| Profit Before Tax   | 1769.67        | 1114.95        |
| Less:   |                |                |
| a) Provision for tax  | 402.62         | 363.13         |
| b) Income Tax Paid for earlier years  | 12.49          | 0.57           |
| <b>Net Profit</b>   | <b>1354.57</b> | <b>751.25</b>  |

### AMALGAMATION OF FIEM SUNG SAN (INDIA) LIMITED WITH THE COMPANY

During last quarter of the financial year 2006-07, the Amalgamation process of FIEM Sung San (India) Limited with the Company under section 391 to 394 of the Companies Act, 1956 was started. Hon'ble High Court of Delhi vide its order dated 3<sup>rd</sup> September 2007 has approved the Scheme of Amalgamation of FIEM Sung San (India) Limited, subsidiary of the Company with the Company. The Appointed Date of the Scheme is April 1, 2006. The Scheme of Amalgamation has become effective from October 27, 2007 and accordingly FIEM Sung San (India) Limited has been amalgamated with the Company.

The assets and liabilities of the FIEM Sung San (India) Limited and operating results have been incorporated in the Company's books with effect from April 1, 2006 (Appointed Date). Therefore results for the year 2006-07 are not comparable with 2005-06 to that extent.

### REVIEW OF OPERATIONS

Your Company continued to move forward on all major fronts during the year 2006-07. Once again the Company has achieved healthy growth in production, sales and profits. The Company's net turnover at

Rs. 16833.54 lacs was higher by 36.19% and profit before finance charges, depreciation, tax and Prior Period expenses at Rs. 2,486.29 lacs was higher by a 46.53%. The increase in turnover was mainly due to the impact of increase in production resulting from the increase in demand and supplies to existing and new OE Manufacturers. During F.Y.2006-07 the profits are higher due to better realization for the products.

### DIVIDEND

Your Board of Directors has recommended a maiden dividend of 25% (Rs. 2.50 per share) on the Equity Shares of the Company for the financial year 2006-07 to the shareholders to be determined by Book Closure. The same is recommended for approval of the shareholders.

### TRANSFER TO RESERVES

For the financial year 2006-07, an amount of Rs. 150 Lacs has been transferred to the General Reserve Account.

### INITIAL PUBLIC OFFERING OF EQUITY SHARES

During the year under review, your company successfully completed the IPO of 41,00,001 Equity Shares of Rs. 10/- each at a price of Rs. 137/- per share. The issue was open for subscription from September 21, 2006 to September 27, 2006. Your company's public issue received impressive response from the investors. The shares of the company got listed on National Stock Exchange of India Ltd. and Bombay Stock Exchange Limited on 19<sup>th</sup> October 2006.

Your Directors take this opportunity to thank all the investors for the successful completion of IPO.

### SHARE CAPITAL

During the financial year 2006-07 the company came with Initial Public Offer of its Equity Shares and allotted 41,00,001 Equity Shares of Rs. 10 each at premium of Rs. 127/- each. Consequently, the paid-up capital of the company has increased from Rs. 7,75,81,600/- to Rs. 11,85,81,610/-

The information related to other changes in the share capital of the company is as under:

1. Increase in Authorized Share capital of the Company from Rs. 11 Crore to Rs. 20 Crore on 24.05.2006. (Equity share of Rs. 10/- each)
2. Increase in Authorized Share capital of the Company from Rs. 20 Crore to Rs. 30 Crore pursuant to Scheme of Amalgamation of the FIEM Sung San (India) Limited (transferor Company) with the Company. The Effective date is 27<sup>th</sup> October 2007 and the Appointed Date is 1<sup>st</sup> April, 2006.
3. An Equity Share Suspense Account has been created with the amount of Rs. 10,40,650/- for allotment of 1,04,065 Equity Shares of Rs. 10/- each as fully paid-up to the shareholders of FIEM Sung San (India) Limited pursuant to the Scheme of Amalgamation of the FIEM Sung San (India) Limited (transferor Company) with the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented in a separate section forming part of Annual Report.

## OPERATIONAL UPDATE

The major development on operational front during the year 2006-07 and up to the date of this Report are summarized as under:

### Setting Up a 100% EOU at Kelamanglam, Hosur, Tamil Nadu (Unit V)

Your company has successfully established 100% export oriented unit at Kelamanglam, Achetapalli Post, Hosur, Tamil Nadu (Unit V) having proximity to Chennai Sea port as well as Bangalore Airport.

This is established in Technical Support Agreement with M/s ICHIKOH Industries Limited, one of the world leaders in automotive lighting, mirrors and wipers arm system. The Machines are imported from Japan and commissioned under the supervision of Engineers from ICHIKOH Industries.

### Setting Up a new unit at Nalagarh, Himachal Pradesh (Unit VI).

Your company has also established new manufacturing facility at Nalagarh, Himachal Pradesh (Unit VI) for manufacturing of lighting and signaling equipments and rear view mirrors.

Besides Tractor and Replacement Market, this unit is also catering the requirements of our esteemed customer M/s TVS Motor Company and other OEMs located in Himachal Pradesh and Uttranchal. The Company is also supplying the value added products to M/s TVS Motor Company like fully assembled Fender Assemblies both front and rear, fitted with Lamps, License plate and other sheet metal parts.

## DIRECTORS

In terms of Article 159 read with section 255 and 256 of the Companies Act, 1956 Mr. Pravin Kumar, Mr. J.S.S. Rao, Mr. Iqbal Singh and Mr. P.S.

Bhatia are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

Brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional area and names of the companies in which they hold directorship and membership/ Chairmanship of Board Committees, as stipulated under Clause 49 of the listing Agreements with the Stock Exchanges are provided in the Report on Corporate Governance forming part of the Annual Report.

## SUBSIDIARY COMPANY

The Company had only one subsidiary i.e. FIEM Sung San (India) Limited. As mentioned elsewhere in this Report vide Order of Hon'ble High Court of Delhi dated 3<sup>rd</sup> September 2007, FIEM Sung San (India) Limited amalgamated with the Company pursuant to Scheme of Amalgamation which has become effective from October 27, 2007. The Appointed Date of the Scheme is April 1, 2006.

## FIXED DEPOSITS

The Company has not accepted any Fixed Deposit within the meaning of the Companies (Acceptance of Deposit) Rules, 1975.

## AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and therefore do not call for further comments under Section 217 of the Companies Act, 1956

## AUDITORS

M/s Anil S. Gupta & Associates, Chartered Accountants will retire at the conclusion of this 18<sup>th</sup> Annual General Meeting and being eligible are proposed for re-appointment. They have given certificate to the effect that the appointment, if made, would be within the limit prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment with in the meaning of Section 226 of the said Act.

## PARTICULARS OF EMPLOYEES

As per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 a statement of particulars of employees is as under:

(i) **Employed throughout the Financial year (2006-07), was in receipt of remuneration for that year which, in the aggregate, was not less than Rs. 24,00,000/-:**

| Name          | Designation                  | Remuneration (Rs.) (PA.) | Qualification | Experience in years | Date of Commencement of Employment | Age in years | Last Employment & position held | %age of Equity Shares held |
|---------------|------------------------------|--------------------------|---------------|---------------------|------------------------------------|--------------|---------------------------------|----------------------------|
| Mr. J.K. Jain | Chairman & Managing Director | 30 Lacs                  | B.Com         | 36                  | 05.08.96 <sup>1</sup>              | 55           | -See Note <sup>1</sup>          | 63.96% <sup>2</sup>        |

### Note:

- Mr. J.K Jain with family members promoted the company on 06.02.1989. Since then he was on the Board of the Company as Non executive Director. On and from 05.08.96 he is on the Board as Chairman & Managing Director.
- Percentage of the Equity Shares held includes shareholding of relatives and related concerns.

**Other information:**

1. The Employment of Mr. J. K. Jain is contractual.
2. Other terms and conditions of employment are as per rules of the Company.
3. **Nature of duties of the Employee:** Being the Chairman & Managing Director of the Company Mr. J.K. Jain possess the substantial powers of management and also looks after overall management of the Company.
4. The other Directors who are relative of Mr. J.K. Jain are as under:
  - (i) Mrs. Seema Jain, Whole Time Director is wife of Mr. J. K. Jain.
  - (ii) Mr. Rahul Jain, Non Executive Director is son of Mr. J.K. Jain.
  - (iii) Ms. Aanchal Jain, Whole Time Director is daughter of Mr. J.K. Jain.

**(ii) There is no other employee who employed for the part of the Financial year (2006-07), was in receipt of remuneration for any part of the year, at a rate which, in the aggregate, was not less than Rs. 2,00,000/- per month.**

**(iii) There is no other employee who was in receipt of remuneration in terms of the provisions of Section 217(2A)(a)(iii) of the Companies Act, 1956.**

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO**

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in 'Annexure- A' which forms part of this Directors' Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) In the preparation of the annual accounts for the year ended March 31, 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for protecting & detecting fraud and other irregularities;
- (iv) The Annual Accounts for the year-ended 31.3.2007 have been prepared on a going concern basis.

**ACKNOWLEDGEMENT**

The Board wishes to place on record its thanks & gratitude to the shareholders, banks and vendors for the trust and confidence reposed and to the OEMs for their valued patronage.

The Board further takes this opportunity to express its sincere appreciation for the efforts put in by the employees of the company at all levels in achieving the results and hopes that they would continue their sincere and dedicated endeavor towards the attainment of better working results during the current year.

**For and on behalf of the Board of  
FIEM INDUSTRIES LIMITED**

**Place : New Delhi  
Date : 29.10.2007**

**-Sd-  
J.K. JAIN  
Chairman & Managing Director**



## ANNEXURE- 'A' TO THE DIRECTORS REPORT

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo – Companies (Disclosure of particulars in the Report of Board Of Directors) Rules, 1988

#### CONSERVATION OF ENERGY

Your Company is taking all possible steps for conservation of energy. The management is aware and proactive about the need to conserve energy at all possible fronts. To achieve this objective, the following steps have been taken:

1. The conventional Lighting system has been replaced with the new energy saving system.
2. A new compressor for 22 KW has been installed. This is used during night shift, when the 45 KW compressors are not required.
3. Programmable Logic Controls and Alternate Current Drivers installed for machineries, which help in preservation of energy.
4. Energy distribution panels have been installed for continuous monitoring of energy utilization, so that the appropriate step can be taken immediately.
5. Energy saving devices has been installed wherever found necessary.
6. Proper training is imparted to concerned staff to use minimum power while working in the office & switch off the electric driven equipments when these are not in use.

#### Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy:

The investment has been done towards above measures wherever necessary and a no. of proposals have been identified and shall be implemented for reduction of consumption of energy. The area like shop floor and molding are identified for this purpose.

#### Impact of Above Measures:

These measures have resulted in significant saving in energy consumption and reduction in cost of production.

#### RESEARCH & DEVELOPMENT

##### 1. Specific Areas In Which R& D Carried Out By The Company:

- R& D Carried out in the areas of designing, Tool development, product development, process engineering, testing and energy conservation.

##### 2. Benefit derived as a result of R&D:

- Development of new products.
- Development of New Dies and Moulds.
- Increase in operational efficiency.
- Improvement in process control.
- Reduction in rejections.

##### 3. Future Plan of action : The Company is focusing to enhance its designing, engineering and tool making capabilities and planning in this direction.

##### 4. Expenditure on R&D:

- Research expenses are charged to Profit & Loss Account as and when incurred. Development expenses are also charged to Profit & loss Account as and when incurred unless they meet intangible assets recognition criteria. The expenses related to research and development are debited to fixed assets and depreciation charged at applicable rates.

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

##### 1. Efforts Made:

The Company is continuously striving for updating technology by addition of new hardware as well as software. New and ultra-modern machines are installed which are equipped with latest technology. The efforts of the company are towards maximum automation by using latest technology. In design and development new technology is adopted.

##### 2. Benefits Derived:

- Development of new lights based on LED instead of traditional bulb.
- Increase in performance of the new products with better aesthetics and safety features.
- Testing lab has become one of the best in the industry in which the Company operates and is designed to use the latest testing techniques as per the International Standards.

Your Company has also set up an overseas Research & Design center in Japan, to further strengthen the Company's design capability.

#### EXPORT INITIATIVE AND FOREIGN EXCHANGE EARNING & OUTGO

**Activities relating to Exports:** The Company exports automotive lights and mirrors to OEMs in other countries.

**Initiatives taken to increase exports, development of New Export markets and export plans:** \_Company is concentrating in foreign markets and taking the initiatives to increase the exports and new customers. These can be summarized as under:

- (i) Company is taking part in exhibitions in India and abroad.
- (ii) Regular advertisements in Auto magazines and other publications.
- (iii) Representation on the delegations from India to other countries.
- (iv) Marketing for the Company's products in other countries.
- (v) Approach to new foreign customers through existing customers and other available references.
- (vi) Setting-up of 100% EOU at Hosur with the Technical support of Ichikoh Industries Limited, Japan is a milestone on export front. It will give a major boost to exports of the Company.
- (vii) In addition to export to the direct OEMs, the company is also planning to tap the outsourcing opportunities from Tier-I suppliers of world repute.

During the year 2006-07, foreign exchange earning and outgo had been as under:

| <b>Foreign Exchange Outgo</b> |                                    | <b>Amount (In Rs. lacs)</b> |                |
|-------------------------------|------------------------------------|-----------------------------|----------------|
| <b>S.No.</b>                  | <b>Particulars</b>                 | <b>2006-07</b>              | <b>2005-06</b> |
| 1                             | Value of Import on CIF basis       | 2366.81                     | 879.40         |
| 2                             | Foreign Travel                     | 13.47                       | 17.05          |
| 3                             | Professional Fees                  | 17.06                       | 4.59           |
| 4                             | Technical Know how fee & Other fee | 55.72                       | 13.93          |
| 5                             | Exhibition Participation Expenses  | 0.00                        | 7.52           |
| 6.                            | Japan Office Exp.                  | 40.13                       | 34.18          |
| 7.                            | Other Exp.                         | 15.18                       | 0.00           |
| <b>TOTAL</b>                  |                                    | <b>2508.37</b>              | <b>956.67</b>  |

| <b>Earning in Foreign Exchange</b> |                          | <b>Amount (In Rs. lacs)</b> |                |
|------------------------------------|--------------------------|-----------------------------|----------------|
| <b>S.No.</b>                       | <b>Particulars</b>       | <b>2006-07</b>              | <b>2005-06</b> |
| 1                                  | Export Sale on FOB Value | 791.49                      | 585.98         |
| 2                                  | Testing Fee Received     | 8.89                        | 9.69           |
| 3                                  | Sale of Block & Dies     | 26.45                       | 50.57          |
| <b>TOTAL</b>                       |                          | <b>826.83</b>               | <b>646.24</b>  |

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and development

As a result of Liberalization policies of the government, India is emerging amongst the most exciting growing markets globally and this growth is reflected across the board including automobile sector. With the growth in the domestic automobile industry, India has become one of the prime business destinations for many global automotive players.

India's automotive component industry is riding piggyback on the automobile industry. Over the years it has become quality conscious and aims for global market. The industry is blessed with low cost manufacturing base coupled with availability of skilled workers and low input costs. As the Indian automobile industry has grown with the presence of domestic as well as worldwide renowned automakers, the Indian auto component industry has also grown tremendously.

On 29<sup>th</sup> January 2007 Prime Minister, Dr. Manmohan Singh officially launched the Automotive Mission Plan 2016 (AMP 2016). The AMP has 25 key recommendations focused at attracting an incremental investment of Rs. 1,60,000 – 1,80,000 Crores (USD 35 to 40 Billion) over the next 10 years. It is expected that the turnover of the industry would be 6,67,000 crores in 2016, 4 times the current turnover. The AMP has a vision to "emerge as the destination of choice in the world for design and manufacture of automobiles and auto components with output reaching a level of USD 145 billion accounting for more than 10% of the GDP and providing additional employment to 25 Million people by 2016".

Slowly, but surely, the sector is emerging as the next big business opportunity for Indian companies as global Original Equipment Manufacturers (OEMs) have hiked their procurement plans and as a result thereof, domestic companies are expanding. Spurred by the buoyancy in the auto sector, investments in the auto ancillary sector are rising rapidly. Stronger economic growth, rapid growth in road infrastructure and increasing affordability will ensure a high sales growth momentum for the auto sector and consequently for auto component sector also.

### Opportunities and threats

#### a) Opportunities

The Indian automotive components industry is expected to experience robust growth over the next decade. Growing demand from domestic OEMs coupled with the massive export opportunity created due to outsourcing by global OEMs and Tier I companies will ensure that the auto components industry will achieve tremendous growth in the coming time.

This has been reflected in a study note made by McKinsey for the ACMA. It says that cost pressure on global OEM's will drive them to outsource from Low Cost Countries (LCC) especially India and China.

Backed by Government's initiative on rural roads and better connectivity with major towns and cities, improved agricultural

performance, upward trend of purchasing power in the hands of rural people, the Two Wheeler segment is expected to post a steady growth. Rural India accounts for 2/3rd of the country's population and is dependent on agriculture and allied activities. Despite its size, this segment has been largely ignored for a long time now. Among many positive factors like rural development, increased private sector participation in farming, we believe that Indian infrastructure development will drive growth in rural areas in the long term.

Accordingly, to meet this growing trend, the Company has entered into a Technical Support Agreement with M/s Ichikoh Industries Limited of Japan to equip itself with latest technology in production, design and R&D. Ichikoh is one of the world leaders in Automotive Lightings, Mirrors and wipers arm system and supplies to all major Japanese's OEMs for their worldwide requirements. Its customers include all major Japanese Vehicle manufacturers such as Nissan Motor Co. Ltd, Toyota Motor Corporation, Fuji Heavy Industries, Daihatsu Motor Co. Ltd., Mazda Motor Corporation etc.

The management is focusing on exports and successfully established Unit V, a 100% EOU at Hosur, Tamilnadu with Technical Support of M/s ICHIKOH Industries Limited. The machines are imported from Japan and commissioned under the supervision of engineers from ICHIKOH Industries.

Further, to avail the benefits of growing retail market of automotive components, the company has entered into the after sales market, which will further contribute to the profitability of the Company.

To tap the After Sales Market and Tractor Market in a big way, the Company has successfully commissioned the new Unit (Unit-VI) at Nalagarh, Himachal Pradesh in record time.

Besides Tractor and after sales market, this unit is also catering the requirements of our esteemed customer M/s TVS Motor Company and other OEMs located in Himachal Pradesh and Uttranchal. The Company is also supplying the value added products to M/s TVS Motor Company like fully assembled Fender Assemblies both front and rear, fitted with Lamps, License plate and other sheet metal parts.

To serve the after sales market, the Company has already opened 4 Depots in Delhi, Chennai, Kochi and Hyderabad. Gradually, the company plans to open more depots in major cities.

#### b) Threats/Challenges

Growing interest rates is a main concern for the automobile industry and in turn to auto components industry. The low interest rate was a boon for the industry and played a vital role in its development. However, high interest rates seem a timely phenomenon and a part of macro economy.

In comparison to developed countries, India have some structural disadvantages like higher power cost coupled with inadequate

supply resulting in higher transaction costs. Poor infrastructure like roads, ports, and railways have adversely impacted logistics efficiency and resulted increase in costs. However government is addressing these issues by one or other means like focusing on development of infrastructure and giving tax incentive for underdeveloped areas, setting up SEZs etc.

The management of the company is well aware about these opportunities as well as challenges and growing successfully by dynamic leadership, prudent management, maintaining efficiencies, proactive approach and quality benchmarking.

### Segment-wise performance

The company is engaged in the business of automotive parts, which is governed by the same set of risk and returns. Hence, the Company's business falls within one segment only.

### Outlook

The adverse impact of growing interest rates has started settling down and the volumes have started picking up. At macro level the economy is widely expected to continue showing strong performance in the years to come. Further, there is a cultural change in the Indian middle class as far as their lifestyle, earning capacity, purchasing power and spending habits are concerned. The car and two-wheeler have become necessity rather than luxury, which is driving growth for the automobile sector and in turn for auto components sector. Therefore, as a broad view the outlook is quite encouraging for the Industry and the Company.

### Risk and Concerns

As an industry, there are no such risk and concerns, which couldn't be addressed and as a member of the industry, the company is sufficiently capable to address the risks and concerns up to its potential. However, the Company operates in the economic environment, where any slowdown in the economy may have its impact on the business / opportunities for the company and consequently on its growth. The growing competition will make the industry more competitive.

### Internal Control Systems and its adequacy

Commensurate to the size of the operations, the Company has a proper and adequate system of internal controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations. In order to ensure that all checks and balances are in place and all internal control systems are in order, transactions are authorized in advance and recorded and reported promptly and correctly.

Further, the audit committee of the company is reviewing periodically the internal controls, including the internal audit reports, financial results of the company and provides its support

to all operational and finance functions of the company through regular monitoring and suggestions.

### Financial performance with respect to operational performance

The gross turnover of the company during the year was Rs. 19423.59 Lacs against Rs. 14318.47 Lacs during the previous year resulting in an increase of 35.65%.

The profit after tax of the company for the year 2006-07 was Rs. 1354.57 Lacs (previous year Rs. 751.25 Lacs) resulting in an increase of 80.31%. The operational efficiencies have remained the focus of the management.

As FIEM Sung San (India) Limited, subsidiary company has been amalgamated with the Company w.e.f. 1<sup>st</sup> April, 2006 (Appointed Date), Therefore results for the year 2006-07 are not comparable with 2005-06 to that extent.

### Human Resources Management System / Industrial Relations

The manufacturing of automotive lamps and rear view mirrors is a very labour intensive process. This industry demands very specialized skilled human resources in some of the key processes. Thus, we have a combination of such trained and talented human resources pool with us. Further development and skills improvement is a continuous process in Human Resources Management.

The aim of the management is attracting, retaining and motivating the best talent to achieve the goals of the organization.

The Central Board for Workers Education (Ministry of Labour & Employment, Government of India) has awarded the Company for following good practices in training & education of the workers.

The company has maintained excellent relationship with the employees during the year.

### Cautionary statement

**The statements in Management Discussion and Analysis Report or elsewhere in this Annual Report describing the company's objective, projections, estimates, expectations or predictions may be forward looking statement within the applicable laws and regulations. These are based on certain assumptions and expectations of future events. Actual results may differ materially from those expressed, inferred or implied. Since the company's operations are also influenced by external factors beyond the control of the company, the company assumes no responsibility to publicly amend, modify or revise any forward-looking statement. Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their own judgment in assessing the risk associated with the company.**



## CORPORATE GOVERNANCE REPORT

### (Pursuant to Clause 49 of the Listing Agreement)

#### 1. COMPANY'S PHILOSOPHY

For the Company, good corporate governance does not mean only compliance with various related statutory and regulatory requirements but the sound business practices, which entails from professionalism, transparency and accountability. The Company is committed to maintain the highest level of transparency, accountability and professionalism.

#### 2. BOARD OF DIRECTORS:

##### 2.1 Composition of the Board

As on 31st March 2007, the Board consists of Twelve Directors. Mr. J.K. Jain is an Executive Chairman and designated as Chairman and Managing Director. The Board consists of Six (6) independent directors. All important strategic policy matters are deliberated at the board meetings. The details about the Directors are as under:

| Sr. No. | Name of the Director | Category     | Number of Directorship held in other Public Limited Companies | No. of Chairmanship membership held in Committees** of Other Public Limited Companies as on 31.03.2007 |
|---------|----------------------|--------------|---|--|
| 1       | Mr. J.K. Jain        | CMD Promoter | 1   | Nil  |
| 2       | Mrs. Seema Jain      | E PD         | 1   | Nil  |
| 3       | Mr. J.S.S. Rao       | ED           | Nil   | Nil  |
| 4       | Mr. Pravin Kumar     | ED           | Nil   | Nil  |
| 5       | Ms. Aanchal Jain     | E PD         | Nil   | Nil  |
| 6       | Mr. Rahul Jain       | NEPD         | 1   | Nil  |
| 7       | Mr. C.D. Shah        | ID           | Nil   | Nil  |
| 8       | Mr. Iqbal Singh      | ID           | Nil   | Nil  |
| 9       | Mr. K.S. Lamba       | ID           | Nil   | Nil  |
| 10      | Mr. P.S. Bhatia      | ID           | Nil   | Nil  |
| 11      | Mr. C.S. Kothari     | ID           | Nil   | Nil  |
| 12      | Mr. J.S. Chandhok    | ID           | Nil   | Nil  |

CMD : Chairman & Managing Director

NEPD : Non Executive Promoter Director

EPD : Executive Promoter Director

ED : Executive Director

ID : Independent Director.

\*\* Committee Means Audit Committee and Shareholders' Grievance Committee only.

#### 2.2 Board Meetings

During the Financial Year 2006-07, fourteen Board Meetings were held on 01.04.2006, 26.04.2006, 05.05.2006, 23.06.2006, 01.09.2006, 04.09.2006, 29.09.2006, 11.10.2006, 06.11.2006, 05.12.2006, 02.01.2007, 23.01.2007, 14.02.2007 and 19.03.2007.

#### 2.3 Directors Attendance Record

The attendance of directors at the above Board Meetings and at the previous Annual General Meeting held on 21st August, 2006 is as under:

| Sr. No. | Name of the Director | Board Meeting held during the period of Directorship | No. of Board Meeting attended during the period 1st April 2006 to 31st March 2007. | Whether present at the previous AGM |
|---------|----------------------|--|--|-------------------------------------|
| 1       | Mr. J.K. Jain        | 14   | 14   | Yes                                 |
| 2       | Mrs. Seema Jain      | 14   | 14   | Yes                                 |
| 3       | Mr. J.S.S. Rao       | 14   | 08   | No                                  |
| 4       | Mr. Pravin Kumar     | 14   | 02   | No                                  |
| 5       | Ms. Aanchal Jain     | 14   | 11   | Yes                                 |
| 6       | Mr. Rahul Jain       | 14   | 14   | Yes                                 |
| 7       | Mr. C.D. Shah        | 14   | Nil  | No                                  |
| 8       | Mr. Iqbal Singh      | 14   | 13   | No                                  |
| 9       | Mr. K.S. Lamba*      | 12   | Nil  | No                                  |
| 10      | Mr. P.S. Bhatia      | 14   | 11   | No                                  |
| 11      | Mr. C.S. Kothari     | 14   | 14   | Yes                                 |
| 12      | Mr. J.S. Chandhok*   | 12   | 6  | Yes                                 |

\* Mr. K.S. Lamba and Mr. J.S. Chandhok were appointed as Directors on 26.04.2006.

#### 2.4 Profile of Directors:

##### Brief Profile of the Directors:

**Mr. J. K. Jain**, aged 55 years, is the Chairman and Managing Director of the Company. He hails from a business family and is one of the pioneers in the automotive lighting industry in India. After completing his graduation in Commerce from Delhi University, he got involved in the operations of M/s. B. P. Plastic

Industries in the year 1970, a proprietary concern set-up by Bishamber Sahai Jain Trust, a family trust. M/s. B. P. Plastic Industries was then engaged into the business of manufacturing automotive lighting and signaling equipments. To fulfill the growing demand of O. E. M. customers, he set-up another proprietary concern in the year 1977 under the name and style of FIEM Auto & Electrical Industries. In the year 1986, he set-up a Company under the name and style of FIEM Auto Pvt. Ltd. as an ancillary to Ind Suzuki Motorcycle Pvt. Ltd. (now TVS Motor Co. Ltd.). Keeping in view the pace of the automotive industry and the growing customer demand, he set-up another Company in the year 1989 under the name and style of Rahul Auto Pvt. Ltd. (now FIEM Industries Ltd.) for manufacturing of rear view mirrors along with automotive lighting & signaling equipment. After visualizing the potential growth in the Indian Automobile Industry, he initiated action for re-structuring and re-engineering of all the units under FIEM Industries Ltd. He has been instrumental in the growth of the Company since beginning. He has a number of awards and recognitions to his credit; some of these are as under:

1. Udyog Rattan Award by The Institute of Economic Studies (2005),
2. Rashtriya Samman Purskar with Gold Medal by Indian Society for Industry & Intellectual Development (2007),
3. Automotive Lighting Equipment Man of the Year by Business Sphere magazine (2007),
4. Vikas Rattan Gold Award by Indian Organization for Business Research & Development (2007),
5. International Quality Excellence Award by International Business Productivity Forum (2007).

**Mrs. Seema Jain**, aged 52 years, is the Whole-time Director of the Company. She is wife of Mr. J.K. Jain. She completed her B.Sc. from Lady Erwin College of Delhi in 1974. She hails from a business family and looked after the day-to-day business activities of her family business during her college days. She is presently actively involved in overseeing the finance functions of the Company.

**Mr. Rahul Jain**, aged 20 years, is a Non Executive Director of the Company. He is son of Mr. J.K. Jain and Mrs. Seema Jain. After qualifying from 12<sup>th</sup> class exam from Modern School, Barakhamba Road, he is presently pursuing his further studies in B.Sc. Management from the Indian Institute of Learning Management (IILM), New Delhi. At the same time, he has been taking interest in the business activities of the organization especially in marketing and dealing with Japanese customers.

**Ms. Aanchal Jain**, aged 25 years, is the Whole-time Director of the Company. She is daughter of Mr. J.K. Jain and Mrs. Seema Jain and sister of Mr. Rahul Jain. She completed her B.Sc. in Management from the Indian Institute of Learning Management (IILM), New Delhi in the year 2002 and further enrolled herself for further studies in the USA. She completed her Masters in Business Administration in Human Resource and Management

from Indiana Institute of Technology, USA in the year 2004. She is presently actively involved in human resource management functions of the Company.

**Mr. J. S. S. Rao**, aged 50 years, is the Whole-time Director of the Company. He is a Post Graduate from Bangalore University with specialization in Cost Accounting and Factory Organization. He has an overall experience of over 26 years in automotive lighting and components industry with specialization in manufacturing, operational and business strategic planning. Prior to joining the Company, he has worked with Lumax Industries Ltd., Evershine Moulders Ltd. and Toshi Auto Pvt. Ltd. He joined the Company in May 2003. He was subsequently appointed as a Whole-time Director of the Company in December 2005. He is presently responsible for the overseas operations of the Company.

**Mr. Pravin Kumar**, aged 56 years, is the Whole-time Director of the Company. He holds a Bachelors Degree in Mechanical Engineering and Post Graduate Diploma in Industrial Engineering. He has an overall experience of over 34 years in the automobile sector having worked in the fields of manufacturing, marketing and planning. Prior to joining the Company, he has worked with TATA Motors, TVS Motors, FALCON Tyres, DUNLOP India. He attended a number of Management and Training programmes including 4 weeks Management Training Programme organized by Japanese Union of Scientist & Engineers, TOP Management Programme by International Management Development Institute, Lussanne, Switzerland. He joined the Company in October 2005 as a Whole-time Director of the Company. He is presently responsible for the south India operations of the Company.

**Mr. Paramjit Singh Bhatia**, aged 59 years, is an Independent Director on the Board of the Company. He is running his own business and has an experience of over 30 years in the field of manufacturing and marketing of industrial steel & wooden furniture and allied items. He has been appointed as a Non executive Director of the Company on October 5, 2005.

**Mr. Chandrakant D. Shah**, aged 79 years, is an Independent Director on the Board of the Company. He has a rich industrial & business experience of about 60 years in various fields. He was the Managing Director of Neometal & Electrical Industries (P) Ltd., which was engaged in the manufacturing of automobile accessories and was one of the leading exporters of headlamps and tail lamps. During his tenure as the Managing Director of this Company, the Company had won certificates from EEPC for highest export in small-scale sector for many years. He was elected as the first Asian Chairman of the Dar Es Salaam Municipal Corporation (Capital of Tanzania). He has been appointed as Non executive Director of the company on March 7, 2006.

**Mr. Kuldeep Singh Lamba**, aged 67 years, is an Independent Director on the Board of the Company. He has an overall

experience of over 40 years in the area of automotive parts Import and Exports. He is presently running his business operations in automotive parts in Kuwait, Dubai and USA. He has been appointed as a Non executive Director of the Company on April 26, 2006.

**Mr. Chatter Singh Kothari**, aged 58 years, is an Independent Director on the Board of the Company. He is a Commerce Graduate from University of Delhi. He is running his own business and has an experience of over 30 years in the field of finance and marketing. He has been appointed as a Non executive Director of the Company on March 1, 2005.

**Mr. Iqbal Singh**, aged 53 years, is an Independent Director on the Board of the Company. He is running his own business and has an overall experience of over 30 years in the field of exports of automotive parts and engineering goods. He has been appointed as a Non executive Director of the Company on October 5, 2005.

**Mr. Jasmit Singh Chandhok**, aged 34 years, is an Independent Director on the Board of the Company. He holds a degree in Masters in Business Administration from Manipal Academy of Higher Education and has an overall experience of about 8 years in the fields of finance and taxation. He has been appointed as a Non executive Director of the Company on April 26, 2006.

## 2.5 Other Directorships, Committees and shareholding details of the Directors as on 31.03.2007

| Sr. No. | Name of the Director | Name of the other Directorship  | Committees (Member-M), (Chairman-C)   | No. of Shares held in the Company |
|---------|----------------------|---|---|-----------------------------------|
| 1       | Mr. J.K. Jain        | -FIEM Auto Pvt. Ltd.<br>-FIEM Sung San (India) Ltd. (M D)                   | Nil   | 1871088                           |
| 2       | Mrs. Seema Jain      | -FIEM Auto Pvt. Ltd.<br>-FIEM Sung San (India) Ltd.                         | Nil   | 1314358                           |
| 3       | Mr. J.S.S. Rao       | Nil   | Shareholders / Investor<br>Grievance Committee-M  | 12                                |
| 4       | Mr. Pravin Kumar     | INKO Company Pvt. Ltd. (MD)   | Nil   | 350                               |
| 5       | Ms. Aanchal Jain     | Nil   | Nil   | 312692                            |
| 6       | Mr. Rahul Jain       | -FIEM Sung San (India) Ltd.   | Shareholders / Investor<br>Grievance Committee-M  | 3990277                           |
| 7       | Mr. C.D. Shah        | Nil   | Nil   | 12000                             |
| 8       | Mr. Iqbal Singh      | -Parspex (India) Pvt. Ltd.<br>(Managing Director)<br>-Harav India Pvt. Ltd. | Remuneration Committee-M  | 20012                             |
| 9       | Mr. K.S. Lamba       | Lamba Traders & Engineers Pvt. Ltd.   | Nil   | 80000                             |
| 10      | Mr. P.S. Bhatia      | Nil   | -Audit Committee-M<br>-Remuneration Committee-M   | Nil                               |
| 11      | Mr. C.S. Kothari     | Radico Sales Promotion Pvt. Ltd.  | -Audit Committee-M<br>-Remuneration Committee -C<br>-Shareholders / Investor<br>Grievance Committee-C | Nil                               |
| 12      | Mr. J.S. Chandhok    | G. S. Tyres Pvt. Ltd.   | Audit Committee-C   | Nil                               |

## 3. AUDIT COMMITTEE

The Audit Committee consists of Mr. Jasmit Singh Chandhok, Mr. Chatter Singh Kothari and Mr. Paramjit Singh Bhatia as its members. All the members of the Committee are Independent Directors. Presently, the Chairman of the audit committee is Mr. Jasmit Singh Chandhok. The Company Secretary, Mr. Arvind K. Chuahan acts as Secretary to the Committee.

The terms of the Audit Committee is to comply with the requirements of Section 292 A of the Companies Act and Clause 49 of the listing agreement. The scope of Audit Committee include the following:

- Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act and any other matter referred to it by the Board;

2. Investigate any activity within its terms of reference;
3. Oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
4. Review with the management of the annual financial statements;
5. Review with the management and the external and internal auditors, of the adequacy of internal control systems;
6. Review of the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
7. Review of Company's financial and risk management policies; and
8. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

### 3.1 Audit Committee Meetings

During the Financial year ended 31.03.2007, two meetings of the Audit Committee were held on 05.05.2006 and 23.01.2007. The securities of the Company were listed on 19.10.2006 and accordingly, as per Clause 49 of the Listing Agreement, the first meeting of the Audit Committee after listing was held on 23.01.2007. The Attendance of the Members at these meetings were as under:

| Sr. No. | Name                      | No. of Meetings held | No. of Meetings Attended |
|---------|---------------------------|----------------------|--------------------------|
| 1       | Mr. Jasmit Singh Chandhok | 2                    | 2                        |
| 2       | Mr. P.S. Bhatia           | 2                    | 2                        |
| 3       | Mr. C.S. Kothari          | 2                    | 2                        |

## 4. REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. Chatter Singh Kothari, Mr. Paramjit Singh Bhatia and Mr. Iqbal Singh as its members. All the members of the remuneration committee are Independent Directors. Mr. Chatter Singh Kothari is the Chairman of the remuneration committee.

The committee considers the appointment, remuneration and other related matters of Directors of the Company.

### 4.1 Remuneration Committee Meeting

During the Financial year ended 31.03.2007, only one meeting of the Remuneration Committee was held on 22.06.2006, which was attended by all the Members of the Committee.

### 4.2 Remuneration Policy

Remuneration of Managing Director and Executive Directors is determined periodically by the Remuneration committee and

approved by the Board of Directors and Shareholders as per applicable provisions of law.

### 4.3 Details of remuneration paid during the financial year ended 31.03.2007 are furnished as under:

| Sr. No. | Name of the Director | Salary (Rs.) | Perquisites (Rs.) | Sitting Fees (Rs.) | Total (Rs.) | No. of Shares as on 31.3.07 |
|---------|----------------------|--------------|-------------------|--------------------|-------------|-----------------------------|
| 1       | Mr. J.K. Jain        | 30,00,000    | Nil               | Nil                | 30,00,000   | 1871088                     |
| 2       | Mrs. Seema Jain      | 18,00,000    | Nil               | Nil                | 18,00,000   | 1314358                     |
| 3       | Mr. J.S.S. Rao       | 18,00,000    | Nil               | Nil                | 18,00,000   | 12                          |
| 4       | Mr. Pravin Kumar     | 18,00,000    | Nil               | Nil                | 18,00,000   | 350                         |
| 5       | Ms. Aanchal Jain     | 6,00,000     | Nil               | Nil                | 6,00,000    | 312692                      |
| 6       | Mr. Rahul Jain       | Nil          | Nil               | Nil                | Nil         | 3990277                     |
| 7       | Mr. C.D. Shah        | Nil          | Nil               | Nil                | Nil         | 12000                       |
| 8       | Mr. Iqbal Singh      | Nil          | Nil               | Nil                | Nil         | 20012                       |
| 9       | Mr. K.S. Lamba       | Nil          | Nil               | Nil                | Nil         | 80000                       |
| 10      | Mr. P.S. Bhatia      | Nil          | Nil               | Nil                | Nil         | Nil                         |
| 11      | Mr. C.S. Kothari     | Nil          | Nil               | Nil                | Nil         | Nil                         |
| 12      | Mr. J.S. Chandhok    | Nil          | Nil               | Nil                | Nil         | Nil                         |

### Notes:

1. The Company does not have any Stock Option Scheme or performance-linked incentives for the Directors.
2. The Appointment of all the Directors are made at the Board Meetings and approved at General Meetings, where required, there is no provision for notice period and severance fees for the Directors.

## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders / Investors Grievance Committee constituted for redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non-receipt of balance sheets, non-receipt of declared dividends, matters related to transfer, transmission, dematerialization, rematerialization and other related matters to the shareholders. The Committee consists of Mr. Chatter Singh Kothari, Mr. J. S. S. Rao and Mr. Rahul Jain as its members. Mr. Chatter Singh Kothari is the Chairman of the committee.

Mr. Arvind K. Chauhan, Company Secretary & Compliance Officer acts as Secretary to this Committee.

### 5.1 Shareholders/ Investors Grievance Committee Meeting

During the Financial year ended 31.03.2007, ten meetings of the Shareholders'/ Investors' Grievance Committee were held on 06.11.2006, 21.11.2006, 05.12.2006, 20.12.2006,



02.01.2007, 16.01.2007, 01.02.2007, 16.02.2007, 02.03.2007 and 19.03.2007. The Attendance of the Members at these meetings were as under:

| Sr. No. | Name                      | No. of Meetings held | No. of Meetings Attended |
|---------|---------------------------|----------------------|--------------------------|
| 1       | Mr. Chatter Singh Kothari | 10                   | 10                       |
| 2       | Mr. Rahul Jain            | 10                   | 10                       |
| 3       | Mr. J.S.S. Rao            | 10                   | 5                        |

**5.2 The details of the shareholders' complaints received and status thereon as on 31.03.2007 is as under:**

| Sr. No. | Particulars                            | No. of Complaints received | No. of Complaints resolved | Pending Complaints |
|---------|--|----------------------------|----------------------------|--------------------|
| 1.      | Received through direct Correspondence | 134                        | 134                        | Nil                |
| 2.      | Received through BSE                   | 01                         | 01                         | Nil                |
| 3.      | Received through NSE                   | Nil                        | Nil                        | Nil                |
| 4.      | Received through SEBI                  | Nil                        | Nil                        | Nil                |
|         | <b>Total</b>                           | <b>135</b>                 | <b>135</b>                 | <b>Nil</b>         |

**6. GENERAL BODY MEETINGS**

**6.1 The details of last three Annual General Meetings of the Company are as under:**

| Financial Year | Date       | Venue  | Time       |
|----------------|------------|--|------------|
| 2005-06        | 21.08.2006 | D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi-110015 | 10.30 a.m. |
| 2004-05        | 29.09.2005 | D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi-110015 | 11.00 a.m. |
| 2003-04        | 29.09.2004 | D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi-110015 | 11.00 a.m. |

There was no special resolution passed by the Company at the last three Annual General Meetings, nor any resolution was passed by way of postal ballots. At the ensuing AGM also, there is no resolution proposed to be passed through postal ballot.

**7. DISCLOSURES**

**7.1 Disclosure on materially significant related party transactions that may have potential conflict with the interest of the Company at large:**

- The related party transactions have been reported elsewhere in this Annual Report in Schedule XX to the Financial Statements i.e. 'Significant Accounting Policies and Notes to Accounts'. None of the transactions are in conflict with the interest of the Company at large.

- The details of the related party transactions have been periodically placed before the Audit Committee.

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

There has been no instance of non compliance by the Company on any matter related to capital markets during the last three years. Hence no penalties, strictures have been imposed on the company by any Stock Exchange, SEBI or any statutory authority.

**7.3 Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee.**

The Company has not adopted any Whistle Blower policy. However, no personnel have been denied access to the audit committee.

**7.4 Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.**

The Company has complied with mandatory requirements and has constituted a Remuneration Committee from the non-mandatory requirements.

**7.5 The members of the senior management have made disclosure to the Board relating to all material financial and other transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.**

**7.6 The Company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and has not adopted a treatment different from that prescribed in any Accounting Standard.**

**7.7 The Chairman & Managing Director and Chief Financial Officer of the Company have certified about financial statements, internal control and accounting policies etc. for Financial year 2006-07 to the Board under Clause 49(V) of the Listing Agreement.**

**7.8 The Management Discussion and Analysis Report is annexed to the Directors Report.**

**8. MEANS OF COMMUNICATION**

The Company regularly intimates its un-audited results to the Stock Exchanges, as soon as these are taken on record/ approved by the Board. These Financial Results published in Economic Times, Times of India, Navbharat Times (Hindi) or Financial Express and Jansatta (Hindi) Newspapers. The results are also posted on the website of the Company [www.fiemaauto.com](http://www.fiemaauto.com). During the year the Company has not issued any official news release. The presentation made to institutional investor, if any, posted on the website of the Company.

**9. GENERAL SHAREHOLDER INFORMATION:****a) Date, time and Venue of the 18th AGM:**

Monday, the 17<sup>th</sup> December 2007 at 10.30 a.m. at the Air Force Auditorium, Subrato Park New Delhi – 110010.

**b) Financial Year**

Financial Year is 1st April to 31st March.

**c) Book Closure Date**

The Register of Members and Share Transfer Books of the Company will be closed from 11.12.2007 to 17.12.2007 (both days inclusive) for the purpose of Dividend and 18th Annual General Meeting.

**d) Dividend Payment Date**

With in 30 days from the date of declaration.

**e) Listing on Stock Exchanges**

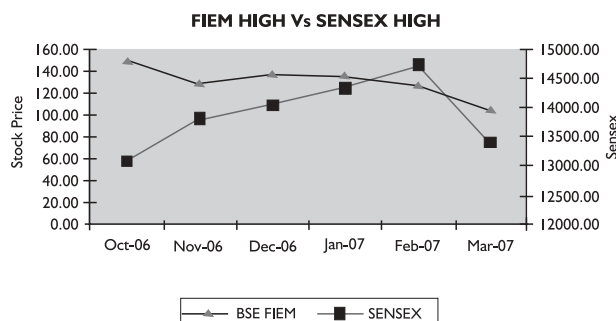
The Company's Shares are listed on the following Stock Exchanges with effect from 19<sup>th</sup> October 2006.

| Name of the Stock Exchange            | Address  | Stock Code |
|---------------------------------------|--|------------|
| National Stock Exchange of India Ltd. | Exchange Plaza, Plot no. C/I, G Block, Bandra-Kurla Complex Bandra (E) Mumbai - 400 051. | FIEMIND    |
| Bombay Stock Exchange Limited         | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-532754                                   | 532768     |

**The Annual Listing Fees for the year 2007-08 has been paid by the Company to both the Exchanges.**

**f) Market Data: High and Low during each month in Financial Year 2006-07**

| Month          | NSE    |        | BSE    |        |
|----------------|--------|--------|--------|--------|
|                | High   | Low    | High   | Low    |
| October, 2006  | 169.25 | 98.00  | 148.00 | 98.10  |
| November, 2006 | 128.90 | 88.00  | 128.80 | 87.00  |
| December, 2006 | 136.95 | 100.05 | 136.80 | 99.20  |
| January, 2007  | 135.40 | 107.00 | 135.00 | 112.00 |
| February, 2007 | 126.00 | 100.00 | 126.50 | 99.00  |
| March, 2007    | 119.00 | 72.00  | 105.00 | 82.25  |

**g) FIEM High Vs Sensex High Comparison from October 2006 to March 2007****h) Registrar and Share Transfer Agent:**

Intime Spectrum Registry Limited  
2<sup>nd</sup> Floor, A-40, Naraina Industrial Area, Phase-II, New Delhi-110028 Ph: 011-41410592/93/94 Fax No: 011-41410591

**i) Share Transfer System**

Applications for transfer of shares held in physical form are received at the office of the Registrar and Share Transfer Agents of the Company. All valid transfers are processed with in 15 days from the date of receipt.

**j) Distribution of shareholding as on 31.03.2007****Distribution by category:****Statement showing Shareholding Pattern as on 31.03.2007**

| Category Code | Category of Shareholder                                | Number of shareholders | Total number of shares | Percentage of total no. of shares |
|---------------|--|------------------------|------------------------|-----------------------------------|
| <b>(A)</b>    | <b>Promoter and Promoter Group</b>                     |                        |                        |                                   |
|               | Individuals/ HUF                                       | 5                      | 7499953                | 63.25                             |
|               | Bodies Corporate                                       | 1                      | 84400                  | 0.71                              |
|               | <b>Sub-Total (A)</b>                                   | <b>6</b>               | <b>7584353</b>         | <b>63.96</b>                      |
| <b>(B)</b>    | <b>Public Shareholding</b>                             |                        |                        |                                   |
|               | <b>(1) Institutions</b>                                |                        |                        |                                   |
|               | Mutual Funds/ UTI                                      | 8                      | 1026269                | 8.65                              |
|               | Foreign Institutional Investors                        | 3                      | 165313                 | 1.39                              |
|               | <b>Sub-Total (B)(1)</b>                                | <b>11</b>              | <b>1191582</b>         | <b>10.05</b>                      |
| <b>(2)</b>    | <b>Non-Institutions</b>                                |                        |                        |                                   |
|               | Bodies Corporate                                       | 273                    | 549098                 | 4.63                              |
|               | Individuals -  | 10614                  | 2118416                | 17.86                             |
|               | Any Other (specify)-                                   |                        |                        |                                   |
|               | i. Non Resident Indians.                               | 108                    | 140051                 | 1.18                              |
|               | ii. Clearing Members.                                  | 108                    | 147098                 | 1.24                              |
|               | iii. Hindu Undivided Families                          | 461                    | 127563                 | 1.08                              |
|               | <b>Sub-Total (B)(2)</b>                                | <b>11564</b>           | <b>3082226</b>         | <b>25.99</b>                      |
|               | <b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b> | <b>11575</b>           | <b>4273808</b>         | <b>36.04</b>                      |
|               | <b>TOTAL (A) + (B)</b>                                 | <b>11581</b>           | <b>11858161</b>        | <b>100.00</b>                     |
| <b>(C)</b>    | <b>ADRs / GDRs</b>                                     | <b>0</b>               | <b>0</b>               | <b>0.00</b>                       |
|               | <b>GRAND TOTAL (A) + (B) + (C)</b>                     | <b>11581</b>           | <b>11858161</b>        | <b>100.00</b>                     |

**Distribution by Size:**

| Sr. No. | Shareholding Range | No. of Shareholders | Shares held     | %age of Total |
|---------|--------------------|---------------------|-----------------|---------------|
| 1       | 1 to 250           | 9586                | 914483          | 7.71          |
| 2       | 251 to 500         | 1532                | 542207          | 4.57          |
| 3       | 501 to 1000        | 243                 | 189457          | 1.60          |
| 4       | 1001 to 2000       | 94                  | 140531          | 1.19          |
| 5       | 2001 to 3000       | 42                  | 106635          | 0.90          |
| 6       | 3001 to 4000       | 10                  | 35540           | 0.30          |
| 7       | 4001 to 5000       | 16                  | 73564           | 0.62          |
| 8       | 5001 to 10000      | 13                  | 97280           | 0.82          |
| 9       | 10001 and above    | 45                  | 9758464         | 82.29         |
|         | <b>Total</b>       | <b>11581</b>        | <b>11858161</b> | <b>100</b>    |

**k) Dematerialization of shares and Liquidity status as on 31.03.2007**

| Sr. No. | Demat / physical | No. of Shares      | Liquidity/ lock-in      | %age of Total |
|---------|------------------|--------------------|-------------------------|---------------|
| 1       | NSDL             | 34,54,099          | Free to trade           | 29.13         |
| 2       | CDSL             | 6,45,902           | Free to trade           | 5.45          |
| 3       | Physical         | 77,58,160          | Under lock-in (pre-IPO) | 65.42         |
|         | <b>Total</b>     | <b>1,18,58,161</b> |                         | <b>100.00</b> |

**l) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

So far the Company has not issued any GDRs/ ADRs/ Warrants.

**m) Plant Locations**

The Company has six plants. The details about name & address are as under:

| Unit I   | Unit II   | Unit III  |
|--|---|---|
| 32 Mile Stone,<br>G. T. Road, Kundli,<br>Sonapat, Haryana                    | 219/2B, Thally Road,<br>Kallukondapalli,<br>Hosur, Tamil Nadu | Kelamangalam,<br>Achittapalli Post,<br>Hosur, Tamil Nadu  |
| Unit IV  | Unit V (EOU)  | Unit VI   |
| S. No. 29, Madargali<br>Village, Varuna<br>Hobli, Mysore<br>Taluk, Karnataka | Kelamangalam,<br>Achittapalli Post,<br>Hosur, Tamil Nadu      | Village Bhatian, Tehsil<br>-Nalagarh, Himachal<br>Pradesh |

**n) Address for Correspondence**

**Registered Office Address:** D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi-110015

**Corporate Office Address** 32 Mile Stone, G.T. Road, Kundli, Distt. Sonapat, Haryana - 131028

**o) Prevention of Insider Trading**

In accordance with requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has instituted a comprehensive code of conduct for prohibition of Insider Trading in Company's Shares.

## CERTIFICATE ON CORPORATE GOVERNANCE

### To the Members of

### FIEM Industries Limited, Delhi

We have examined the compliance of the conditions of Corporate Governance by FIEM Industries Limited, for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, We certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreements.

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

**For Anil S. Gupta & Associates  
Chartered Accountants**

**Sd/-  
Anil Kumar Gupta  
Proprietor  
Memb. No. 83159**

**Place : New Delhi  
Date : 29.10.2007**

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## COMPLIANCE WITH CODE OF CONDUCT

I, J.K. Jain, Chairman & Managing Director of the Company hereby certify that all the Directors and the Sr. Management Personnel have affirmed compliance of the Code of Conduct of the company for the financial year ended 31st March, 2007.

**Sd/-  
J.K Jain  
Chairman & Managing Director**

**Place : New Delhi  
Date : 29.10.2007**

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## CERTIFICATION BY MANAGING DIRECTOR AND CFO FOR FINANCIAL YEAR 2006-07

### To the Board of Directors

#### FIEM Industries Limited

We, the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of FIEM Industries Limited ("the company") to the best of our knowledge and belief certify that:

- a) We have reviewed the financial statements and the cash flow statement for the financial year 2006-2007 and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal, or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee, wherever applicable, the following:
  - i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**Place : New Delhi**  
**Date : October 29, 2007**

**Sd/-**  
**O.P. Gupta**  
**Chief Financial Officer**

**Sd/-**  
**J.K. Jain**  
**Chairman & Managing Director**

## AUDITORS' REPORT

### To The Members of

### FIEM INDUSTRIES LIMITED

We have audited the attached Balance Sheet of FIEM INDUSTRIES LIMITED as at 31<sup>st</sup> March 2007, and the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in Annexure here to a statement on the matters specified in paragraph 4 and 5 of the said order.
3. Further to our Comments in the Annexure referred to in Paragraph 2 above we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the company so far, as appears from our examination of the books.
  - (c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
  - (d) In our opinion, the Balance Sheet and Profit & Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Sec. 211 of the Companies Act, 1956,
  - (e) In our opinion, and on the basis of written representations received from directors, as on 31<sup>st</sup> March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31<sup>st</sup>, 2007 from being appointed as director in items of clause (g) of Sub section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and Other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India: -
    - i) In case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2007.
    - ii) In case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **ANIL S. GUPTA & ASSOCIATES**  
Chartered Accountants

Place: New Delhi  
Dated: 29/10/2007

Sd/-  
**(ANIL KUMAR GUPTA)**  
Proprietor  
Membership No.: -83159

## ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph 2 of our Report of even date)

1.
  - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) As per the information & explanations given to us, all the assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) During the year, the company has not disposed off any substantial part of the Fixed Assets and in our opinion the going concern status of the company is not affected.
2.
  - a) As explained to us, the inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) The company is maintaining proper records of inventory. As explained to us there were no material discrepancies noticed on physical verification of the inventory as compared to the book records.
3.
  - a) In our opinion & according to the information & explanations given to us by the management, the Company has not granted any Loans, Secured or Unsecured to Companies, Firms or other parties covered in the register maintained under Sec. 301 of the Companies Act 1956.
  - b) The Clause of the terms & conditions of Loans & the rate of Interest is not applicable in view of clause 3(a) above.
  - c) The Clause of receipt of principal amount is not applicable in view of clause 3(a) above.
  - d) The clause of overdue amount exceeding Rs. 1,00,000/- (Rupees One Lac) is not applicable in view of clause 3(a) above.
  - e) The company has taken unsecured loans from four other parties covered in register maintained under section 301 of Companies Act, 1956. The maximum amount involved during the year was Rs. 204.52 Lac and year-end balance of loans taken from such parties was Six Lacs.
  - f) In our opinion, the rate of interest wherever applicable and other terms and conditions on which loans have been taken from other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
  - g) The company is regular in repaying the principal amounts wherever stipulated and has been regular in the payment of interest wherever applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5.
  - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits governed by the provisions of Sec.58A & Sec.58AA or any other relevant Provisions of the Act.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. As per the information & explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act 1956 for the products of the company.
9.
  - a) According to the records of the company & also the information & explanations given to us, the company is generally regular in depositing with appropriate authorities all undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess, as at 31/03/2007 for a period of more than six months from the date they became payable.
- c) According to the information and explanation given to us, there are no dues of Income tax, sales tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute. However an amount of Rs 12,53,538 for excise duty and Penalty for the same amount of Rs 12,53,538 has been disputed & has not been deposited

| Name of Statute          | Nature of Due                | Period to which it Pertains | Amount in Rs     | Forum where dispute is Pending |
|--------------------------|------------------------------|-----------------------------|------------------|--------------------------------|
| Central Excise Act, 1944 | Modvat Credit of Excise Duty | 1996-97                     | 25,07,076        | Commissioner (Appeal)          |
| <b>Total</b>             |                              |                             | <b>25,07,076</b> |                                |

10. The company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or banks.
12. In our opinion and according to the information & explanations given to us, no loans or advances have been granted by the Company 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, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our Opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion & according to the information & explanations given to us, no guarantees for loans taken by others from banks or financial institutions have been given by the company.
16. In our opinion & according to the information & explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us by the Management and on an overall examination of the balance sheet of the company, we are of the opinion that there are no funds raised on short term basis that have been used for long term investments.
18. According to the information and explanations given to us the company has not made preferential allotment of shares to parties and company covered in the register maintained under section 301 of the Act during the year. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The Company raised money by way of public issue of 41,00,001 equity shares through 100% book building and the shares were allotted on 11<sup>th</sup> October 2006 to the applicants. In our opinion, in respect of the monies raised by the company by way of Public Issue during the year, the management has disclosed the end use of money raised by public issue as a part of Notes to Accounts and the same has been verified.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For ANIL S. GUPTA & ASSOCIATES**  
**Chartered Accountants**

Sd/-  
**(ANIL KUMAR GUPTA)**  
**Proprietor**  
**Membership No.: -83159**

**Place: New Delhi**  
**Dated: 29/10/2007**



**BALANCE SHEET AS AT 31ST MARCH 2007****(Amount in Rs)**

| Schedule                                      |  |     |               | AS AT<br>31.03.2007 | AS AT<br>31.03.2006 |
|---|--|-----|---------------|---------------------|---------------------|
| [ A ] SOURCES OF FUNDS                        |  |     |               |                     |                     |
| I. SHAREHOLDERS' FUNDS                        |  |     |               |                     |                     |
| a)  | Share Capital  | I   | 118,581,610   | 77,581,600          |                     |
| b)  | Equity Share Suspense                                  | IA  | 1,040,650     | -                   |                     |
| c)  | Reserves & Surplus                                     | II  | 959,701,242   | 352,496,884         |                     |
|   |  |     |               | 1,079,323,502       | 430,078,484         |
| II. LOAN FUNDS                                |  |     |               |                     |                     |
| a)  | Secured Loans  | III | 301,814,614   | 222,218,895         |                     |
| b)  | Unsecured Loans  | IV  | 3,156,524     | 50,445,398          |                     |
|   |  |     |               | 304,971,138         | 272,664,293         |
| III. DEFERRED TAX LIABILITY (NET)             |  | V   | 65,121,013    |                     | 50,797,493          |
| TOTAL   |  |     | 1,449,415,653 |                     | 753,540,270         |
| [ B ] APPLICATION OF FUNDS                    |  |     |               |                     |                     |
| I. FIXED ASSETS                               |  |     |               |                     |                     |
| a)  | Gross Block  | VI  | 1,293,105,572 | 770,716,292         |                     |
| b)  | Less : Depreciation                                    |     | 211,942,175   | 130,045,770         |                     |
| c)  | Net Block  |     | 1,081,163,397 | 640,670,522         |                     |
| d)  | Capital Work in Progress (Including Capital Advances ) |     | 107,781,456   | 36,792,884          |                     |
|   |  |     |               | 1,188,944,853       | 677,463,406         |
| II. INVESTMENTS                               |  | VII | 62,250,793    |                     | 36,974,456          |
| III. CURRENT ASSETS,LOANS & ADVANCES          |  |     |               |                     |                     |
| a)  | Inventories  |     | 197,452,987   | 111,479,743         |                     |
| b)  | Sundry Debtors   |     | 228,644,360   | 152,100,460         |                     |
| c)  | Cash and Bank Balances                                 |     | 56,076,048    | 15,625,022          |                     |
| d)  | Loans and advances                                     |     | 117,074,164   | 61,076,100          |                     |
|   |  |     |               | 599,247,559         | 340,281,325         |
| LESS :-                                       |  |     |               |                     |                     |
| CURRENT LIABILITIES AND PROVISIONS            |  |     |               |                     |                     |
| a)  | Current Liabilities                                    | IX  | 336,101,116   | 268,284,952         |                     |
| b)  | Provisions   |     | 65,583,136    | 38,909,066          |                     |
|   |  |     |               | 401,684,252         | 307,194,018         |
| NET CURRENT ASSETS                            |  |     | 197,563,307   |                     | 33,087,307          |
| IV. MISCELLANEOUS EXPENDITURE                 |  | X   | 656,700       |                     | 6,015,101           |
| ( to the extent not written off or adjusted ) |  |     |               |                     |                     |
| TOTAL   |  |     | 1,449,415,653 |                     | 753,540,270         |
| SIGNIFICANT ACCOUNTING POLICIES XX            |  |     |               |                     |                     |
| AND NOTES TO ACCOUNTS                         |  |     |               |                     |                     |
| Schedule I to XX referred to above form an    |  |     |               |                     |                     |
| Integral Part of Balance Sheet                |  |     |               |                     |                     |

**For and on behalf of the Board of Directors**As per our report of even date  
for Anil S. Gupta & Associates  
Chartered AccountantsSd/-  
**(J. K. JAIN)**  
Managing DirectorSd/-  
**(SEEMA JAIN)**  
DirectorSd/-  
**(ARVIND K. CHAUHAN)**  
Company SecretarySd/-  
**ANIL KUMAR GUPTA**  
Prop.Place : New Delhi  
Date : 29/10/2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2007**

(Amount in Rs )

|   | Schedule     | Current Year<br>2006-07 | Previous Year<br>2005-06 |
|---|--------------|-------------------------|--------------------------|
| <b>[A] INCOME</b>   |              |                         |                          |
| Gross Sales and Operating Income  |              | 1,942,359,382           | 1,431,846,634            |
| Less : Excise Duty  |              | 259,004,932             | 195,841,077              |
| Net Sales   | <b>XI</b>    | 1,683,354,450           | 1,236,005,557            |
| Other Income  | <b>XII</b>   | 20,958,811              | 13,704,408               |
| Increase / (Decrease) in Stock  | <b>XIII</b>  | 41,025,245              | 32,076,682               |
| <b>TOTAL [A]</b>  |              | <b>1,745,338,506</b>    | <b>1,281,786,647</b>     |
| <b>[B] EXPENDITURE</b>  |              |                         |                          |
| Purchase of Goods Traded in   |              | 8,220,853               | 14,787,398               |
| Raw Materials Consumed  | <b>XIV</b>   | 1,058,159,612           | 759,341,054              |
| Manufacturing Expenses  | <b>XV</b>    | 292,961,056             | 237,660,757              |
| Employees Cost  | <b>XVI</b>   | 61,841,067              | 34,686,654               |
| Cost of Finance   | <b>XVII</b>  | 18,920,879              | 18,723,784               |
| Administrative and Selling Expenses                                     | <b>XVIII</b> | 98,142,442              | 65,630,033               |
| Depreciation & Amortization   | <b>VI</b>    | 52,244,644              | 37,156,954               |
| Less Transfer from Revaluation Reserve                                  |              | 992,026                 | 992,026                  |
| <b>TOTAL [B]</b>  |              | <b>51,252,618</b>       | <b>36,164,928</b>        |
|   |              | <b>1,589,498,527</b>    | <b>1,166,994,608</b>     |
| <b>[C] Net Profit before Taxation and Extraordinary Item "A - B"</b>    |              |                         |                          |
|   |              | <b>155,839,979</b>      | <b>114,792,039</b>       |
| Prior Period Expense  |              | 1,488,525               | 3,296,864                |
| Net Profit after Prior Period Expenses                                  |              | 154,351,453             | 111,495,175              |
| Extraordinary income (Net of Tax Effect)                                | <b>XIX</b>   | 22,616,251              | -                        |
| Net Profit after Extraordinary Income                                   |              | 176,967,704             | 111,495,175              |
| Less : Tax Expenses   |              |                         |                          |
| i) Provision for Current Tax  |              | 17,177,609              | 33,000,000               |
| ii) Provision for Deferred Tax  |              | 20,618,009              | 812,568                  |
| iii) Provision for Fringe Benefit Tax                                   |              | 2,466,295               | 2,500,000                |
|   |              | 40,261,913              | 36,312,568               |
| <b>[D] Net Profit after Tax</b>   |              | <b>136,705,791</b>      | <b>75,182,607</b>        |
| Less:- Income Tax paid for earlier year                                 |              | 1,248,764               | 57,374                   |
| Add :- Balance Brought Forward  |              | 176,489,850             | 111,364,617              |
| Add :- Addition of Profit on Amalgamation                               |              | 31,296,411              | -                        |
| <b>[E] Profit Available for Appropriation</b>                           |              | <b>343,243,288</b>      | <b>186,489,850</b>       |
| <b>[F] APPROPRIATIONS</b>   |              |                         |                          |
| i) Transfer to General Reserve  |              | 15,000,000              | -                        |
| ii) Proposed Dividend   |              | 29,905,565              | -                        |
| iii) Corporate Dividend Tax   |              | 5,082,451               | -                        |
| <b>Profit Carried to Balance Sheet</b>                                  |              | <b>293,255,272</b>      | <b>186,489,850</b>       |
| Basic and Diluted EARNINGS PER EQUITY SHARE (Par value Rs 10 per share) |              |                         |                          |
| - Before Extraordinary items  |              | 11.38                   | 10.16                    |
| - After Extraordinary items   |              | 13.67                   | 10.16                    |
| No. of shares (Weighted Average)  |              | 9,912,226               | 7,393,397                |

**SIGNIFICANT ACCOUNTING POLICIES XX  
& NOTES TO ACCOUNTS**Schedule I to XX referred to above form an  
Integral Part of Balance Sheet**For and on behalf of the Board of Directors**As per our report of even date  
for Anil S. Gupta & Associates  
Chartered AccountantsSd/-  
**(J. K. JAIN)**  
Managing DirectorSd/-  
**(SEEMA JAIN)**  
DirectorSd/-  
**(ARVIND K. CHAUHAN)**  
Company SecretarySd/-  
**ANIL KUMAR GUPTA**  
Prop.Place : New Delhi  
Date : 29/10/2007

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rs)

|   | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|---|-----------------------------|-----------------------------|
|   |                             | <b>SCHEDULE -I</b>          |
| <b>SHARE CAPITAL</b>  |                             |                             |
| <b>I. Authorised</b>  |                             |                             |
| 3,00,00,000 Equity shares @ Rs 10 each  | <b>300,000,000</b>          | <b>110,000,000</b>          |
| <b>II. Subscribed, Issued &amp; Paid-up</b>   |                             |                             |
| 1,18,58,161 Equity Shares of Rs. 10/- each fully paid up.( Prv. Year 77,58,160 Equity Shares of Rs. 10/- each fully paid up ) | 118,581,610                 | 77,581,600                  |
| <b>TOTAL</b>  | <b>118,581,610</b>          | <b>77,581,600</b>           |

(Of the above 10,00,000 equity shares of Rs 10/- each were allotted as fully paid bonus shares by capitalization of profits in an earlier year.)

**SCHEDULE -IA**

|   |                  |          |
|---|------------------|----------|
| <b>EQUITY SHARE SUSPENSE</b>  |                  |          |
| <b>I. Equity Shares</b>   |                  |          |
| 1,04,065 Equity Shares of Rs 10/- each to be allotted to the shareholders of erstwhile Fiem Sung San (India) Limited pursuant to its amalgamation with the Company effective 1.4.2006 (Refer note no. 4 of Schedule XX) | 1,040,650        | -        |
| <b>TOTAL</b>  | <b>1,040,650</b> | <b>-</b> |

**SCHEDULE -II**

|   |                    |                    |
|---|--------------------|--------------------|
| <b>RESERVES &amp; SURPLUS</b>                               |                    |                    |
| <b>I. CAPITAL RESERVE</b>                                   |                    |                    |
| a) Land Revaluation Reserve                                 |                    |                    |
| Balance brought forward                                     | 117,477,278        | 117,477,278        |
| Add :- Addition during the year                             | -                  | -                  |
|   | 117,477,278        | 117,477,278        |
| b) Building Revaluation Reserve                             |                    |                    |
| Balance brought forward                                     | 28,709,356         | 29,701,382         |
| Add :- Addition during the year                             | -                  | -                  |
| Less:- Deduction during the year                            | 992,026            | 992,026            |
|   | 27,717,330         | 28,709,356         |
| c) Capital Subsidy  |                    |                    |
| Balance brought forward                                     | 132,000            | 132,000            |
| Add :- Addition during the year                             | -                  | -                  |
| Less:- Deduction during the year                            | 132,000            | -                  |
|   | -                  | 132,000            |
| <b>II. SECURITIES PREMIUM ACCOUNT</b>                       |                    |                    |
| Balance brought forward                                     | 29,688,400         | 29,688,400         |
| Add :- Addition during the year                             | 520,700,127        | -                  |
|   | 550,388,527        | 29,688,400         |
| Less:- Share Issue Expenses Written off (Net of Tax Effect) | 40,416,184         | -                  |
|   | 509,972,343        | 29,688,400         |
| <b>III. GENERAL RESERVE</b>                                 |                    |                    |
| Balance brought forward                                     | -                  | -                  |
| Add :- Profit Transferred from Profit & Loss A/c            | 15,000,000         | -                  |
| Less:- Deduction during the year                            | -                  | -                  |
|   | 15,000,000         | -                  |
| <b>IV. PROFIT AND LOSS ACCOUNT</b>                          |                    |                    |
| Profit & Loss Account                                       | 293,255,272        | 186,489,850        |
| Deduction on Amalgamation                                   | 3,720,981          | -                  |
| Less :- Amount Utilized for Bonus Issue                     | -                  | 10,000,000         |
| <b>TOTAL</b>  | <b>289,534,291</b> | <b>176,489,850</b> |
|   | <b>959,701,242</b> | <b>352,496,884</b> |

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|  | AS AT<br>31.03.2007 | AS AT<br>31.03.2006  |
|--|---------------------|----------------------|
| <b>SECURED LOANS</b>   |                     | <b>SCHEDULE -III</b> |
| <b>I. TERM LOANS</b>   |                     |                      |
| a) From BANKS  | 110,423,076         | 85,664,835           |
| <b>VEHICLE LOANS :-(Secured against hypothecation of Vehicles)</b> |                     |                      |
| a) From BANKS  | 10,624,930          | 8,897,200            |
| b) from OTHERS   | 1,023,250           | 860,927              |
|  | 11,648,180          | 9,758,127            |
| <b>II. WORKING CAPITAL ADVANCE FROM BANKS</b>                      | 179,743,358         | 126,795,933          |
| <b>TOTAL</b>   | <b>301,814,614</b>  | <b>222,218,895</b>   |

**NOTES****A) LOANS SECURED AGAINST HYPOTHECATION OF PLANT AND MACHINERY & LAND AND BUILDING**

- a) From Citibank NA :- Loan outstanding as at 31st March 2007 Rs 6,97,50,000 (Previous Year 2,17,50,000) (Principal amount repayable within 12 months from the date of Balance sheet Rs 64,68,750 )  
(Secured against First Pari Passu Charge on all fixed assets including Plant & Machinery and Equitable Mortgage of Land and Building at Kundli, Thally Road Hosur Tamilnadu, & Rai Sonapat and Personal Guarantee of 2 Promoter Directors)
- b) From Standard Chartered Bank :- Loan outstanding as at 31st March 2007 Rs 4,06,73,076(Previous Year 6,39,14,835 ) (Principal amount repayable within 12 Months is Rs 2,32,41,762 )  
(Secured against First Pari Passu Charge on all movable fixed assets including Plant and Machinery & Equitable Mortgage of Land and Building at Kelamangalam Hosur Tamilnadu and Personal Guarantee of 2 promoter Directors )

**B) WORKING CAPITAL ADVANCE FROM BANKS**

- a) From Citibank NA :- Loan outstanding as at 31st March 2007 Rs 14,29,46,395 (Previous Year Rs 7,40,22,844) (Principal amount repayable within 12 months from the date of Balance sheet Rs 14,29,46,395)  
(Secured against First *Pari-Passu* charge on Hypothecation of Stocks & Book Debts, and first Pari Passu charge on all fixed assets excluding assets specifically purchased out of term loans from Citibank & SCB & equitable mortgage on Land & Bldg situated at Kundli & Thally Road Hosur and personal guarantee of 2 Promoter Directors )
- b) From Standard Chartered Bank :- Loan outstanding as at 31st March 2007 Rs 3,67,96,963 (Previous Year Rs 5,27,73,089) (Principal amount repayable within 12 months from the date of Balance sheet Rs 3,67,96,963)  
(Secured against First *Pari-Passu* charge on Hypothecation of Stocks & Book Debts, and first Pari Passu charge on all fixed assets excluding assets specifically purchased out of term loans from Citibank & SCB & equitable mortgage on Land & Bldg situated at Kundli & Thally Road Hosur and personal guarantee of 2 Promoter Directors )

**C) LOANS SECURED AGAINST HYPOTHECATION OF VEHICLES**

Loan outstanding as at 31st March 2007 Rs 1,16,48,180 (Previous Year Rs 97,58,127 ) (Principal amount repayable within 12 months from the date of Balance sheet Rs 62,10,603)

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|              |  | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|--------------|--|-----------------------------|-----------------------------|
|              |  |                             | <b>SCHEDULE -IV</b>         |
|              | <b>UNSECURED LOANS</b>   |                             |                             |
| I.           | from Directors   | 600,000                     | 4,369,862                   |
| II.          | from Companies   | <u>2,556,524</u>            | <u>46,075,536</u>           |
|              |  | 3,156,524                   | 50,445,398                  |
|              | <b>TOTAL</b>   | <b><u>3,156,524</u></b>     | <b><u>50,445,398</u></b>    |
| <b>NOTES</b> |  |                             |                             |
| a)           | Amount repayable within one year - Rs 31,56,524 (Previous Year Rs 4,72,88,874) |                             |                             |
|              |  |                             | <b>SCHEDULE -V</b>          |
|              | <b>DEFERRED TAX LIABILITY (NET)</b>  |                             |                             |
| I.           | Deferred Tax Liabilities   |                             |                             |
| i)           | On Depreciation  | <u>74,590,827</u>           | <u>51,944,985</u>           |
|              |  | 74,590,827                  | 51,944,985                  |
| II.          | Less :- Deferred Tax Assets  |                             |                             |
| i)           | On Disallowances under Income Tax Act 1961                                     | 3,175,323                   | 1,147,492                   |
| ii)          | On Tax Effect of Share Issue Expenses  | <u>6,294,491</u>            | <u>-</u>                    |
|              | Net Deferred Tax liability   | <b><u>65,121,013</u></b>    | <b><u>50,797,493</u></b>    |



# SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

## FIXED ASSETS

## SCHEDULE-VI

(Amount In Rs.)

| Sl. No. | NATURE OF ASSETS                    | DEP. RATE | GROSS BLOCK        |                           |                               |                                |                      | DEPRECIATION BLOCK |                   |                          |                    | NET BLOCK            |                    |
|---------|-------------------------------------|-----------|--------------------|---------------------------|-------------------------------|--------------------------------|----------------------|--------------------|-------------------|--------------------------|--------------------|----------------------|--------------------|
|         |                                     |           | As on 01.04.06     | Acquired on Amalgamation* | Addition made during the year | Deduction made during the year | As on 31.03.07       | Up to 01.04.06     | For the Year      | On Deduction/ Adjustment | As on 31.03.07     | As on 31.03.07       | As on 31.03.06     |
| 1       | <b>LAND</b>                         | 0.00%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Free-Hold Land                      |           | 138,981,990        |                           | 87,888,300                    | -                              | 226,870,290          | -                  | -                 | -                        | -                  | 226,870,290          | 138,981,990        |
|         | Lease-Hold Land                     |           | -                  | 8,291,572                 | 1,682,900                     | 8,291,572                      | 1,682,900            | -                  | 17,715            | -                        | 17,715             | 1,665,185            | -                  |
| 2       | <b>BUILDING-FACTORY</b>             | 3.34%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Free-hold Building                  |           | 144,996,904        |                           | 11,758,035                    | -                              | 156,754,939          | 11,157,866         | 5,029,992         | -                        | 16,187,857         | 140,567,082          | 133,839,038        |
|         | Lease-hold Building                 |           | -                  | 14,612,181                |                               | 14,612,181                     | -                    | 3,977,177          | 485,372           | 4,462,549                | -                  | -                    | -                  |
| 3       | <b>BUILDING-OFFICE</b>              | 1.63%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Building for Road                   |           | 4,927,865          |                           | 834,940                       | -                              | 5,762,805            | 7,042              | 88,788            | -                        | 95,830             | 5,666,975            | 4,920,823          |
|         | Building for office                 |           | -                  |                           | 8,062,500                     | -                              | 8,062,500            | -                  | 106,935           | -                        | 106,935            | 7,955,565            | -                  |
| 4       | <b>PLANT &amp; MACHINERY</b>        | 4.75%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Plant & Machinery                   |           | 361,430,393        | 76,086,566                | 256,079,932                   | 18,435,756                     | 675,161,136          | 92,198,385         | 24,734,591        | 1,012,392                | 115,920,584        | 559,240,553          | 297,376,444        |
| 5       | <b>MOTER CAR/MOTER CYCLE</b>        | 9.50%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Car & Motercycle                    |           | 29,975,414         | 2,308,218                 | 10,117,481                    | 1,119,004                      | 41,282,110           | 10,834,133         | 3,575,859         | 713,891                  | 13,696,101         | 27,586,008           | 20,560,298         |
| 6       | <b>CYCLES</b>                       | 7.07%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Cycle                               |           | 10,933             | 2,877                     | 14,700                        | -                              | 28,510               | 6,870              | 1,039             | -                        | 7,908              | 20,601               | 5,608              |
| 7       | <b>DELIVERY VAN &amp; STAFF BUS</b> | 11.31%    |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Delivery Van & Staff Bus            |           | 3,762,902          | -                         | 566,213                       | -                              | 4,329,115            | 1,046,803          | 481,903           | -                        | 1,528,707          | 2,800,408            | 2,716,099          |
| 8       | <b>MOULDS, BLOCK &amp; DIES</b>     | 16.21%    |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Mould, Block & Dies                 |           | 49,416,490         | 46,144,130                | 72,487,309                    | 63,010,806                     | 105,037,123          | 30,478,817         | 10,014,249        | 908,354                  | 39,584,711         | 65,452,412           | 20,122,473         |
| 9       | <b>TOOLS &amp; EQUIPMENTS</b>       | 16.21%    |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Tools & Equipments                  |           | 6,740,169          | -                         | 4,557,799                     | 696,008                        | 10,601,961           | 2,534,437          | 1,372,856         | 7,234                    | 3,900,059          | 6,701,901            | 4,205,732          |
| 10      | <b>FURNITURE &amp; FIXTURES</b>     | 6.33%     |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Furniture & Fixtures                |           | 8,884,515          | 2,481,981                 | 9,404,810                     | -                              | 20,771,307           | 3,647,740          | 949,173           | -                        | 4,596,913          | 16,174,394           | 6,411,856          |
| 11      | <b>COMPUTER &amp; SOFTWARE</b>      | 16.21%    |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Computer & Software                 |           | 19,686,359         | 854,132                   | 8,447,042                     | -                              | 28,987,532           | 10,751,186         | 3,831,499         | -                        | 14,582,685         | 14,404,847           | 9,789,302          |
| 12      | <b>INTANGIBLE ASSETS</b>            | 20.00%    |                    |                           |                               |                                |                      |                    |                   |                          |                    |                      |                    |
|         | Technical know-how & other          |           | 1,902,358          | -                         | 5,870,990                     | -                              | 7,773,348            | 161,499            | 1,554,670         | -                        | 1,716,168          | 6,057,179            | 1,740,859          |
|         | <b>Total</b>                        |           | <b>770,716,292</b> | <b>150,781,658</b>        | <b>477,772,951</b>            | <b>106,165,326</b>             | <b>1,293,105,572</b> | <b>166,801,955</b> | <b>52,244,644</b> | <b>7,104,421</b>         | <b>211,942,175</b> | <b>1,081,163,397</b> | <b>640,670,522</b> |
|         | Previous Year Figure                |           | 646,801,280        | -                         | 167,866,875                   | 43,951,864                     | 770,716,292          | 97,329,269         | 37,156,954        | 4,448,700                | 130,045,770        | 640,670,522          | 549,745,756        |
|         | <b>Capital Work-in-Progress</b>     |           |                    |                           |                               |                                |                      |                    |                   |                          |                    | <b>107,781,456</b>   | <b>36,792,884</b>  |

### Footnotes:

- Gross block of Land include Rs. 11,74,77,278 and Building factory include Rs. 2,97,01,382 on account of Revaluation of these assets in earlier years (Refer note 5, Notes to Accounts, Schedule-XX).
- Lease-hold land is amortized over the period of lease term or estimated useful life whichever is shorter.
- Generator Subsidy of Rs. 1,32,000 received in earlier year has been deducted from Plant & Machinery Account as per Accounting Standard (AS)-12 on "Accounting for Government Grants".
- Addition to Plant & Machinery & Mould & Dies are inclusive of Rs. 32,44,986 on account of exchange fluctuation (Previous year Rs. 11,125)(Refer Note 30, Notes to Accounts,Sch. XX)
- Technical know-how fee is amortized over the period of agreement term or estimated useful life whichever is shorter.
- No Depreciation has been provided on the mould & dies of Rs. 4,49,59,330 acquired on amalgamation as the same has been imported in earlier years on the behalf of a customer for manufacturing of its products
- The sum of Rs. 4,02,35,000 included in the deduction column under the head mould, block & dies pertains to the non refundable tooling deposit received from the party on whose behalf the moulds, were imported.
- Capital Work in progress includes:
  - Rs. 5,02,96,334 on account of building under construction & electrical fitting under installation (Previous Year Rs. 88,65,165)
  - Rs. 5,26,91,888 on account of advance against capital expenditure (Previous Year Rs. 2,76,53,974)
  - Rs. 47,93,234 on account of fixed assets in transit (Previous Year Rs. 2,73,745)
- On amalgamation of Fiem Sung San (India) Limited (Refer Note 4, Notes to Accounts, Schedule XX).

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|  | AS AT<br>31.03.2007 | AS AT<br>31.03.2006  |
|--|---------------------|----------------------|
|  |                     | <b>SCHEDULE -VII</b> |
| <b>INVESTMENTS</b>   |                     |                      |
| <b>I) LONG TERM INVESTMENTS</b>  |                     |                      |
| In Shares of Subsidiary companies, unquoted (Non Traded)   |                     |                      |
| 1) Fiem Sung San (India) Ltd.  | -                   | 36,974,456           |
| <b>II) CURRENT INVESTMENTS</b>   |                     |                      |
| Short Term Non Trade Investment in Mutual Funds<br>(UNUTILISED MONEY OUT OF PUBLIC ISSUE)  |                     |                      |
| a) HDFC Cash Mgt Sav - Dly Div. Reinv<br>(7,20,960.195 Units )<br>( Market Value as at 31.03.07 Rs 76,68,421 as at 31.03.06 Rs Nil )                 | 7,668,421           | -                    |
| b) Principal Cash Mgmt (Retail)- Reinvest Daily<br>(3,52,837.942 units)<br>( Market Value as at 31.03.07 Rs 35,29,156 as at 31.03.06 Rs Nil)         | 3,529,156           | -                    |
| c) Pru. ICICI Liquid Daily Div. Reinv.<br>(28,370.993 units)<br>( Market Value as at 31.03.07 Rs 3,36,236 as at 31.03.06 Rs Nil )                    | 336,236             | -                    |
| d) Sundaram BNP Paribas Fixed term Plan Series XXIII<br>(50,48,636.868 units)<br>(Market Value as at 31.03.07 Rs 5,04,86,500 as at 31.03.06 Rs Nil ) | 50,486,500          | -                    |
| e) Temp Treas. Mgmt. Acc. Dly Div Reinv<br>(152.40 units)<br>( Market Value as at 31.03.07 Rs 2,30,481 as at 31.03.06 Rs Nil)                        | 230,480             | -                    |
| <b>TOTAL</b>   | <b>62,250,793</b>   | <b>36,974,456</b>    |

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|  |   | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|--|---|-----------------------------|-----------------------------|
|  |   |                             | <b>SCHEDULE -VIII</b>       |
|  | <b>CURRENT ASSETS, LOANS &amp; ADVANCES</b> |                             |                             |
|  | <b>CURRENT ASSETS</b>                       |                             |                             |
| <b>[A] Inventories</b>   |   |                             |                             |
| <b>I. Stock in Trade</b>   |   |                             |                             |
| ( As per Inventory taken valued & certified by the management & valued at lower of cost or net realisable value) |   |                             |                             |
| a) Raw Material and Components   | 99,769,145                                  | 55,830,336                  |                             |
| b) Stores and Packing Material   | 2,362,222                                   | -                           |                             |
| c) Work in Progress  | 71,061,302                                  | 38,868,510                  |                             |
| d) Finished Goods  | 16,820,230                                  | 7,979,949                   |                             |
|  |   | 190,012,899                 | 102,678,795                 |
| II. Material in Transit (at Cost)  |   | 7,440,088                   | 8,800,948                   |
| <b>TOTAL [A]</b>   |   | <b>197,452,987</b>          | <b>111,479,743</b>          |
| <b>[B] Sundry Debtors</b>  |   |                             |                             |
| I. Debt outstanding for a period exceeding Six Months  |   |                             |                             |
| a) Considered good   | 36,591,156                                  | 13,189,843                  |                             |
| b) Considered doubtful   | 2,028,806                                   | -                           |                             |
| II. Other Debts :- Considered Good   | 192,053,204                                 | 138,910,617                 |                             |
|  |   | 230,673,166                 | 152,100,460                 |
| Less:- Provision for Doubtful Debts  |   | 2,028,806                   | -                           |
| <b>TOTAL [B]</b>   |   | <b>228,644,360</b>          | <b>152,100,460</b>          |
| <b>[C] Cash &amp; Bank Balances</b>  |   |                             |                             |
| I. Cash in Hand & Imperest with Staff  |   | 1,085,078                   | 849,527                     |
| II. Bank Balances  |   |                             |                             |
| a) In current A/cs   |   | 274,805                     | 8,617,485                   |
| b) In Citibank IPO account ( Balance money out of IPO Proceeds)  |   | 401,204                     | -                           |
| c) In Deposit with Banks   |   |                             |                             |
| FDR with Banks   | 52,285,828                                  | 4,588,025                   |                             |
| Margin Money with banks  | 1,564,841                                   | 1,167,823                   |                             |
|  | 53,850,669                                  | 5,755,848                   |                             |
| Add : Interest Accrued on FDR's  | 355,152                                     | 293,022                     |                             |
|  |   | 54,205,821                  | 6,048,870                   |
| III. Balance in SB A/c with Post Office  |   | 109,140                     | 109,140                     |
| <b>TOTAL [C]</b>   |   | <b>56,076,048</b>           | <b>15,625,022</b>           |
| <b>[D] Loans and Advances</b>  |   |                             |                             |
| ( Unsecured but considered good )  |   |                             |                             |
| I. Advances Recoverable in cash or in kind or for value to be received.  |   | 5,526,543                   | 2,379,195                   |
| II. Advances for Goods other than Capital Goods  |   | 7,726,171                   | 4,720,327                   |
| III. Security Deposits   |   | 11,418,004                  | 5,252,797                   |
| IV. Balance with Excise & Service Tax Department   |   | 51,957,176                  | 26,835,796                  |
| V. Balance with Sales Tax Department   |   | 1,386,381                   | -                           |
| VI. Advance Income Tax/TDS   |   | 35,213,748                  | 20,087,985                  |
| VII. MAT Credit Entitlement  |   | 1,379,846                   | -                           |
| VIII. Advance Fringe Benefit Tax   |   | 2,466,295                   | 1,800,000                   |
| <b>TOTAL [D]</b>   |   | <b>117,074,164</b>          | <b>61,076,100</b>           |
| <b>GRAND TOTAL [A+B+C+D]</b>   |   | <b>599,247,559</b>          | <b>340,281,325</b>          |

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|  | AS AT<br>31.03.2007 | AS AT<br>31.03.2006 |
|--|---------------------|---------------------|
| <b>SCHEDULE -IX</b>                            |                     |                     |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>    |                     |                     |
| <b>[ A ] Current Liabilities</b>               |                     |                     |
| <b>I. Sundry Creditors</b>                     |                     |                     |
| <b>For Goods</b>                               |                     |                     |
| Due to Small Scale Industrial Undertakings     | 47,763,019          | 41,583,089          |
| Due to Non Small Scale Industrial Undertakings | 165,243,761         | 148,984,591         |
|  | 213,006,780         | 190,567,680         |
| <b>For Other Than Goods</b>                    |                     |                     |
| Due to Small Scale Industrial Undertakings     | 3,086,850           | 4,731,151           |
| Due to Non Small Scale Industrial Undertakings | 52,975,895          | 27,324,243          |
|  | 56,062,745          | 32,055,394          |
|  | 269,069,525         | 222,623,074         |
| II. Advance from Customers                     | 29,829,070          | 15,786,076          |
| III. Security Deposits from Dealers            | 3,115,689           | 2,860,465           |
| IV. Liabilities for Expenses                   | 21,399,721          | 16,866,036          |
| V. Statutory Liabilities                       | 12,687,111          | 10,149,301          |
| <b>TOTAL [ A ]</b>                             | <b>336,101,116</b>  | <b>268,284,952</b>  |
| <b>[ B ] PROVISIONS</b>                        |                     |                     |
| I) Provision for Taxation                      |                     |                     |
| I. Provision for Income Tax                    | 22,500,000          | 33,000,000          |
| II. Provision for Fringe Benefit Tax           | 2,466,295           | 2,500,000           |
| III. Provision for Corporate Dividend Tax      | 5,082,451           | -                   |
|  | 30,048,746          | 35,500,000          |
| 2) Provision for Proposed Dividend             | 29,905,565          | -                   |
| 3) Provision for Excise Duty                   | 1,802,596           | -                   |
| 4) Provision for Retirement Benefits           |                     |                     |
| a) Gratuity                                    | 2,493,140           | 2,656,511           |
| b) Leave Encasement                            | 1,333,089           | 752,555             |
|  | 3,826,229           | 3,409,066           |
| <b>TOTAL [ B ]</b>                             | <b>65,583,136</b>   | <b>38,909,066</b>   |
| <b>GRAND TOTAL [ A+B ]</b>                     | <b>401,684,252</b>  | <b>307,194,018</b>  |

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

(Amount in Rs)

|   | AS AT<br>31.03.2007 | AS AT<br>31.03.2006 |
|---|---------------------|---------------------|
|   |                     | <b>SCHEDULE -X</b>  |
| <b>MISCELLANEOUS EXPENDITURE</b><br>(to the extent not written off/or adjusted) |                     |                     |
| <b>1 Preliminary Expenses</b>   |                     |                     |
| Opening Balance   | 34,996              | -                   |
| Add :- Addition During the year   | -                   | -                   |
|   | 34,996              | -                   |
| Less :- Written off during the year   | 34,996              | -                   |
| Closing Balance   | -                   | -                   |
| <b>2 Pre Operative Expenses (Pending Allocation)</b>                            |                     |                     |
| Opening Balance   | 5,763,501           | -                   |
| Addition During The Year  | 8,750,570           | 5,763,501           |
| Less :- Written off During the Year   |                     |                     |
| -Capitalized  | 996,607             | -                   |
| -Treated as Revenue exp   | 13,517,464          | -                   |
|   | 14,514,071          | -                   |
| Closing Balance   | -                   | 5,763,501           |
| <b>3 Increase in Authorised Capital</b>   |                     |                     |
| Opening Balance   | 251,600             | -                   |
| Add :- Addition During the year   | 585,000             | 314,500             |
|   | 836,600             | 314,500             |
| Less :- Written off during the year   | 179,900             | 62,900              |
|   | 656,700             | 251,600             |
| <b>TOTAL</b>  | <b>656,700</b>      | <b>6,015,101</b>    |



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Amount in Rs)

|  |               | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|--|---------------|-----------------------------|-----------------------------|
|  |               |                             | <b>SCHEDULE XI</b>          |
| <b>NET SALES</b>                         |               |                             |                             |
| Domestic Sales                           | 1,613,369,081 |                             | 1,184,205,250               |
| Export Sales                             | 83,922,469    |                             | 64,208,392                  |
| Job Charges Received                     | 16,032        |                             | 3,922                       |
| Total Sales                              | 1,697,307,582 |                             | 1,248,417,564               |
| Less :- Sales Return                     | 13,953,132    |                             | 12,412,007                  |
|  |               | 1,683,354,450               | 1,236,005,557               |
| <b>TOTAL</b>                             |               | <b>1,683,354,450</b>        | <b>1,236,005,557</b>        |
|  |               |                             | <b>SCHEDULE XII</b>         |
| <b>OTHER INCOME</b>                      |               |                             |                             |
| Dividend Received Mutual Fund Investment |               | 4,654,559                   | -                           |
| Tool development Charges Received        |               | 1,589,000                   | -                           |
| Interest Received                        |               | 364,620                     | 345,026                     |
| Profit on Sale of Assets                 |               | 9,247,853                   | 4,629,596                   |
| Rebate and Discount                      |               | 53,815                      | 1,552,302                   |
| Segregation Charges Received             |               | 771,795                     | 941,820                     |
| Testing Charges Received                 |               | 2,031,735                   | 6,078,517                   |
| Rent Received                            |               | 165,000                     | 120,000                     |
| Refund of Sale Tax                       |               | 968,832                     | -                           |
| Sundry Creditors Written back            |               | 308,734                     | 37,149                      |
| Short & Excess                           |               | 395                         | -                           |
| Difference in Foreign Exchange           |               | 802,473                     | -                           |
| <b>TOTAL</b>                             |               | <b>20,958,811</b>           | <b>13,704,408</b>           |
|  |               |                             | <b>SCHEDULE XIII</b>        |
| <b>INCREASE/(DECREASE) IN STOCK</b>      |               |                             |                             |
| Stock in Trade at Close                  |               |                             |                             |
| a) Work in Progress                      | 71,061,302    |                             | 38,868,510                  |
| b) Finished Goods                        | 16,811,112    |                             | 7,979,949                   |
|  |               | 87,872,414                  | 46,848,459                  |
| Stock in Trade at Commencement           |               |                             |                             |
| a) Work in Progress                      | 38,868,510    |                             | 3,699,210                   |
| b) Finished Goods                        | 7,979,949     |                             | 11,072,567                  |
|  |               | 46,848,459                  | 14,771,777                  |
| Increase in Stock on Amalgamation        |               |                             |                             |
| a) Increase in Finished Goods            | 1,290         |                             | -                           |
|  |               | 1,290                       | -                           |
| <b>TOTAL</b>                             |               | <b>41,025,245</b>           | <b>32,076,682</b>           |
|  |               |                             | <b>SCHEDULE XIV</b>         |
| <b>RAW MATERIAL CONSUMED</b>             |               |                             |                             |
| Opening Stock of Raw Material            |               | 56,854,038                  | 45,017,692                  |
| Purchases                                |               | 1,101,074,719               | 770,153,698                 |
| Less :- Closing stock of Raw Material    |               | 99,769,145                  | 55,830,336                  |
| <b>TOTAL</b>                             |               | <b>1,058,159,612</b>        | <b>759,341,054</b>          |

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)**

(Amount in Rs)

|  | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|--|-----------------------------|-----------------------------|
|  |                             | <b>SCHEDULE XV</b>          |
| <b>MANUFACTURING EXPENSES</b>  |                             |                             |
| Wages  | 95,847,521                  | 70,369,484                  |
| Power & Fuel   | 80,179,803                  | 59,370,768                  |
| Job Charges  | 24,634,969                  | 32,031,320                  |
| Stores Consumed  | 24,836,573                  | 25,237,889                  |
| Repair - Plant & Machinery   | 12,642,122                  | 8,638,654                   |
| Repair - Dies  | 2,908,377                   | 1,602,328                   |
| Excise Duty  | 1,802,596                   | -                           |
| Factory Rent   | 369,000                     | 180,000                     |
| Turnover Tax   | 7,536,154                   | 4,684,536                   |
| Packing Material   | 32,061,517                  | 26,680,185                  |
| Freight, Cartage & Octroi  | 5,138,995                   | 1,984,448                   |
| Testing Fees Paid  | 4,442,221                   | 5,569,336                   |
| Segregation Charges Paid   | 561,208                     | 1,311,809                   |
| <b>TOTAL</b>   | <b>292,961,056</b>          | <b>237,660,757</b>          |
|  |                             | <b>SCHEDULE XVI</b>         |
| <b>EMPLOYEES COST</b>  |                             |                             |
| Salaries & Allowances (including Rs 90 Lacs as Directors Remuneration Pv. Year Rs 64.96 Lacs ) | 53,896,463                  | 29,709,314                  |
| Staff Welfare  | 4,749,268                   | 3,589,703                   |
| Workmen Compensation Insurance   | 175,350                     | 111,478                     |
| Uniform Expenses   | 799,856                     | 491,058                     |
| First Aid & Medical Expenses   | 281,010                     | 128,114                     |
| Gratuity to staff  | 1,230,032                   | 452,648                     |
| Earned Leave to staff  | 709,088                     | 204,339                     |
| <b>TOTAL</b>   | <b>61,841,067</b>           | <b>34,686,654</b>           |
|  |                             | <b>SCHEDULE XVII</b>        |
| <b>COST OF FINANCE</b>   |                             |                             |
| <b>Interest</b>  |                             |                             |
| a. To Banks on CC & term loans   | 13,509,017                  | 13,016,179                  |
| b. To Others( on unsecured loan & adv.)  | 3,779,951                   | 4,502,206                   |
|  | 17,288,968                  | 17,518,385                  |
| Bank Charges   | 1,281,911                   | 751,024                     |
| Processing Charges   | 350,000                     | 454,375                     |
| <b>TOTAL</b>   | <b>18,920,879</b>           | <b>18,723,784</b>           |

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)**

(Amount in Rs)

|  | <b>AS AT<br/>31.03.2007</b> | <b>AS AT<br/>31.03.2006</b> |
|--|-----------------------------|-----------------------------|
|  |                             | <b>SCHEDULE XVIII</b>       |
| <b>ADMINISTRATIVE AND SELLING EXPENSES</b> |                             |                             |
| Advertisement, Sub & Membership Exp.       | 2,950,385                   | 4,774,128                   |
| Entertainment exp                          | 1,908,169                   | 1,505,131                   |
| Rent, Rates & Taxes                        | 2,917,489                   | 1,763,139                   |
| Travel & Conveyance                        | 10,424,179                  | 6,952,361                   |
| Cash Discount                              | 14,252,537                  | 10,617,876                  |
| Other Selling & Distribution Expenses      | 13,151,536                  | 8,404,801                   |
| Insurance                                  | 1,798,350                   | 1,433,863                   |
| Repair & Maintenance Building              | 956,838                     | 806,124                     |
| Repair & Maintenance Other Assets          | 5,151,059                   | 2,692,455                   |
| Vehicle Running & Maintenance              | 10,238,796                  | 6,501,013                   |
| Diwali Expenses                            | 1,976,593                   | 1,391,101                   |
| Donation                                   | 1,772,077                   | 1,144,123                   |
| Telephone Expenses                         | 2,686,173                   | 2,199,704                   |
| Auditors Remuneration                      | 1,556,120                   | 1,200,000                   |
| Internal Audit Fees                        | 960,000                     | 657,540                     |
| Provision for Bad and Doubtful Debts       | 2,028,806                   | -                           |
| Difference in Foreign Exchange             | -                           | 746,212                     |
| Royalty                                    | 4,208,386                   | 3,090,012                   |
| Other Office Exp.                          | 16,346,901                  | 9,750,450                   |
| Loss On sale of Car                        | 38,508                      | -                           |
| Brokerage/Commission                       | 450,000                     | -                           |
| Amalgamation and Merger Exp                | 279,900                     | -                           |
| Guest House Expenses                       | 2,089,640                   | -                           |
| <b>TOTAL</b>                               | <b>98,142,442</b>           | <b>65,630,033</b>           |
|  |                             | <b>SCHEDULE- XIX</b>        |
| <b>EXTRAORDINARY INCOME</b>                |                             |                             |
| Profit on sale of Land & Building          | 26,558,796                  | -                           |
| Less :- Tax Effect on above                | 3,942,545                   | -                           |
| <b>TOTAL</b>                               | <b>22,616,251</b>           | <b>-</b>                    |

**SCHEDULE-XX**

Significant Accounting Policies and Notes to Accounts attached to and forming part of the Financial Statements as at 31.03.2007.

**SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Preparation of Financial Statements**

- I. The Financial statements have been prepared on an accrual basis under the historical cost convention except for certain fixed assets, which have been revalued and comply in all material respects with the Generally Accepted Accounting Principles in India, Accounting Standard issued by ICAI and the relevant provisions of the Companies Act, 1956.
- II. The Accounting Policies have been consistency applied by the Company is consistent with those used in the previous year.

**B. Use of Estimates**

- I. The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of the revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized. Example of such estimates includes provision for taxation, useful life of fixed assets etc.

**C. Accounting for Fixed Assets**

- I. Fixed assets are valued at the historical cost of acquisition except for certain fixed assets, which have been stated at revalued less depreciation. Cost of acquisition is inclusive of freight, duties, levies (Net of CENVAT and VAT wherever applicable) installation and commissioning expenses and all incidentals cost attributable to bringing the assets to its working condition. The cost also includes finance charges related to borrowed fund attributable to construction or installation of fixed assets up to the date of commencement of commercial production and adjustment arising from foreign exchange rate variation.
- II. Intangible assets are shown at their cost of acquisition less amortization cost.
- III. Capital work in progress is stated at its cost of acquisition including expenses incurred there on. Advances paid to suppliers for capital goods & contractors against supplies and running bills have also been included in capital WIP. Capital WIP has been accounted on the basis of the latest running/ final bills submitted by suppliers/contractors or value of work done certified by the company's own engineer. 'Fixed assets in transit' are shown under the head Capital WIP.

**D. Inventories Valuation**

- I. Raw materials, components, stores and spares are valued at lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First in First Out basis (FIFO).
- II. Semi-finished goods and finished goods are valued lower of cost or net realizable value. Cost includes direct materials (net of CENVAT Credit or Value Added Tax if any) and direct labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
- III. Inventories of non-reusable waste or reusable waste say scrap sales for which facilities for reprocessing do not exist have been valued at net realizable value.
- IV. "Goods in transit" are recorded as a component of inventories if the significant risk and rewards of ownership have passed to the company and valued at cost.

**E. Investments**

- I. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost however provision for diminution in the value of Investment is made only if such a decline is other than temporary in the opinion of management.

**F. Depreciation & Amortization**

- I. Depreciation is charged on Straight Line Method (SLM) at the rates specified in Schedule XIV to the Companies Act, 1956. However, Depreciation on revaluation portion has been charged to Revaluation Account and credited to Profit & Loss Account.
- II. Leasehold land is amortized over the period of lease term or estimated useful life whichever is shorter.
- III. On assets sold/discarded during the year, depreciation is charged up to the date of sale/discard.
- IV. Computer software is amortized @ 16.21% per annum under SLM. Whereas Patents & Trademarks and Technical know-how expenses are amortized over a period of 5 years.

## **G. Foreign Currency Transactions**

- I. Transaction in foreign currencies are translated at the exchange rates prevailing on the date of transaction in case of purchase of material, sale of goods and other expenses. The exchange gains/losses on settlement during the year are recognized in the profit and loss account. In case where the amount is not paid up to the balance sheet date, the conversion of foreign currencies has been accounted for at the rates prevailing as at the year-end and material variance has been recognized in the profit and loss account.
- II. Transactions in foreign currencies are translated at the exchange rates prevailing on date of transaction in case of capital assets imported during the year. The exchange gains/losses on settlement during the year are recognized in the respective capital assets account.
- III. Foreign currency bank account as on the date of the balance sheet has been reported at the rates prevailing as at year-end. The corresponding exchange gains/losses on EEFC current accounts during the year are recognized in the profit and loss account.

## **H. Miscellaneous Expenditure**

- I. Expenses incurred for increase in authorized capital are being amortized over a period of 5 years.
- II. Share Issue expenses, net of tax impact, are written-off against Securities Premium Account.

## **I. Revenue Recognition**

- I. The sale of goods is recognized at the point of dispatch of finished goods to customers. Sale is shown net of excise duty. The Excise Duty is separately disclosed.
- II. Inter-unit/warehouse transfer has not been considered as part of "Turnover".
- III. Insurance claims are accounted for based on certainty of realization.
- IV. Interest and other dues are accounted on accrual basis.
- V. Dividend on mutual fund is accounted when the right to receive is established.

## **J. Research and Development Expenses**

- I. Research expenses are charged to Profit & Loss Account as and when incurred. Development expenses are capitalized when the Company is certain to recover the development cost from future economic benefits.

## **K. Employee Benefits**

- I. Provident Fund and ESI are a defined contribution plans and the contributions are charged to Profit & Loss Account of

the year when the contributions to the respective funds are due.

- II. Leave encashment is a defined benefits plan and is provided for on the basis of actuarial valuation made at the end of each financial year. Leave encashment liabilities of an employee, who leaves the company before the close of the year and which is remaining unpaid, is provided on actual computation basis.
- III. During the year, the company has constituted an approved gratuity fund for the future payment of gratuity to the employees. Therefore, provision for accruing gratuity liabilities on the basis of actuarial valuation has not been done since the annual contribution to the gratuity fund has been debited to profit & loss account which is based on actuarial valuation.
- IV. Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

## **L. Expenditure on new projects and substantial expansion**

Expenditure during the construction period of new units has been debited to fixed assets which are specifically attributable to construction of project or to the acquisition of a fixed assets or bringing it to its working condition and other expenditure during the construction period which are not specifically attributable to construction of projects or to the acquisition of a fixed assets or bringing to its working condition are recognized as an expenses when it is incurred.

## **M. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognized in the financial statements but are disclosed in the notes on accounts. Contingent assets are neither recognized and nor disclosed in financial statements.

## **N. Provision for Current and Deferred Tax**

- I. Current Income tax and Fringe Benefit Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.
- II. Deferred Tax Assets & Liabilities are recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax assets are recognized subject to the consideration of prudence. Deferred Tax Assets and Liabilities are measured using the tax rates as per tax Laws that have been enacted or substantially enacted as on the Balance Sheet date.



**O. Borrowing Cost**

- I. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. For the purpose of capitalization of borrowing costs 'substantial period of time' primarily, have been interpreted on the basis of facts and circumstance of each case. All other borrowing costs are charged to Profit & Loss Account.

**P. Accounting for Excise Duty**

- I. The Excise duty has been accounted on the basis of both, payments made in respect of goods cleared as also goods lying in bonded warehouse/factory. Further the company made provision for liability of unpaid excise duty on finished stock lying in factory or warehouse. The estimate of such liability has been made at the rates in force on the balance sheet date. On stock meant for exports, no excise duty provision has been made since excise duty is not leviable on goods meant for exports.

**Q. Impairment of Fixed Assets**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated, an impairment loss is recognized whenever the carrying amount of an assets exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

**R. Financial Derivatives and Commodity Hedging Transaction**

In respect of financial derivatives and commodity hedging contracts, premium paid, losses on restatement and gains/losses on settlement are charged to profit and loss account, except in case where they related to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

**NOTES TO ACCOUNTS****1. Nature of Operation**

The company is in the business of manufacturing and suppliers of auto components, mainly, automotive lighting & signally equipments, rear-view mirror and sheet metal parts etc for two-wheeler and four wheeler applications. It has entered in to a technical collaboration agreement with Ichikoh Industries Limited, Japan.

**2. Reclassified/Reworked of Previous year Figure**

The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Accordingly,

amount and other disclosures for the preceding year are included as an integral part of the current financial statement and are to be read in relation to the amounts and other disclosure relating to the current year.

**3. Non-Comparable Previous year Figures**

The figure for the current year included figures of The Subsidiary Company M/s Fiem Sung San (India) Limited (FSSIL), which has amalgamated with the Company with effect from 1st April 2006, and therefore to that extent the figures are not comparable with those of previous year.

**4. Amalgamation/Merger**

Fiem Sung San (India) Limited (FSSIL), engaged in the business of manufacturing and suppliers of auto components, mainly automotive lighting & signaling equipments and rear view mirror for four-wheeler and two-wheeler application, has been amalgamated with company. The Hon'ble High Court of Judicature at New Delhi vide its order dated 3<sup>rd</sup> September 2007 sanctioned the Scheme of Amalgamation. The Scheme became effective on 27<sup>th</sup> October 2007, the appointed date of the Scheme being 1<sup>st</sup> April 2006. Pursuant to the Scheme:

- I. The assets, liabilities, rights and obligation of erstwhile FSSIL has been vested with the Company with effect from 1<sup>st</sup> April, 2006 and have been recorded at their respective book value, under the pooling of interest method (Amalgamation in nature of Merger).
- II. 1,04,065 Equity shares of Rs. 10/- each relating to the equity share capital of the erstwhile FSSIL as on 1<sup>st</sup> April 2006 are to be issued as fully paid-up, to the shareholder of the amalgamating company, whose names are registered in the register of members on record date, without payment being received in cash. Pending allotment, the face value of such share has been shown as "Equity Share Suspense".
- III. The Difference of Purchase Consideration and share capital of amalgamating Company amounting Rs. 37.21 Lakhs has been adjusted to Reserve & Surplus as prescribed in the Scheme.

**5. Revaluation of Fixed Assets**

In order to present the assets of the company at a fair value, the Land & Building, at various units of the company, had been revalued from time to time in earlier years based on the valuation made by Government approved valuers resulting in an increase in their book values. The surplus of Rs 1471.79 Lakhs on the revaluation has been credited to Revaluation Reserve Account. Accumulated Depreciation charged on revalued portion of building amounting to Rs. 19.84 Lakhs has been charged to the Revaluation account.

(Rs. In Lakhs)

| S. No | Nature of Assets   | Year of Revaluation | Historical Cost    | Additional Amt Due to Revaluation | Carrying Cost (after Revaluation) |
|-------|--|---------------------|--------------------|-----------------------------------|-----------------------------------|
| 1.    | Land-32 Mile Stone Kundli, Sonapat, Haryana                  | 2001-02             | 50.62              | 447.32                            | 497.94                            |
| 2.    | Land-32 Mile Stone Kundli, Sonapat, Haryana                  | 2004-05             | 497.94(See Note-1) | 580.94                            | 1078.88                           |
| 3.    | Land-Kelananmanglam, Achittapalli, Hosur, Tamilnadu          | 2004-05             | 11.43              | 105.20                            | 116.63                            |
| 4.    | Land-219/2B, Thally Road, Kallukondapalli, Hosur, Tamilnadu. | 2004-05             | 14.30              | 41.32                             | 55.62                             |
| 5.    | Building-32, Mile Stone, Kundli, Sonapat, Haryana            | 2004-05             | 389.16             | 297.01                            | 686.17                            |

Note-1. The value shown is carrying cost after the first Revaluation in the year 2001-02.

Note-2. The Government approved valuers on the basis of local/spot enquiries made in the area where properties are situated had done the valuation of the aforesaid properties.

#### 6. Borrowing Cost

Borrowing cost capitalized to qualifying fixed assets during the period is amounting to Rs. 83.05 Lakhs (Previous Year-11.84 Lakhs).

#### 7. Related Party Disclosures

Name of Related Parties with whom Transactions were carried out during the year

##### A. Key Management Personnel (KMP)

- Mr. Jagjeevan Kumar Jain (Managing director)
- Mrs. Seema Jain (Whole time director)

- Ms. Aanchal Jain (Whole time director)
- Mr. JSS Rao (Whole time director)
- Mr. Praveen Kumar (Whole time director)

##### B. Relative of Key Management Personnel (KMP)

- Mr. Rahul Jain

##### C. Subsidiary Company

- Current Year not applicable (Fiem Sung San (India) Limited)

##### D. Related Parties Controlled by KMP

- Fiem Auto Private Limited
- Fiem Auto & Electrical Industries (KMP is the Sole Proprietor)

#### Detail of Related Parties Transactions

(Rs. In Lakhs)

| Particulars                | Key Management Personnel (KMP) | Relative of (KMP) | Related Parties controlled by (KMP) | Subsidiary Company |
|----------------------------|--------------------------------|-------------------|-------------------------------------|--------------------|
| Raw Material Purchase      | -                              | -                 | Nil<br>(90.83)                      | -                  |
| Job Charges Paid           | -                              | -                 | -                                   | -<br>(50.95)       |
| Balance of Sundry Creditor | -                              | -                 | -                                   | -<br>(0.83)        |
| Investment in Equity share | -                              | -                 | -                                   | -<br>(369.74)      |
| Managerial Remuneration    | 90.00<br>(64.96)               | -                 | -                                   | -                  |
| Brand Royalty              | -                              | -                 | 42.08<br>(30.90)                    | -                  |
| Sales                      | -                              | -                 | -                                   | -<br>(2.09)        |
| Fixed Assets Purchase      | 75.00<br>(Nil)                 | -                 | -                                   | -                  |
| Remuneration Payable       | 19.75<br>(52.16)               | -                 | -                                   | -                  |
| <b>Loan &amp; Advances</b> |                                |                   |                                     |                    |
| Opening Balance            | 42.72<br>(36.23)               | 0.98<br>(0.25)    | -                                   | -                  |
| Addition                   | 189.27<br>(40.95)              | 0.01<br>(139.73)  | -                                   | -                  |
| Deduction                  | 225.99<br>(34.46)              | 0.99<br>(139.00)  | -                                   | -                  |
| Closing Balance            | 6.00<br>(42.72)                | -<br>(0.98)       | -                                   | -                  |

**8. Earning Per Share**

As required by Accounting Standard (AS-20) "Earning Per Share" issued by ICAI, the numerators and denominators used to calculate Basic Earning Per Share are follows. For the purpose of weighted average number of equity shares, the share issued within the month has been taken full month.

| S.N | Particulars  | 31.03.2007 | 31.03.2006 |
|-----|--|------------|------------|
| A   | Net Profit after tax as per Profit & Loss A/c (Rs. in Lakhs)                               | 1367.06    | 751.83     |
| B   | Less: Extraordinary Income (Net of Tax) (Rs. in Lakhs)                                     | 226.16     | 0.00       |
| C   | Less: Income Tax for earlier year (Rs. in Lakhs)   | 12.49      | 0.58       |
| D   | Profit attributed to Equity Shareholders before extraordinary item (Rs. in Lakhs)(D=A-B-C) | 1128.41    | 751.25     |
| E   | Profit attributed to Equity Shareholders after extraordinary item (Rs. in Lakhs)(E=A-C)    | 1354.57    | 751.25     |
| F   | Basic/Weighted Average number of equity shares outstanding during the year (Nos. In Lakhs) | 99.12      | 73.93      |
| G   | Nominal Value of Equity share (In Rs.)   | 10.00      | 10.00      |
| H   | Basic Earning per share before extraordinary items (D/F) (In Rs.)                          | 11.38      | 10.16      |
| I   | Basic Earning per share after extraordinary items (E/F) (In Rs.)                           | 13.67      | 10.16      |

**9. Impairment of Assets**

In accordance with the Accounting Standard-28 on "Impairment of Assets" issued by the Institute of Chartered Accountant of India, the Company has identified no asset for impairment during the year.

**10. Deferred Tax Liability (Net)**

The company has accounted deferred tax expenses amounting to Rs. 206.18 Lakhs (Previous Year Rs. 8.13 Lakhs) for the current year in the Profit & Loss Account as under:

(Rs. in Lakhs)

| Particulars   | 31.03.2007    | During the Year | 31.03.2006    |
|---|---------------|-----------------|---------------|
| <b>Deferred Tax Liability:</b>  |               |                 |               |
| Difference between book & tax depreciation and other differences in block of assets   | 597.52        | 78.07           | 519.45        |
| Adjustment of Business losses and Unabsorbed depreciation of amalgamating company   | 148.39        | 148.39          | -             |
| <b>Total (A)</b>  | <b>745.91</b> | <b>226.46</b>   | <b>519.45</b> |
| <b>Deferred Tax Assets:</b>   |               |                 |               |
| Section 43B disallowances   | 20.66         | 9.19            | 11.47         |
| Section 35DD disallowances  | 0.76          | 0.76            | -             |
| Section 40a disallowances   | 3.43          | 3.43            | -             |
| Provision for Bad & Doubtful Debt   | 6.90          | 6.90            | -             |
| <b>Total (B)</b>  | <b>31.75</b>  | <b>20.28</b>    | <b>11.47</b>  |
| <b>Net Deferred Tax Liability (A-B)</b>   | <b>714.16</b> | <b>206.18</b>   | <b>507.98</b> |
| Less: Tax effect of share issue expenses eligible for income tax deduction u/s 35D, credited to Securities Premium Account. | 62.95         | -               | -             |
| <b>Net Deferred Tax Liability (after adjustment)</b>  | <b>651.21</b> | <b>206.18</b>   | <b>507.98</b> |

**11. Auditors' Remuneration**

|             |                            | <b>(Rs. In Lakhs)</b> |                   |
|-------------|----------------------------|-----------------------|-------------------|
| <b>S No</b> | <b>Particulars</b>         | <b>31.03.2007</b>     | <b>31.03.2006</b> |
| (A)         | <u>Statutory Auditors:</u> |                       |                   |
|             | Audit fee                  | 15.39                 | 12.00             |
|             | IPO Certification fee      | 5.00                  | 0.00              |
|             | Taxation Matters           | 0.17                  | 0.00              |
|             | <b>Total</b>               | <b>20.56</b>          | <b>12.00</b>      |

**12. Managerial Remuneration**

|  |                                | <b>(Rs. In Lakhs)</b> |                   |
|--|--------------------------------|-----------------------|-------------------|
|  | <b>Particulars</b>             | <b>31.03.2007</b>     | <b>31.03.2006</b> |
|  | <u>To Managing Director:</u>   |                       |                   |
|  | Salary & Allowances            | 30.00                 | 30.00             |
|  | <u>To Whole time directors</u> |                       |                   |
|  | Salary & Allowances            | 60.00                 | 34.96             |

**13. Contingent Liabilities not provided in the accounts**

|             |  | <b>(Rs. In Lakhs)</b> |                   |
|-------------|--|-----------------------|-------------------|
| <b>S No</b> | <b>Particulars</b>   | <b>31.03.2007</b>     | <b>31.03.2006</b> |
| 1.          | Guarantee/security given to Custom authorities (Margin for guarantee provided Rs. 1.80 Lakhs- Previous year Rs. 1.80 Lakhs)  | 9.00                  | 9.00              |
| 2.          | Excise demand made by authorities (in respect of which appeal has been filed and for which security of Rs. 0.50 Lakhs has been deposited with the department.)               | 25.07                 | 4.51              |
| 3.          | Guarantee/security given to Custom authorities (against advance license for duty-free import of goods) (Margin for guarantee provided Rs. Nil -Previous year Rs. 5.02 Lakhs) | -                     | 23.76             |
| 4.          | Import LC (against import of mould & dies and Plant & Machinery)(Margin for LC provided Rs. 37.10 Lakhs Previous year Rs. 5.70 Lakhs)  | 247.33                | 29.70             |
| 5.          | Guarantee/security given to Bombay Stock Exchange Ltd (Margin for guarantee provided Rs. 3.90 Lakhs Previous year Rs. Nil)   | 26.00                 | -                 |
| 6.          | Guarantee/security given to Electricity Board (Margin for guarantee provided Rs. 1.80 Lakhs-Previous year Rs. Nil)   | 12.00                 | -                 |

**14. Segment Reporting**

The company is primarily engaged in the business of Automotive Parts, which is governed by the same set of risk & return. In the opinion of the management the company's business falls within one business and one geographic segment. The disclosure requirement as per AS-17 regarding "Segment Reporting" does not apply. The said treatment is in accordance with the guiding principles of the Standard.

**15. Accounting for Expenditure during construction**

Expenditure during the construction period of new units of Rs. 9.97 Lakhs have been debited to fixed assets which are specifically attributable to construction of project or to the acquisition of a fixed assets or bringing it to its working condition. The other expenditure during the construction period of Rs. 135.17 Lakhs which are not specifically attributable to construction of projects or to the acquisition of a fixed assets or bringing to its working condition are recognized as an expense when it was incurred.

**16. Dues to SSI Units**

The information as regarding outstanding dues to SSI units to whom the company owes any sum together with interest is Rs. 508.48 Lakhs (Previous year-Rs. 463.14 Lakhs). As per the term of the contracts the name of the parties where outstanding balance are for more than 30 days are given below.

|                                       |  |
|---------------------------------------|--|
| ABY Industries                        | Matha industries                       |
| ARK Auto Products                     | Mohindra Products                      |
| Acer Engineers Pvt Ltd                | Manson enterprises (India) Pvt Ltd     |
| Arvind & Enterprises                  | Maadhav Automotive Fasteners           |
| Asian springs                         | Mohindra Products                      |
| Application Engineering India Pvt Ltd | Naveen industries                      |
| Autotech Polymers India Pvt Ltd       | NBC Engineering                        |
| APS Industries Ltd                    | NU-Tech Rubber Products                |
| Balaji Press Products Pvt Ltd         | Perfect Colourants Fasteners           |
| Bajrang Paints                        | Prime Polymers                         |
| Chandpress Products                   | PSJ Metals                             |
| Bhagat Auto Industries                | Pradeep Mahindra Rubber Udyog          |
| Bhagat Plastic Moulding               | Paragon Fasteners                      |
| Bohra Rubber Pvt Ltd                  | Progressive Industries                 |
| Classic Welding Products Pvt Ltd      | Patodia Glass Industries Ltd           |
| Cauvery Industries                    | Peekay industries                      |
| Chand Industry                        | Perfect Industries                     |
| Dhanalakshmi Metal Finishers          | Presscom Products                      |
| Dinesh Metals works                   | Presscom Products Pvt Ltd              |
| Dev Plastic & Engineering Works       | Rinku Rubber Industries                |
| Elkayem Auto Ancillaries Pvt Ltd      | Rajsriya Automotive Industries Pvt Ltd |
| Estee Auto Pressings Pvt Ltd          | Rishi Laser Cutting Ltd                |
| Ennkey Industries Ltd                 | Paras Promoters Pvt Ltd                |
| GI Auto Pt Ltd                        | Sun India Engineering Works            |
| Glorious Fasteners                    | Shankara Pipes India Pvt Ltd           |
| Goodlass Nerolac Paints Ltd           | Soni Spring Industries                 |
| Harness India                         | Singhal Industries Screws Pvt Ltd      |
| Hemalatha Enterprises                 | Special Washer (India) Pvt Ltd         |
| Hosur CNC Application Pvt Ltd         | Sree Lakshmi Precision                 |
| Hosur Fasteners                       | Sai Paradise Machine Tools             |
| JMD Engineers                         | Mitter Fasteners                       |
| Jai Spring Industries                 | Sri Guru Engineering Works             |
| JD Auto Electrical Pvt Ltd            | Star Polymers                          |
| JMC Auto Industries                   | Sagar Enterprises                      |
| JMC Automotive components Pvt Ltd     | Stumpp Schuler & Soamappa Pvt Ltd      |
| KS Autos                              | Sudharsan Enterprises                  |
| Karnataka enterprises                 | Sunshine electroplaters                |
| Kansai Nerolac Paints Ltd             | Suresh Steel Tubes Pvt Ltd             |
| Karnataka Plascom Engineering Pvt Ltd | Sambros Rubber Industries              |
| Kashyap Enterprises                   | Wad sons (India) Pvt Ltd               |
| K.S. Industries                       | Wire and Wire Products                 |
| Kiran Industries                      | V.M. enterprises                       |
| L.R. Industries                       | Vinndhya Circuit Systems               |
| Lakshmi Auto Cable Pvt Ltd            | Verma Mechanicals & Industries         |
| Mitter Fasteners                      | Zylog Plastalloys Pvt Ltd              |
| MN Rama Rao & Company                 | Verma Mechanicals & Industries         |
| Maharani Indl. Equipments Pvt Ltd     | Zylog Plastalloys Pvt Ltd              |



The above information regarding Small Scale Industrial Undertakings has been identified on the basis of information available with the company. The Auditors have relied this upon. In terms of Section 22 of the Micro, Small & Medium Development Act, 2006, the outstanding to these enterprises are required to be disclosed. However these enterprises are required to be registered under the Act. In the absence of the information about registration of the Enterprises under the above Act, the required information could not be furnished.

**17. Value of Import on CIF basis****(Rs. In Lakhs)**

| S No | Particulars                | 31.03.2007 | 31.03.2006 |
|------|----------------------------|------------|------------|
| 1.   | Raw Materials              | 692.29     | 510.64     |
| 2.   | Capital Goods              | 1673.40    | 335.54     |
| 3.   | Sample (For trading)       | 0.00       | 32.06      |
| 4.   | Components and spare parts | 0.95       | 0.76       |
| 5.   | Consumable Store           | 0.17       | 0.40       |

**18. Expenditure in Foreign Currency****(Rs. In Lakhs)**

| Particulars                       | 31.03.2007 | 31.03.2006 |
|-----------------------------------|------------|------------|
| Foreign Traveling expenses        | 13.47      | 17.05      |
| Professional fee                  | 17.06      | 4.59       |
| Technical know-how & other fee    | 55.72      | 13.93      |
| Exhibition Participation expenses | 0.00       | 7.52       |
| Japan Office expenses             | 40.13      | 34.18      |
| Other expenses                    | 15.18      | 0.00       |

**19. Earning in Foreign Exchange****(Rs. In Lakhs)**

| Particulars                 | 31.03.2007 | 31.03.2006 |
|-----------------------------|------------|------------|
| Export Sale on FOB Value    | 791.49     | 585.98     |
| Testing Fee Received        | 8.89       | 9.69       |
| Sale of Mould, Block & Dies | 26.45      | 50.57      |

**20. Licensed and Installed Capacity (Automotive Lamps, Mirrors including components and sheet parts)****(Numbers In Lakhs)**

| Particulars                     | 31.03.2007 | 31.03.2006 |
|---------------------------------|------------|------------|
| Licensed Capacity (In Numbers)  | N/A        | N/A        |
| Installed Capacity (In Numbers) | N/A        | N/A        |

**21. Opening and Closing Stock of Finished Goods****(Figures In Lakhs)**

| S. No.       | Name Of item   | Opening Stock  |                           | Closing Stock  |                           |
|--------------|--|----------------|---------------------------|----------------|---------------------------|
|              |  | Qty. (Nos.)    | Amount                    | Qty. (Nos.)    | Amount                    |
| 1.           | Automotive Lighting & Signaling Equipment & Parts.               | 1.06<br>(2.24) | 59.41<br>(104.57)         | 2.26<br>(1.06) | 148.19<br>(59.32)         |
| 2.           | Rear View Mirrors & Parts  | 0.30<br>(0.13) | 15.32<br>(5.95)           | 0.47<br>(0.30) | 17.25<br>(15.32)          |
| 3.           | Sheet Metal Parts  | 0.04<br>(0.00) | 1.44<br>(0.00)            | 0.21<br>(0.04) | 2.71<br>(1.44)            |
| 4.           | Other Automotive Components.                                     |                | 0.09<br>(0.21)            |                | 0.05<br>(0.09)            |
| 5.           | Material Received back from customers for repairs/rectification. |                | 3.63<br>(0.00)            |                | 0.00<br>(3.63)            |
| <b>TOTAL</b> |  |                | <b>79.89<br/>(110.73)</b> |                | <b>168.20<br/>(79.80)</b> |

**22. Production of Finished Goods**

| <b>S. No.</b> | <b>Particulars</b>                             | <b>(Qty - Nos. in Lakhs)</b> |
|---------------|--|------------------------------|
| 1.            | Automotive Lights, Signaling equipment & Parts | 146.90<br>(145.96)           |
| 2.            | Rear View Mirror & Parts                       | 33.26<br>(31.51)             |
| 3.            | Sheet Metal Parts                              | 38.52<br>(35.56)             |

**23. Turnover****A: - Manufactured Goods**

|                  |  |                        | <b>(Figures In Lakhs)</b>        |
|------------------|--|------------------------|----------------------------------|
| <b>S. No.</b>    |  | <b>Quantity (Nos.)</b> | <b>Amount</b>                    |
| 1.               | Automotive Lights, Signaling Equipment & Parts                   | 145.70<br>(147.14)     | 13,041.54<br>(8,904.23)          |
| 2.               | Rear View Mirror & Parts   | 33.09<br>(31.34)       | 1,802.50<br>(1,722.24)           |
| 3.               | Sheet Metal Parts  | 38.35<br>(35.52)       | 1,849.87<br>(1,521.73)           |
| 4.               | Other Automotive Components                                      | -                      | 44.00<br>(51.70)                 |
| 5.               | Material Received back from customers for repairs/rectification. |                        | 3.63<br>(0.00)                   |
| 6.               | Job Charges Received   |                        | 0.16<br>(0.04)                   |
| <b>Total "A"</b> |  |                        | <b>16,741.70<br/>(12,199.94)</b> |

**B: - Traded Goods**

|                      |                                 |                    | <b>(Figures In Lakhs)</b>        |
|----------------------|---------------------------------|--------------------|----------------------------------|
| <b>S No</b>          | <b>Particulars</b>              | <b>Quantity</b>    | <b>Amount</b>                    |
| 1.                   | Plastic Powder (Kg.)            | 0.00475<br>(0.015) | 0.40<br>(1.72)                   |
| 2.                   | Bulbs (Nos.)                    | 3.89<br>(3.24)     | 43.91<br>(38.85)                 |
| 3.                   | Iron Steel sheet and Rods (Kg.) | 0.67<br>(1.39)     | 19.06<br>(77.38)                 |
| 4.                   | Sample Sales (Nos.)             | 0.00<br>(0.00066)  | 0.00<br>(42.16)                  |
| 5.                   | Others F.G. Sale                |                    | 28.48<br>(0.00)                  |
| <b>Total "B"</b>     |                                 |                    | <b>91.85<br/>(160.11)</b>        |
| <b>Total "A + B"</b> |                                 |                    | <b>16,833.55<br/>(12,360.06)</b> |

**24. Opening and Closing stock of Raw Materials (including addition on Amalgamation)****(Figures In Lakhs)**

| S. No.       | Name of item                    | Opening Stock    |                            | Closing Stock    |                            |
|--------------|---------------------------------|------------------|----------------------------|------------------|----------------------------|
|              |                                 | Qty.             | Amount                     | Qty.             | Amount                     |
| 1.           | Plastic Powder (Kg.)            | 0.99<br>(1.76)   | 110.28<br>(188.67)         | 1.92<br>(.99)    | 187.92<br>(110.28)         |
| 2.           | Bulbs (Nos.)                    | 14.12<br>(11.17) | 95.90<br>(131.56)          | 22.93<br>(14.06) | 184.12<br>(95.55)          |
| 3.           | Iron Steel Sheet and Rods (Kg.) | 0.95<br>(1.18)   | 33.80<br>(53.76)           | 1.08<br>(0.95)   | 43.74<br>(33.80)           |
| 4.           | Others                          |                  | 328.56<br>(76.18)          |                  | 581.91<br>(318.67)         |
| <b>Total</b> |                                 |                  | <b>568.54<br/>(450.17)</b> |                  | <b>997.69<br/>(558.30)</b> |

**25. Detail of Item wise Raw Material Consumed****(Figures In Lakhs)**

| Sl. No.      | Name Of item                    | Raw Material Consumed |                                 |
|--------------|---------------------------------|-----------------------|---------------------------------|
|              |                                 | Qty.                  | Amount                          |
| 1.           | Plastic Powder (Kg.)            | 25.30<br>(25.19)      | 2,734.23<br>(2,576.88)          |
| 2.           | Bulbs (Nos.)                    | 149.87<br>(123.10)    | 1,309.00<br>(1,197.85)          |
| 3.           | Iron Steel Sheet and Rods (Kg.) | 26.04<br>(21.35)      | 930.55<br>(945.93)              |
| 4.           | Others                          |                       | 5,607.81<br>(2,872.75)          |
| <b>Total</b> |                                 |                       | <b>10,581.59<br/>(7,593.41)</b> |

**26. Detail of Purchases of Trading Goods****(Figures In Lakhs)**

| S. No.       | Name Of item                    | Raw Material Traded |                           |
|--------------|---------------------------------|---------------------|---------------------------|
|              |                                 | Qty.                | Amount                    |
| 1.           | Plastic Powder (Kg.)            | 0.00475<br>(0.015)  | 0.39<br>(1.72)            |
| 2.           | Bulbs (Nos.)                    | 3.89<br>(3.24)      | 34.03<br>(33.74)          |
| 3.           | Iron Steel Sheet and Rods (Kg.) | 0.67<br>(1.39)      | 21.43<br>(74.73)          |
| 4.           | Sample (Nos.)                   | 0.00<br>(0.00066)   | 0.00<br>(37.68)           |
| 5.           | Others F.G. Sale                |                     | 26.36<br>(0.00)           |
| <b>Total</b> |                                 |                     | <b>82.21<br/>(147.87)</b> |

**27. Detail of Imported and Indigenous Raw Material Consumed****(Rs. In Lakhs)**

| Particulars                                    | 31.03.2007      |                  | 31.03.2006     |                  |
|--|-----------------|------------------|----------------|------------------|
|  | Amount          | % Of Consumption | Amount         | % Of Consumption |
| <u>Raw Material</u>                            |                 |                  |                |                  |
| Imported                                       | 564.61          | 5.34             | 617.55         | 8.13             |
| Indigenous                                     | 10016.98        | 94.66            | 6975.86        | 91.87            |
| <b>Total</b>                                   | <b>10581.59</b> | <b>100.00</b>    | <b>7593.41</b> | <b>100.00</b>    |
| <u>Packing Material &amp; Consumable Store</u> |                 |                  |                |                  |
| Imported                                       | 0.17            | 0.03             | 0.40           | 0.08             |
| Indigenous                                     | 568.81          | 99.97            | 518.83         | 99.92            |
| <b>Total</b>                                   | <b>568.98</b>   | <b>100.00</b>    | <b>519.23</b>  | <b>100.00</b>    |

**28. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital accounts and not provided for (Net of advance) is Rs 1053.58 Lakhs (Previous Year Rs. 577.74 Lakhs).

**29. Prior Period Items/Adjustments****(Rs. in Lakhs)**

| Nature of Expenses          | 31.03.2007   | 31.03.2006   |
|-----------------------------|--------------|--------------|
| Job Works paid              | 9.24         | 2.10         |
| Cartage, College & freight  | 3.11         | 0.31         |
| Gratuity & Leave encashment | -            | 27.52        |
| Other Expenses              | 2.53         | 3.04         |
| <b>Total</b>                | <b>14.88</b> | <b>32.97</b> |

**30. Foreign Exchange Fluctuation/adjustment****(Rs. in Lakhs)**

| Nature of Exchange Fluctuation               | 31.03.2007   | 31.03.2006   |
|--|--------------|--------------|
| Monetary Item (Adjusted in P/L A/c)          | 8.77         | 13.63        |
| Non Monetary Item (Adjusted in Fixed Assets) | 32.45        | 0.11         |
| <b>Total</b>                                 | <b>41.22</b> | <b>13.74</b> |

**31. Lease Transaction**

Lease payment under Operating Lease have been accounted for in accordance with AS-19 of the ICAI "Accounting for Leased Assets" and accordingly lease payment under operating lease have been recognized as an expenses in the profit and loss account over the lease term.

**(Rs. in Lakhs)**

| Particulars  | 31.03.2007 | 31.03.2006 |
|--|------------|------------|
| Total of future minimum lease payments under non-cancelable operating lease for following periods: |            |            |
| -Not later than one year   | 43.95      | 14.18      |
| -Later than one year and not later than five years   | 175.80     | 56.72      |
| -Lease payment recognized in Profit & Loss Account   | 39.32      | 10.50      |

**32. Utilization of IPO Funds.**

In October 2006, the company completed Initial Public offering (IPO) of its equity shares comprising fresh issue of 41,00,001 equity shares of Rs. 10/- each issued at a premium of Rs. 127 each aggregating Rs. 5617.00 Lakhs.

The Company has utilized the gross public issue proceeds of Rs. 5617.00 Lakhs in the following manner as at 31<sup>st</sup> March 2007: -

| S.NO. | Particulars   | Rs. in Lakhs | Rs. in Lakhs   |
|-------|---|--------------|----------------|
|       | <b>Fund Received from IPO Proceeds</b>  |              | <b>5617.00</b> |
|       | Utilization of IPO proceeds   |              |                |
| 1.    | Expansion Plan/New Projects   |              |                |
|       | • Land  | 158.58       |                |
|       | • Building & Civil works  | 546.73       |                |
|       | • Plant & Machinery   | 2372.12      |                |
|       | • Moulds, Dies & Tools  | 336.17       |                |
|       | • Electrical Fitting & Equipments   | 70.49        |                |
| 2.    | Margin Money for working capital  | 370.60       |                |
| 3.    | General Corporate purposes  | 642.53       |                |
| 4.    | Share Issue Expenses  | 493.26       | 4990.48        |
| 5.    | <b>Balance of Unutilized monies out of IPO, details of which are given below:</b> |              | <b>626.52</b>  |
| A.    | Investment in Short-Term Securities (Included in Schedule VII)                    |              | 622.51         |
| B.    | Amount lying in Current Accounts (Included in Schedule VIII)                      |              | 4.01           |
|       | <b>Total</b>  |              | <b>626.52</b>  |

**33. Share Issue Expenses**

Share Issue Expenses Net of tax impact, of Rs. 404.16 Lakhs (Previous year Rs. Nil) are adjusted against Securities Premium Account as permissible under section 78 of the Companies Act, 1956.

**34. Disclosure of Non-Scheduled Bank Balance**

Bank balance included amount of Rs. 1.73 Lakhs (Previous year-nil) in respect of balance lying with non-scheduled Japan Resona bank.

**35. Post-Employment Benefits Plans****I. Defined Benefit Plans**

Disclosure requirement as per Revised Accounting Standard on Employee Benefit-AS (15)-As per actuarial valuation as on 31.03.2007 are as follows:

(Rs. in Lakhs)

|           | Description  | Gratuity | Unearned Leave |
|-----------|--|----------|----------------|
| <b>1.</b> | <b>Net employee benefit expenses (Recognized in Profit &amp; Loss Account)</b> |          |                |
|           | Current Service Cost   | 15.03    | 6.75           |
|           | Interest cost on benefit obligation  | 2.12     | 0.60           |
|           | Expected return on plan assets   | (1.11)   | N/A            |
|           | Net actuarial gain/(loss) recognized in the year                               | (3.74)   | (0.26)         |
|           | Net benefit expenses   | 12.30    | 7.09           |
| <b>2.</b> | <b>Plan assets/(liability) (Recognized in Balance Sheet)</b>                   |          |                |
|           | Present value of Defined benefit obligation                                    | 40.67    | 13.33          |
|           | Fair value of plan assets  | 15.74    | -              |
|           | Plan assets/(liability)  | (24.93)  | (13.33)        |

|           | Description   | Gratuity                      | Unearned Leave |
|-----------|---|-------------------------------|----------------|
| <b>3.</b> | <b>Change in the present value of the defined benefit obligation</b>                |                               |                |
|           | Opening defined benefit plan  | 26.57                         | 7.53           |
|           | Interest cost   | 2.12                          | 6.75           |
|           | Current service cost  | 15.03                         | 0.60           |
|           | Actuarial (gains)/losses on obligation  | (3.05)                        | (0.26)         |
|           | Benefits Paid   | -                             | (1.29)         |
|           | Closing defined benefit plan  | 40.67                         | 13.33          |
| <b>4.</b> | <b>Change in the fair value of the plan assets</b>                                  |                               |                |
|           | Opening fair value of plan assets   | -                             | N/A            |
|           | Expected return   | 1.11                          | N/A            |
|           | Contribution by employer  | 13.93                         | N/A            |
|           | Actuarial gains/(losses) on obligation  | 0.69                          | N/A            |
|           | Closing fair value of plan assets   | 15.74                         | N/A            |
| <b>5.</b> | <b>Actuarial Assumptions</b>  |                               |                |
|           | Discount Rate   | 8.00%                         | 8.00%          |
|           | Expected rate of return on assets   | 8.00%                         | 8.00%          |
|           | Medical cost inflation  | N/A                           | N/A            |
|           | Service cost increase rate  | 4.00%                         | 4.00%          |
| <b>6.</b> | <b>The major categories of plan assets as a percentage of the total plan assets</b> | N/A as Funded through Insurer | N/A            |

**II. Defined Contribution Plans****(Rs. in Lakhs)**

|  |       |
|--|-------|
| Contribution to Defined Contribution Plan, recognized as expenses for the year are as under: |       |
| Employer's Contribution to Provident Fund  | 28.20 |
| Employer's Contribution to ESI Fund  | 7.43  |
| Employer's Contribution to Wages Welfare Fund  | 0.10  |

**36. Inter-Units Transfers**

In view of clarification issued by The Institute of Chartered Accountants of India on 2<sup>nd</sup> April 2005, Inter-Unit Transfers, is not considered as a part of Turnover. Current Year Rs 2633.21 Lakhs inclusive of job charges paid to own unit (Previous Year Rs.613.74 Lakhs.)

**37. Recognition of Current Assets & Liabilities**

In the opinion of the management, the value of current assets, loans, and advances have a value on realization in the ordinary course of business, which is not less than the value at which they are stated in the Balance Sheet. However the balance due from/payable to sundry debtors, loans & advances & sundry creditors are subject to confirmation and consequential adjustment, if any.

**38.** The Company has transferred Rs 150 Lakhs to General Reserve from Profit and Loss Account as per Companies (Transfer of Profits to Reserves) Rules, 1975.

**39.** The Amalgamating Company had imported Mould, Block & Dies (Tooling) amounting to Rs. 449.59 Lakhs in earlier years and had received an amount of Rs. 402.35 Lakhs from a customer in the earlier years for import of the same on his behalf. The said amount has been reduced from the gross value of the imported mould & dies as the business operations of said customer have been discontinued and in the opinion of management based on the terms and conditions of the agreement, the advance/deposit is non-refundable in nature and was in received for the purpose of importing the moulds & dies (tooling) on behalf of the customer. Carrying cost of the mould & dies (tooling) has been shown at the net value of Rs. 47.24 Lakhs as on 31.03.2007.

**40.** The figures appearing in brackets pertain to previous year.

**41.** Figure has been rounded off to the nearest rupee.

For and on behalf of the Board of Directors

for Anil S. Gupta & Associates  
Chartered Accountants

Sd/-  
**(J. K. JAIN)**  
Managing Director

Sd/-  
**(SEEMA JAIN)**  
Director

Sd/-  
**(ARVIND K. CHAUHAN)**  
Company Secretary

Sd/-  
**ANIL KUMAR GUPTA**  
Prop.

Place : New Delhi  
Date : 29/10/2007



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No. 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 5 | 5 | . | 3 | 4 | 9 | 2 | 8 |
|---|---|---|---|---|---|---|---|

  
 Balance Sheet Date: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 3 | 1 | . | 0 | 3 | . | 0 | 7 |
|---|---|---|---|---|---|---|---|

State Code: 

|  |  |  |  |  |  |   |   |
|--|--|--|--|--|--|---|---|
|  |  |  |  |  |  | 5 | 5 |
|--|--|--|--|--|--|---|---|

**II. Capital Raised during the year (Amount Rs. Lacs)**

Public Issue: 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 4 | 1 | 0 | . | 0 | 0 |
|--|--|---|---|---|---|---|---|

  
 Bonus Issue: 

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

  
 Conversion of Bonds: 

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

Right Issue: 

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

  
 Private Placement: 

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

**III. Position of Mobilisation and Development of Funds (Amount Rs. Lacs)**

Total Liabilities: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 4 | 4 | 9 | 4 | . | 1 | 6 |
|---|---|---|---|---|---|---|---|

Total Assets: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 4 | 4 | 9 | 4 | . | 1 | 6 |
|---|---|---|---|---|---|---|---|

**Sources of Funds**

Paid-up Capital: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 1 | 8 | 5 | . | 8 | 2 |
|--|---|---|---|---|---|---|---|

  
 Secured Loans: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 3 | 0 | 1 | 8 | . | 1 | 4 |
|--|---|---|---|---|---|---|---|

  
 Deferred Tax Liability: 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 6 | 5 | 1 | . | 2 | 1 |
|--|--|---|---|---|---|---|---|

Reserves & Surplus: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 9 | 5 | 9 | 7 | . | 0 | 1 |
|--|---|---|---|---|---|---|---|

  
 Unsecured Loans: 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 3 | 1 | . | 5 | 7 |
|--|--|--|---|---|---|---|---|

  
 Equity Share Suspense: 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 1 | 0 | . | 4 | 1 |
|--|--|--|---|---|---|---|---|

**Application of Funds**

Net Fixed Assets: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 1 | 8 | 8 | 9 | . | 4 | 5 |
|---|---|---|---|---|---|---|---|

  
 Net Current Assets: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 9 | 7 | 5 | . | 6 | 3 |
|--|---|---|---|---|---|---|---|

Investments: 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 6 | 2 | 2 | . | 5 | 1 |
|--|--|---|---|---|---|---|---|

  
 Miscellaneous Expenditure: 

|  |  |  |  |   |   |   |   |
|--|--|--|--|---|---|---|---|
|  |  |  |  | 6 | . | 5 | 7 |
|--|--|--|--|---|---|---|---|

**IV. Performance of Company (Amount Rs. Lacs)**

Turnover: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 9 | 4 | 2 | 3 | . | 5 | 9 |
|---|---|---|---|---|---|---|---|

  
 Net Turnover: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 6 | 6 | 8 | 3 | . | 5 | 4 |
|---|---|---|---|---|---|---|---|

  
 Profit Before Tax: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 7 | 6 | 9 | . | 6 | 8 |
|--|---|---|---|---|---|---|---|

  
 Earning Per Share in Rs. 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 1 | 3 | . | 6 | 7 |
|--|--|--|---|---|---|---|---|

Total Expenditure: 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 1 | 5 | 8 | 9 | 4 | . | 9 | 9 |
|---|---|---|---|---|---|---|---|

  
 Profit After Tax: 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 3 | 6 | 7 | . | 0 | 6 |
|--|---|---|---|---|---|---|---|

  
 Dividend Rs. Per Share 

|  |  |  |   |   |   |   |
|--|--|--|---|---|---|---|
|  |  |  | 2 | . | 5 | 0 |
|--|--|--|---|---|---|---|

**V. Generatic Names of Principal Products of Company (as per monetary terms)**

Item Code No. (ITC Code):

|  |  |   |   |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|---|---|
|  |  | 8 | 5 | 1 | 2 | 2 | 0 | 0 | 1 |
|--|--|---|---|---|---|---|---|---|---|

Product Description:

|   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|
| H | E | A | D |   | L | A | M | P | S |
| T | A | I | L |   | L | A | M | P | S |
| B | L | I | N | K | E | R | S |   |   |

Item Code No. (ITC Code):

|  |  |   |   |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|---|---|
|  |  | 8 | 5 | 1 | 2 | 2 | 0 | 0 | 3 |
|--|--|---|---|---|---|---|---|---|---|

Product Description:

|   |   |   |   |  |   |   |   |   |  |   |   |   |   |   |   |   |
|---|---|---|---|--|---|---|---|---|--|---|---|---|---|---|---|---|
| R | E | A | R |  | V | I | E | W |  | M | I | R | R | O | R | S |
|---|---|---|---|--|---|---|---|---|--|---|---|---|---|---|---|---|

As per our Report of even date

For Anil S. Gupta & Associates  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
**Anil Kumar Gupta**  
(Proprietor)

Sd/-  
**Jagjeevan Kumar Jain**  
(Managing Director)

Sd/-  
**Seema Jain**  
(Director)

Sd/-  
**Arvind K. Chauhan**  
(Company Secretary)

New Delhi  
Date 29.10.2007

**CASH FLOW STATEMENT FOR THE YEAR 2006-07****(Amount In Rs.)**

| <b>Particulars</b>  | <b>2006-2007</b> |               | <b>2005-2006</b> |               |
|---|------------------|---------------|------------------|---------------|
| <b>A: CASH FLOW FROM OPERATING ACTIVITIES:</b>                                |                  |               |                  |               |
| <b>Net Profit After Extraordinary Items But Before Provision for Taxation</b> |                  | 176,967,704   |                  | 111,495,175   |
| Adjusted for:   |                  |               |                  |               |
| Depreciation & Amortization   | 52,244,644       |               | 37,156,954       |               |
| Transferred from Revaluation Reserve  | (992,026)        |               | (992,026)        |               |
| (Refer Note 5, Notes to Accounts, Schedule 'XX')                              |                  |               |                  |               |
| Prior Period Expenses/Adjustments   | 1,488,525        |               | 3,296,863        |               |
| (Refer Note 29, Notes to Accounts, Schedule 'XX')                             |                  |               |                  |               |
| Profit on sale/adjustment of Fixed Assets                                     | (9,209,345)      |               | (4,629,596)      |               |
| Extraordinary Income (Net of tax impact)                                      | (22,616,251)     |               | -                |               |
| Effect/Impact of Exchange Rate Change   | (569,868)        |               | (150,092)        |               |
| Miscellaneous Expenditure Written-off   | 214,896          |               | 62,900           |               |
| Pre-operative Expenses Allocated  | 5,763,501        |               | -                |               |
| Provision for Bad & Doubtful Debts  | 2,028,806        |               | -                |               |
| Provision for Excise Duty   | 1,802,596        |               | -                |               |
| Wealth Tax  | 68,725           |               | 55,596           |               |
| Dividend Income   | (4,654,559)      |               | -                |               |
| Interest Received   | (364,620)        |               | (345,026)        |               |
| Interest & Finance Charges  | 18,920,879       | 44,125,903    | 18,723,785       | 53,179,358    |
| Operating Profit before Working Capital Changes                               |                  | 221,093,607   |                  | 164,674,533   |
| Adjusted for:   |                  |               |                  |               |
| (Increase)/Decrease in Debtors  | (77,319,373)     |               | (23,038,620)     |               |
| (Increase)/Decrease in Inventories  | (84,940,686)     |               | (47,760,371)     |               |
| (Increase)/Decrease in Loans & Advances                                       | (41,231,993)     |               | 354,920          |               |
| Increase/(Decrease) in Current Liabilities & Provisions                       | 73,050,058       | (130,441,994) | 77,581,428       | 7,137,357     |
| Cash Generated from Operation   |                  | 90,651,613    |                  | 171,811,890   |
| Adjusted for Direct Taxes and Other Items:                                    |                  |               |                  |               |
| Prior Period Expenses/Adjustments   | (1,488,525)      |               | (3,296,863)      |               |
| Income Tax  | (49,936,503)     |               | (20,195,652)     |               |
| Wealth Tax  | (68,725)         |               | (55,596)         |               |
| Fringe Benefit Tax  | (3,141,295)      | (54,635,048)  | (1,800,000)      | (25,348,111)  |
| Net Cash Flow from Operating Activities                                       |                  | 36,016,567    |                  | 146,463,779   |
| <b>B: CASH FLOW FROM INVESTING ACTIVITIES:</b>                                |                  |               |                  |               |
| Purchase of Tangible Assets   | (465,317,535)    |               | (151,944,040)    |               |
| Purchase of Intangible Assets   | (5,870,990)      |               | (1,170,363)      |               |
| Sale of Tangible Assets   | 94,462,046       |               | 30,129,455       |               |
| Addition in Capital Work in Progress  | (70,988,572)     |               | (36,792,884)     |               |
| Pre-Operative Expenses Pending Allocation                                     | -                |               | (5,740,449)      |               |
| Miscellaneous Expenditure   | (585,000)        |               | (314,500)        |               |
| Interest Income   | 282,790          |               | 231,844          |               |
| Dividend Income   | 4,654,559        |               | -                |               |
| Investment for Acquisition of Company   | (10,543,375)     |               | (34,618,593)     |               |
| <b>Net Cash flow Used in Investing Activities</b>                             |                  | (453,906,077) |                  | (200,219,530) |

**CASH FLOW STATEMENT FOR THE YEAR 2006-07 (Contd.)****(Amount in Rs.)**

| <b>Particulars</b>   | <b>2006-2007</b> |                    | <b>2005-2006</b> |                   |
|--|------------------|--------------------|------------------|-------------------|
| <b>C: CASH FLOW FROM FINANCING ACTIVITIES:</b>   |                  |                    |                  |                   |
| Proceeds from Issue of Equity Share Capital<br>(Refer Note 32, Notes to Accounts, Schedule 'XX') | 41,000,010       |                    | 9,475,850        |                   |
| Increase in Securities Premium Account<br>(Refer Note 32, Notes to Accounts, Schedule 'XX')      | 520,700,127      |                    | 29,688,400       |                   |
| Share Issue Expenses<br>(Refer Note 33, Notes to Accounts, Schedule 'XX')                        | (46,710,674)     |                    | -                |                   |
| Interest & Financial charges   | (27,225,923)     |                    | (20,099,158)     |                   |
| Increase in Long-Term Borrowing  | 26,648,293       |                    | (931,781)        |                   |
| Increase in Short-Term Borrowing   | 5,658,550        |                    | 42,123,202       |                   |
| Net Cash flow from Financing Activities  |                  | 520,070,384        |                  | 60,256,513        |
| <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents<br/>(A+B+C)</b>                        |                  | 102,180,872        |                  | 6,500,762         |
| Opening Balance of Cash & Cash Equivalents   |                  | 15,625,022         |                  | 9,090,833         |
| Add: On Amalgamation<br>(Refer Note 4, Notes to Accounts, Schedule 'XX')                         |                  | 491,209            |                  | -                 |
| Fluctuation Gain/(Loss) on Foreign Currency Accounts   |                  | 29,737             |                  | 33,427            |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b>  |                  | <b>118,326,841</b> |                  | <b>15,625,022</b> |

**Foot Notes:**

- (i) The figures in the Cash Flow Statement are based on or have been derived from Annual Financial Statement of the company.
- (ii) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash flow Statements issued by The Institute of Chartered Accountant of India.
- (iii) Cash and Cash equivalents include restricted Cash and Bank balance amounting to Rs. 93,80,669 (Previous year Rs. 57,55,848)
- (iv) Amounting to Rs. 8,75,00,000 (Previous year-Rs. 12,00,00,000) is lying as undrawn term loan from bank that is available for future capital commitments purpose of the company.
- (v) Cash and cash equivalents consists of cash on hand, demand deposit with banks and short term highly investments that are readily convertible into known amounts of cash and which are subject to an insignificant of risks of changes in value.
- (vi) Previous year's figures have been regrouped/reclassified to conform to those of the current year
- (vii) Figures in brackets denote outflows of cash and cash equivalents.
- (viii) The figures for the current year include figures of Subsidiary Company M/s Fiem Sung San (India) Limited which has amalgamated with the Company with effect from 1st April, 2006 and therefore to the extent figures are not comparable with those of previous year.
- (ix) Figures has been rounded off to the nearest rupee.

As Per our Report of even date

For Anil S. Gupta & Associates  
Chartered Accountants

For and on Behalf of the Board of Directors

Sd/-  
**Anil Kumar Gupta**  
ProprietorSd/-  
**J. K. Jain**  
(Managing Director)Sd/-  
**Seema Jain**  
(Whole Time Director)Sd/-  
**Arvind K. Chauhan**  
(Company Secretary)

Place: New Delhi

Dated: 29th October, 2007

## ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORM

To,

FIEM Industries Limited  
 C/o Intime Spectrum Registry Limited  
 A-40, 2<sup>nd</sup> Floor, Naraina Industrial Area  
 Phase-II, New Delhi-110028

Dear Sir,

## FORM FOR ELECTRONIC CLEARING SERVICE FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY

For shares held in physical form

Folio. No.

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

For shares held in electronic form

DP ID

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Client ID

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Name of the Sole/ First holder:

Name of the Bank :

Name of the branch :

Branch Code

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

{ 9-Digit code number of the bank and branch appearing on the MICR band of the cheque issued by the bank).

**Please attach a photocopy of the Cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the Banks Name, Branch Name and Code No.**

Type of the account (P I. Tick on applicable)

Saving ☐Current ☐Cash Credit ☐

Account Number

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

(as appearing on the cheque book)

Effective Date of this mandate:

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information supplied as above, The Company/ Intime Spectrum Registry Limited will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/ FIEM Industries Limited.

I further undertake to inform the Company any change in my Bank/ branch and account Number.

(.....)

Signature of the Sole/First holder

Date.....

**Notes:**

- I. Whenever the shares in the given folio are entirely dematerialised, then this ECS mandate Form will stand rescinded.





## ATTENDANCE SLIP

### FIEM INDUSTRIES LIMITED

Regd. Office : D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015

|                          |                          |
|--------------------------|--------------------------|
| Regd. Folio No. -----    | No. of Shares held ----- |
| DPID No. -----           | Client ID No. -----      |
| <b>NAME AND ADDRESS:</b> |                          |

I/ We hereby record my/ our presence at the 18<sup>th</sup> Annual General Meeting held at Air Force Auditorium, Subrato Park, New Delhi-110010 on the 17<sup>th</sup> day of December 2007 at 10.30 A.M.

SIGNATURE OF THE MEMBER / PROXY PRESENT



## PROXY FORM

### FIEM INDUSTRIES LIMITED

Regd. Office: D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015

|                       |                          |
|-----------------------|--------------------------|
| Regd. Folio No. ----- | No. of Shares held ----- |
| DPID No. -----        | Client ID No. -----      |

I/ We.....of.....in the district of  
 .....,being a member/ members of Fiem Industries Limited, hereby appoint Mr./ Ms.  
 Mrs....., in the district of.....or failing him Mr./ Ms./  
 Mrs.....In the district of .....as my/ our proxy to  
 attend and vote for me/ us and on my / our behalf at the 18<sup>th</sup> Annual General Meeting of the Company to be held on 17<sup>th</sup> day of  
 December 2007 at 10.30 A.M. and at any adjournment thereof.

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

Affix revenue  
stamp

#### Notes :

- (i) The form should be signed across the revenue stamp as per specimen signature registered with the company.
- (ii) The proxy form duly completed must be deposited at the Registered office of the company not less than 48 hours before the time fixed for holding the aforesaid meeting.
- (iii) A proxy need not be a member.







## CERTIFICATIONS AND PRODUCT COMPLIANCE

We have received the following certifications:

We have been accredited with ISO-9002 in the year 1997 by BVQI, London. In the year 1999, our Unit I at Sonapat, Haryana was accredited with ISO 9001:2000 & ISO 9002:1994 and the quality system requirements certification QS-9000: 1998 by Underwriters Laboratories Inc. (UL), USA for the manufacture of automotive lighting & signaling equipments and rear view mirrors. Subsequently, in the year 2004, our Unit I at Sonapat, Haryana was accredited with ISO/TS 16949:2002 by UL, USA. In the year 2005, our Unit II at Hosur, Tamil Nadu was accredited with ISO/TS 16949:2002 by UL, USA. In the same year, our Unit I at Sonapat, Haryana was accredited with ISO 14001:2004 by UL, USA. Prior to this, in the year 2002, our Unit I at Sonapat, Haryana also received the 'Conformity of Production' compliance certification from RDW, Netherlands for e-marked products.

Within India we adhere to Automotive Industrial Standards (AIS/BIS) and Central Motor Vehicles Rules, 2005 (CMVR). For international markets we conform to regulations and standards like ECE, Dot/FMVSS, ADR, JIS, etc.

We also have the distinction of being a core panel member on Indian and UN ECE regulatory bodies.

## ACHIEVEMENTS AND AWARDS



We have received various awards from our customers and industry organization. Awards have been conferred on us at various points of time. Some of the awards given by our customers are given below.

| Year | Award by                                  | Award for                       |
|------|---|---------------------------------|
| 1991 | Kinetic Honda Motor Ltd.                  | Best Performance                |
| 2001 | Hyundai Motors India Ltd.                 | Best Performance                |
| 2001 | Kinetic Engineering Ltd.                  | Best Performance                |
| 2001 | TVS Motors Co. Ltd.                       | Best Performance                |
| 2002 | Hyundai Motor India Ltd.                  | Best Performance                |
| 2003 | Hyundai Motor India Ltd.                  | Best Performance                |
| 2003 | Honda Motorcycle & Scooter India (P) Ltd. | QCDDM#                          |
| 2004 | Honda Motorcycle & Scooter India (P) Ltd. | QCDDM#                          |
| 2004 | Hyundai Motor India Ltd.                  | Best Performance                |
| 2005 | Hyundai Motor India Ltd.                  | Best Performance                |
| 2006 | Honda Motorcycle & Scooter India (P) Ltd. | New Model Development           |
| 2006 | Honda Motorcycle & Scooter India (P) Ltd. | Valuable Contribution & Support |
| 2007 | Honda Motorcycle & Scooter India (P) Ltd. | QCDDM#                          |

#QCDDM- Quality, Cost Delivery, Development and Management.



In addition to the above, we have been appreciated for excellence in quality of our products and achieving target for supplies.

| Year | Appreciation certificate by | Certificate for   |
|------|-----------------------------|---|
| 2001 | Hyundai Motor India Ltd.    | Achieving the target  |
| 2002 | Hyundai Motor India Ltd.    | Achieving the target  |
| 2003 | Hyundai Motor India Ltd.    | Achieving the target  |
| 2004 | Hyundai Motor India Ltd.    | Achieving the target  |
| 2006 | International Study Circle  | Transworld Gold Star Award for certificate of Excellence in Quality |

The Company was awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi in the year 2005 as a certificate of excellence for enhancing the image of India. The Company was presented with the 'Business Sphere Award' for the year 2005-06 for being the most successful pioneer and among toppers in export & manufacture of auto components for 2 wheelers. In February 2006, The Company was awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality. In year 2007 the following awards were conferred:

- Rashtriya Samman Purskar with Gold Medal by Indian Society for Industry & Intellectual Development
- Automotive Lighting Equipment Man of the Year by Business Sphere magazine.
- Vikas Rattan Gold Award by Indian Organization for Business Research & Development
- International Quality Excellence Award by International Business Productivity Forum.





## OUR MANUFACTURING EDGE

Our plants are located at Kundli (Sonapat, Haryana) (Unit I), Hosur (Tamil Nadu) (Unit II & III) and Mysore (Karnataka) (Unit IV). Our New units are located at Hosur (Tamil Nadu) (Unit V) and Nalagarh (Himachal Pradesh) (UnitVI). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delivery time. Moreover, our commitment to customer's satisfaction in terms of quality, cost, in time delivery and services is amply reflected in the repeat orders and awards form customers. We have had the opportunity of been associated with some of our prestigious OEM customers since the start of their operation in India





**Unit-I, Kundli**



**Unit-II, Hosur**



**Unit-III, Hosur**



**Unit-IV, Mysore**



**Unit-V, EOU, Hosur**



**Unit-VI, Nalagarh, HP**

## PLANTS LOCATION

|  |  |
|--|--|
| <b>Unit -I</b><br>32 Mile Stone, G.T. Road, Kundli, Sonapat, Haryana       | <b>Unit -II</b><br>219/2B, Thally Road, Kallukondapalli, Hosur, Tamil Nadu           |
| <b>Unit -III</b><br>Kelamanglam, Achettipalli Post, Hosur, Tamil Nadu      | <b>Unit -IV</b><br>S.NO 29, Madargali Village, Varuna Hobli, Mysore Taluk, Karnataka |
| <b>Unit -V (EOU)</b><br>Kelamanglam, Achettipalli Post, Hosur, Tamil Nadu, | <b>Unit -VI</b><br>Village Bhatian, Nalagarh, HP                                     |



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