



**Fiem**

*Lights The Path*

## Annual Report 2007-08



Automotive Lighting, Signalling Equipments and Rear View Mirrors

Snapshots from

**9<sup>th</sup> AUTO EXPO**

**2008**

The Complete Automotive Show  
January 10-17, 2008 • New Delhi, India



# Chairman's Message

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Dear Shareholders,

I would take this opportunity to share with you some major developments during the last Financial Year.

Your company has been able to register a moderate growth over last financial year despite negative sentiments in the industry. The Board of Directors of your company has recommended a dividend of 25% (Rs. 2.50 per share) for the Financial Year 2007-08.

For quite some time the Automobile Industry is passing through a difficult phase. High Interest rates coupled with higher inflation have dampened the spirit of Indian Consumers, leading to a sharp decline in growth of Automobile Industry and in turn left adverse impact on Automotive Industry.

However, we believe this is a temporary phase and growing population, increasing trend of owning personal vehicles, cropping up of satellite townships and growing rural economy will be the major growth drivers for automobile industry which will result in growth of the automotive industry. Further, Global Automobile majors are seeing India as a major sourcing hub, opening new growth opportunities for Indian Automotive Industry.

Taking above factors into consideration, your company is increasing its capacities and setting up more manufacturing units to tap the growth opportunities.

On behalf of the Board, I express my sincere thanks to all of you for the trust and confidence reposed on us.

Thank You!

J.K. Jain  
Chairman & Managing Director



## 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 ZADI Divisione Fanaleria CEV Spa, Italy
- License and Technical Assistance Agreement with M/s BATZ, Spain.

## MILESTONES SINCE INCEPTION

Year	Key events
1989	Incorporation of Company under the name and style of Rahul Auto Pvt. Limited 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 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 Set-up Unit IV at Mysore, Karnataka Entered into a Technical Support Agreement with Ichikoh Industries Ltd., Japan Established overseas design centre and liaison office in Japan Signed MOU for establishing a Joint Venture company with Aspöck Holding, GmbH, Austria Awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi 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) Established Unit VI at Nalagarh, Himachal Pradesh Awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality Successfully Completed Initial Public Offer of the Company.
2007	Successfully Completed Merger of FIEM Sung San (India)Ltd. with the Company. Opening of various depots in major cities to tap the Replacement Market.
2008	Setting up Unit VII at Rai Industrial Area, Distt. Sonapat, Haryana. Entered into 'License and Technical Assistance Agreement' with M/s BATZ S. Coop. of Spain for manufacturing of Pedal Box Assembly.

## 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: -

- Tata Motors Ltd.
- Hyundai Motors India Ltd.
- Force Motors Ltd.
- Reva Electric Car Company Pvt. Ltd.
- HMT Tractors Ltd.
- VST Tiller & Tractors Ltd.
- Ashok Leyland Ltd.
- Skoda Auto India Pvt. Ltd.
- Indo Farm Tractors & Motors Ltd.
- Punjab Tractors Ltd.
- International Tractors Ltd.
- Tractors & Farms Equip.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.
- LML Ltd.
- Yamaha Motor India Pvt. Ltd.
- Hero Motors Ltd.
- Scooters India Ltd.
- Kinetic Motor Co. Ltd.
- Majestic Auto Ltd.
- Global Automobiles Ltd.

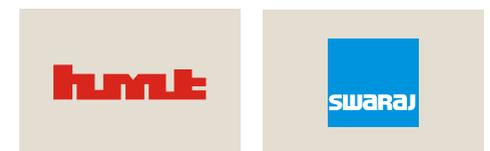
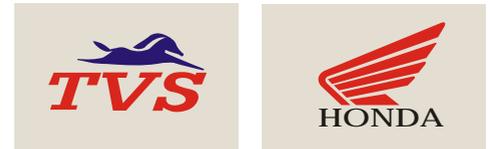
Some of our overseas customers include the following:-

### Four-Wheelers

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

### Two-Wheelers

- Piaggio, Italy
- Zadi, Italy



# PRODUCT PORTFOLIO

HEAD LAMPS



REAR COMBI. / TAIL LAMPS



SIDE INDICATOR LAMPS



OTHER LAMPS



LED LAMPS



FRONT / FOG / AUXILLARY LAMPS



OTHER SIGNALLING EQUIPMENTS



IRVM/OUTSIDE REAR VIEW MIRROR



OTHER PLASTIC COMPONENTS



SHEET METAL COMPONENTS



**CONTENTS****CONTENTS**

General Information .....	3
Notice .....	4
Directors' Report .....	12
Management Discussion & Analysis Report .....	17
Corporate Governance Report .....	19
Certificates under Clause 49 of the Listing Agreement .....	27
Auditor's Report .....	29
Balance Sheet .....	32
Profit & Loss Account .....	33
Schedules to Balance Sheet and Profit & Loss Account .....	34
Cash Flow Statement .....	57

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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

## **CHIEF FINANCIAL OFFICER**

Mr. O. P. Gupta

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

Arvind K. Chauhan

## **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.fiemindustries.com](http://www.fiemindustries.com)**

## **BANKERS**

CITI Bank N.A.  
Standard Chartered Bank

## **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 OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the company will be held on Monday the 29<sup>th</sup> day of September 2008 at 10.00 A.M. at Guru Kirpa Farms, Palla Bakhtawarpur Road, G.T. Karnal Road, Village Alipur, Delhi-110036, to transact the following business:

### **ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet as on 31<sup>st</sup> March 2008 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 2007-08.
3. To appoint a Director in place of Mr. C.S. Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.S. Lamba, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. C.D. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. J.S. Chandhok, who retires by rotation and being eligible, offers himself for re-appointment.
7. To re-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 re-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 198,269,309,310 and 311 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 and as recommended by the Remuneration Committee and approved by the Board of Directors of the Company, the consent of the members of the Company be and is hereby accorded to the re-appointment of Mrs. Seema Jain, as Whole Time Director of the Company w.e.f. 1<sup>st</sup> April 2008 for a period of three years i.e. up to 31.03.2011 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.
- 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 financial year, 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 the Board of Directors of the Company be and are hereby authorised to alter or vary the terms of appointment or revise the remuneration of Mrs. Seema Jain, as it may deem fit from time to time, so that remuneration payable shall not exceed the permissible limits under section 198,309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification and re-enactment thereof).

RESOLVED FURTHER THAT Mrs. Seema Jain shall be liable to retire by rotation within the meaning of section 255 and 256 of the Companies Act, 1956.

RESOLVED FURTHER THAT any Whole Time Director or Company Secretary of the Company be and is hereby authorized to file the necessary forms, returns and 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 198,269,309,310 and 311 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 and as recommended by the Remuneration Committee and approved by the Board of Directors of the Company, the consent of the members of the Company be and is hereby accorded to the re-appointment of Ms. Aanchal Jain, as Whole Time Director of the Company w.e.f. 1<sup>st</sup> April 2008 for a period of three years i.e. up to 31.03.2011 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 financial year, 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 the Board of Directors of the Company be and are hereby authorised to alter or vary the terms of appointment or revise the remuneration of Ms. Aanchal Jain, as it may deem fit from time to time, so that remuneration payable shall not exceed the permissible limits under section 198,309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification and re-enactment thereof).

RESOLVED FURTHER THAT Ms. Aanchal Jain shall be liable to retire by rotation within the meaning of section 255 and 256 of the Companies Act, 1956.

RESOLVED FURTHER THAT any Whole Time Director or Company Secretary of the Company be and is hereby authorized to file the necessary forms, returns and 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 198,269,309,310 and 311 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 and as recommended by the Remuneration Committee and approved by the Board of Directors of the Company, the consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. Joga Shyam Sunder Rao as Whole Time Director of the Company w.e.f. 1st December 2008 for a period of three years i.e. up to 30.11.2011 on the terms and conditions as mentioned hereunder:

**(a) Salary-**

Rs. 2,50,000/- (Rs. Two Lac fifty thousand 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 financial year, the Company has made no profits or profits are inadequate then the remuneration payable to Mr. Joga Shyam Sunder Rao will be, as permissible in Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to alter or vary the terms of appointment or revise the remuneration of Mr. Joga Shyam Sunder Rao, as it may deem fit from time to time, so that remuneration payable shall not exceed the permissible limits under section 198,309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification and re-enactment thereof).

RESOLVED FURTHER THAT Mr. Joga Shyam Sunder Rao shall be liable to retire by rotation within the meaning of section 255 and 256 of the Companies Act, 1956.

RESOLVED FURTHER THAT any Whole Time Director or Company Secretary of the Company be and is hereby authorized to file the necessary forms, returns and 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 in accordance with the provisions of Section 198,269,309,310 and 311 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 and as recommended by the Remuneration Committee and approved by the Board of Directors of the Company, the consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. Pravin Kumar as Whole Time Director of the Company w.e.f. 5<sup>th</sup> October 2008 for a period of three years i.e. up to 04.10.2011 on the terms and conditions as mentioned hereunder:

**(a) Salary-**

Rs. 1,75,000/- (Rs. One Lac Seventy Five thousand 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 financial year, the Company has made no profits or profits are inadequate then the remuneration payable to Mr. Pravin Kumar will be, as permissible in Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to alter or vary the terms of appointment or revise the remuneration of Mr. Pravin Kumar, as it may deem fit from time to time, so that remuneration payable shall not exceed the permissible limits under section 198, 309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification and re-enactment thereof).

RESOLVED FURTHER THAT Mr. Pravin Kumar shall be liable to retire by rotation within the meaning of section 255 and 256 of the Companies Act, 1956.

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

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

**-Sd-**

**Arvind K. Chauhan  
Company Secretary**

Place : New Delhi  
Date : 29.08.2008

**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. In terms of Article 159 of the of the Articles of Association read with Section 255 and 256 of the Companies Act, 1956, Shri C.S. Kothari, Shri K.S. Lamba, Shri C.D. Shah and Shri J.S. Chandhok, Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Further, resolutions proposing re-appointments of Mrs. Seema Jain, Ms. Aanchal Jain, Mr. Joga Shyam Sunder Rao and Mr. Pravin Kumar as

Whole Time Directors are to be considered in ensuing Annual General Meeting. Brief resume of all the Directors, nature of their expertise in specific functional areas, their shareholding in the Company, names of companies in which they hold directorships and memberships/chairmanships of Board Committees and relationship between directors *inter-se* 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.

4. 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.
5. Members are requested to bring their Attendance Slip along with their copy of the Annual Report to the Meeting.
6. 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.
7. 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.
8. Relevant documents referred to in the 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.
9. The Register of Members and Transfer Books of the Company shall remain closed from Tuesday, September 23, 2008 to Monday, September 29, 2008 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.
10. The Board has recommended a Final dividend at the rate 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 September 29, 2008. 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 September 22, 2008 as per details to be furnished by the depositories.
11. 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.
12. 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.

13. 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.
14. 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**

Mrs. Seema Jain was appointed as whole time director of the Company w.e.f. 01.04.2005 for a period of three years. Since her first term was due for completion on 31.03.2008, in the respective meetings of the Remuneration Committee and Board of Directors, both held on 29.03.2008, she was re-appointed as whole time director for another three years period w.e.f 01.04.2008 on the same remuneration. She is looking after Finance & Accounts Department of the Company. During the year 2006-07 the Company had established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth during the year 2007-08. With the increase in operations of the Company her duties and responsibilities have increased significantly. Considering above, the Board felt it necessary to keep continue her services and on the recommendation of Remuneration Committee re-appointed her as whole time director subject to approval of the members of the Company.

Mrs. Seema Jain is wife of Mr. J.K. Jain (Chairman & Managing Director) and these both are parents of Ms. Aanchal Jain and Mr. Rahul Jain, Directors of the Company. Hence these are related to each other. Further, these are major shareholders of the Company, therefore, deemed to be concerned or interested in this resolution.

As the remuneration to Mrs. Seema Jain as whole time director is as per provisions of Schedule XIII of the Companies Act, 1956,

hence the other required details are given at the end of this explanatory statement.

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

##### **ITEM No. 9**

Ms. Aanchal Jain was appointed as whole time director of the Company w.e.f. 01.04.2005 for a period of three years. Since her first term was due for completion on 31.03.2008, in the respective meetings of the Remuneration Committee and Board of Directors, both held on 29.03.2008, she was re-appointed as whole time director for another period of three years w.e.f 01.04.2008 on the same remuneration. She is looking after Human Resources Department of the Company. During the year 2006-07 the Company had established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth during the year 2007-08. 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. Hence the Board of Directors of the Company, on the recommendation of Remuneration Committee have re-appointed her as whole time director subject to approval of the members of the Company.

Ms. Aanchal Jain is daughter of Mr. J.K. Jain (Chairman & Managing Director) and Mrs. Seema Jain, Whole Time Director and sister of Mr. Rahul Jain, Director. Hence these are related to each other. Further, these are major shareholders of the Company, therefore, deemed to be concerned or interested in this resolution.

As the remuneration to Ms. Aanchal Jain as whole time director is as per provisions of Schedule XIII of the Companies Act, 1956, hence the other required information are given at the end of this explanatory statement.

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

##### **ITEM No. 10**

Mr. Joga Shyam Sunder Rao was appointed as whole time director of the Company w.e.f. 01.12.2005 for a period of three years. Since his first term is due for completion on 30.11.2008, in the respective meetings of the Remuneration Committee and Board of Directors, both held on 29.08.2008, he is re-appointed as whole time director for another period of three years w.e.f 01.12.2008 on the revised remuneration as given in the Resolution. He is presently looking after overseas operations and has 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 significantly. Hence the Board of Directors of the Company, on the recommendation of Remuneration Committee have re-appointed him as whole time director subject to approval of the members of the Company.

Except Mr. Joga Shyam Sunder Rao himself, no other Director is interested / concerned in passing of the above resolution.

As the remuneration to Mr. Mr. Joga Shyam Sunder Rao as whole time director is as per provisions of Schedule XIII of the Companies Act, 1956, hence the other required details are given at the end of this explanatory statement.

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

**ITEM No. 11**

Mr. Pravin Kumar was appointed as whole time director of the Company w.e.f. 05.10.2005 for a period of three years. Since his first term is due for completion on 04.10.2008, in the respective meetings of the Remuneration Committee and Board of Directors, both held on 29.08.2008, he is re-appointed as whole time director for another period of three years w.e.f 05.10.2008 on the revised remuneration as given in the Resolution. He is looking after South India Units of the Company situated at Hosur and Mysore. With the increase in operations of the Company his duties and responsibilities have increased. Hence the Board of Directors of the Company, on the recommendation of Remuneration Committee have re-appointed him as whole time director subject to approval of the members of the Company.

Except Mr. Pravin Kumar himself, no other Director is interested / concerned in passing of the above resolution.

As the remuneration to Mr. Pravin Kumar as whole time director is as per provisions of Schedule XIII of the Companies Act, 1956, hence the other required details are given at the end of this explanatory statement.

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

**Inter-se Relation Between Directors as Required to Disclose Under Clause 49 of the Listing Agreement:**

Mr. J.K. Jain, Chairman & Managing Director is husband of Mrs. Seema Jain, Director and father of Ms. Aanchal Jain and Mr. Rahul Jain, Directors hence all four are related to each other. Further, all of these are promoters of the Company.

Except above no other Director is related to each other.

**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 Mrs. Seema Jain, Ms. Aanchal Jain, Mr. Joga Shyam Sunder Rao and Mr. Pravin Kumar 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 : 29.08.2008

**Information pursuant to Clause 1(B) of Section II of Part II of Schedule XIII to the Companies Act, 1956 in connection with re-appointment of Mrs. Seema Jain, Ms. Aanchal Jain, Mr. Joga Shyam Sunder Rao and Mr. Pravin Kumar as Whole Time Directors of the Company.**

- (i) The remuneration of all these directors on their re-appointment has been approved by the resolutions passed by the Remuneration Committee.
- (ii) The Company has not made any default in repayment of any of its debts or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date(s) of re-appointment of above whole time directors.
- (iii) The re-appointment of all these directors is for three years at one time and proposed to be approved by the general meeting by way of special resolution.

**(iv) Statement pursuant to Clause 1(B) (iv) of Section II of Part II of Schedule XIII to the Companies Act, 1956 in connection with re-appointment of above whole time directors of the Company.**

<b>I GENERAL 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 had 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 2007-08.
(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 and Licence & Technical Assistance Agreement with BATZ, S. Coop. of Spain.
<b>II. INFORMATION ABOUT THE APPOINTEE (S):</b>	
<b>1. Mrs. Seema Jain</b>	
(1) Background Details	Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.
(2) Past Remuneration	Rs. 1,50,000/- per month from April 1, 2005 to March 31, 2007. Since April 1, 2007 Rs. 2,00,000/- per month.
(3) Recognition & Awards	Nil.
(4) Job profile and her suitability	She is looking after Finance & Accounts Department of the Company. During the year 2006-07 the Company had established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth during the year 2007-08. With the increase in operations of the Company her duties and responsibilities have increased significantly. Considering above facts, Board of Directors have re-appointed her for another term of three years.
(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.	<b>@ See Note below.</b>
(7) Pecuniary relationship directly or indirectly with the Company, relationship with the managerial personnel, if any.	Mrs. Seema Jain is one of the promoters of the Company and promoters group hold 63.40% of the shareholding of the Company. The other Directors i.e. Mr. J.K. Jain, Ms. Aanchal Jain and Mr. Rahul Jain are relatives of Mrs. Seema Jain. For other details, please refer "Related Party Disclosure" in Schedule XVIII to the Financial Statements forming part of the Annual Report.
<b>2. Ms. Aanchal Jain</b>	
(1) Background Details	Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.
(2) Past Remuneration	Rs. 50,000/- per month from April 1, 2005 to March 31, 2007. Since April 1, 2007 Rs. 1,00,000/- per month.
(3) Recognition & Awards	Nil
(4) Job profile and her suitability	She is looking after Human Resources Department of the Company. During the year 2006-07 the Company had established two more units i.e. Unit V and Unit VI and the company has shown satisfactory growth during the year 2007-08. 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. Considering above facts, Board of Directors have re-appointed her for another term of three years.

## **ANNUAL REPORT 2007-08**

(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.	<b>@ See Note below.</b>
(7)	Pecuniary relationship directly or indirectly with the Company, relationship with the managerial personnel, if any.	Ms. Aanchal Jain is one of the promoters of the Company and promoters group hold 63.40% of the shareholding of the Company. The other Directors i.e. Mr. J.K. Jain, Mrs. Seema Jain and Mr. Rahul Jain are relatives of Ms. Aanchal Jain. For other details, please refer "Related Party Disclosure" in Schedule XVIII to the Financial Statements forming part of the Annual Report.
<b>3. Mr. Joga Shyam Sunder Rao</b>		
(1)	Background Details	Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.
(2)	Past Remuneration	Rs. 1,50,000/- per month from April 1, 2006 to March 31, 2007. Since April 1, 2007 Rs. 2,00,000/- per month.
(3)	Recognition & Awards	Nil
(4)	Job profile and his suitability	He is presently looking after overseas operations of the Company and has 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 significantly and Board of Directors have re-appointed him as whole time director of the company for another term of three years.
(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.	<b>@ See Note below</b>
(7)	Pecuniary relationship directly or indirectly with the Company, relationship with the managerial personnel, if any.	Mr. Joga Shyam Sunder Rao is not related to any managerial person in the Company. He don't have any pecuniary relationship with the company except his remuneration and Equity shares held by him in the Company. The details of the same are given in "Related Party Disclosure" in Schedule XVIII to the Financial Statements forming part of the Annual Report.
<b>4. Mr. Pravin Kumar</b>		
(1)	Background Details	Please refer 'Profile of Directors' in 'Corporate Governance Report' forming part of the Annual Report.
(2)	Past Remuneration	Rs. 1,50,000/- per month since his appointment as whole time director in October 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	He is looking after South India Units of the Company situated at Hosur and Mysore. With the increase in operations of the Company his duties and responsibilities have increased. Hence the Board of Directors of the Company have re-appointed him as whole time director for another term of three years.
(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.	<b>@ See Note below</b>
(7)	Pecuniary relationship directly or indirectly with the Company, relationship with the managerial personnel, if any.	Mr. Pravin Kumar is not related to any managerial person in the Company. He don't have any pecuniary relationship with the company except his remuneration and Equity shares held by him in the Company. The details of the same are given in "Related

	Party Disclosure" in Schedule XVIII to the Financial Statements forming part of the Annual Report.
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**@ Note:**

(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. Information about remuneration of Whole Time Directors of other companies of comparable size is not available in public domain. However, on the basis of published annual reports of some Companies in similar business, the following information are given:
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Sr. No.	Name of the Company	Financial Year	Designation	Remuneration (In Rs. Lacs)
1	Hi-Tech Gears Ltd.	2006-07	Deputy Managing Director	50.22
2	Lumax Industries Limited	2007-08	Executive Director	38.06
3	Lumax Industries Limited	2007-08	Executive Director	32.38

<b>III OTHER INFORMATON:</b>	
(1) Reason for loss or inadequacy of the profits	There are no losses in the Company and the Company is earning profits. However, the total Managerial Remuneration is exceeding the 10% of profits of Financial Year 2007-08 calculated under section 349 & 350 read with section 198 of the Companies Act, 1956. Consequent to that, the Remuneration payable to these whole time directors come under Clause 1(B) of Section II of Part II of Schedule XIII to the Companies Act, 1956. Hence the information required under this clause is being provided.
(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 setting up more manufacturing facilities
(3) Expected increase in productivity and profits in measurable terms.	The growth in Turnover and Net Profit After Tax of the company is expected to increase by 15% to 20% on year on year basis.
<b>IV DISCLOSURES:</b>	
The shareholders of the company shall be informed of the remuneration of the remuneration package of the managerial person.	This information has been furnished in Notice of the Annual General Meeting and Corporate Governance Report forming part of the Annual Report.
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 19<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 2008 and the report of Statutory Auditors thereon.

**FINANCIAL RESULTS:**

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

PARTICULARS	(Rs. In Lacs)	
	F.Y. (2007-08)	F.Y. (2006-07)
Gross Sales	20207.77	19423.59
Sales, Net of Excise	17729.79	16833.54
Profit before Tax, Depreciation, Interest, Bank charges & Prior Period Expenses	2400.11	2486.29
Less Prior Period Expenses.	5.22	14.89
Less Interest & Bank Charges	195.08	189.21
Profit before Tax & Depreciation	2199.81	2282.20
Less Depreciation	782.16	512.53
Profit Before Tax	1417.65	1769.67
Less:		
a) Provision for tax	479.20	402.62
b) Income Tax Paid for earlier years	4.52	12.49
<b>Net Profit</b>	<b>933.93</b>	<b>1354.57</b>

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

During the year 2007-08, the Amalgamation process of FIEM Sung San (India) Limited with the Company under section 391 to 394 of the Companies Act, 1956 was completed. Hon'ble High Court of Delhi vide its order dated 3<sup>rd</sup> September 2007 had approved the Scheme of Amalgamation. The Scheme had become effective from October 27, 2007. As the Appointed Date of the Scheme was April 1, 2006, therefore authorized capital, assets, liabilities and operating results of FIEM Sung San (India) Limited had been incorporated in the accounts of the Company with effect from April 1, 2006 i.e. in the accounts of financial year 2006-07.

**REVIEW OF OPERATIONS**

Your company has been able to register a moderate growth over last financial year despite negative sentiments in the industry. For quite some time the Automobile Industry is passing through a difficult phase. High Interest rates coupled with higher inflation have dampened the spirit of Indian Consumers, leading to a sharp decline in growth of Automobile Industry and inturn left adverse impact on Automotive Industry.

The Company's net turnover for F.Y. 2007-08 is Rs. 17729.79 lacs which is higher by 5.32% in comparison to last year's net turnover of Rs 16833.54 lacs and profit before finance charges, depreciation, tax and Prior Period expenses is Rs 2,400.11 lacs in comparison to last year's Rs 2,486.29 lacs, lower by 3.47%.

**DIVIDEND**

Your Board of Directors has recommended a dividend of 25% (Rs. 2.50 per share) on the Equity Shares of the Company for the year 2007-08 to the shareholders to be determined by Book Closure. The same is recommended for approval of the shareholders.

**TRANSFER TO RESERVES**

Out of the profits for the financial year ended 2007-08 an amount of Rs 100 Lacs is transferred to General Reserve Account.

**INITIAL PUBLIC OFFERING OF EQUITY SHARES**

During Financial year 2006-07, your company came with 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. 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 Company has utilized entire issue proceeds during financial year 2006-07 and 2007-08 as per the Objects of the Issue. .

**SHARE CAPITAL**

During the financial year 2007-08, the company has completed the Amalgamation process of FIEM Sung San (India) Limited with the Company under section 391 to 394 of the Companies Act, 1956. Hon'ble High Court of Delhi vide its order dated 3<sup>rd</sup> September 2007 had approved the Scheme of Amalgamation. The Scheme had become effective from October 27, 2007. Pursuant to the Scheme, the Company has allotted 1,04,065 fully paid-up Equity Shares of Rs. 10/- each to the erstwhile equity shareholders of FIEM Sung San (India) Limited on 10<sup>th</sup> December 2007. Consequently, the paid-up capital of the company has increased from Rs. 11,85,81,610/- to 11,96,22,260/- . Pending allotment, an Equity Share Suspense Account had been created in the financial statements of year 2006-07 with the amount of Rs. 10,40,650/-.

**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 2007-08 and up to the date of this Report are summarized as under:

### Starting of exports from EOU at Kelamanglam, Hosur (Unit V):

During the year under review, the 100% EOU at Kelamanglam, Achetapalli Post, Hosur, Tamil Nadu (Unit V) has started exports to M/s ICHIKOH Industries Limited, Japan.

This unit 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.

### New manufacturing facilities:

The Company is in the process of setting up two more manufacturing facilities one is at Rai Industrial Area, Distt. Sonapat, Haryana (Unit VII) and other is at IMT, Manesar (Unit-VIII).

### Replacement Market:

As the Replacement market is new growth area, the Company is opening Depots at appropriate place at opportune time. Currently the Company has 6 depots in different parts of the country.

### Technical Assistance Agreement with M/s BATZ of Spain:

The Company has entered into 'License and Technical Assistance Agreement' with M/s BATZ S. Coop. of Spain for manufacturing of Pedal Box Assembly.

### DIRECTORS

In terms of Article 159 of the of the Articles of Association read with Section 255 and 256 of the Companies Act, 1956, Shri C.S. Kothari, Shri K.S. Lamba, Shri C.D. Shah and Shri J.S. Chandhok, Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Further, resolutions proposing re-appointments of Mrs. Seema Jain, Ms. Aanchal Jain, Mr. Joga Shyam Sunder Rao and Mr. Pravin Kumar as Whole Time Directors are to be considered in ensuing Annual General

### 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 (2007-08), was in receipt of remuneration for that year which, in the aggregate, was not less than Rs. 24,00,000/-:

Name	Designation	Annual Remuneration (Rs. in Lacs)	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	124.80	B.Com	37	05.08.1996 <sup>1</sup>	56	-See Note <sup>1</sup>	15.64% <sup>2</sup>
Mrs. Seema Jain	Whole Time Director	24.00	B.Sc.	26	01.04.2005 <sup>1</sup>	53	-See Note <sup>1</sup>	10.99% <sup>2</sup>
Mr. J.S.S. Rao	Whole Time Director	24.00	M.Com	27	02.05.2003	51	Toshi Auto Industries Ltd. (Now Lumax Automotive Systems Ltd.) as Executive Director	N.A.
Mr. Kashi Ram	Sr. Vice-President	25.45	Matriculation	30	01.05.1995	52	B.P. Plastic Industries as Manager (Operations)	N.A.

#### Notes:

- Mr. J.K.Jain and Mrs. Seema Jain with family members promoted the company on 06.02.1989. Since then they are on the Board of the Company as Non executive Directors. On and from 05.08.96 Mr. J.K. Jain is on the Board as Chairman & Managing Director and on and from 01.04.2005 Mrs. Seema Jain is on the Board as Whole Time Director.
- Mr. J.K.Jain and Mrs. Seema Jain along with family members and related concerns hold 63.40 % of the total capital of the Company. Mr. J.S.S. Rao holds only 12 Shares and Mr. Kashi Ram holds only 338 shares as on 31.03.2008.

**Other information:**

**(a) Nature of Employment & other terms and conditions:**

- The Employment of Mr. J. K. Jain, Mrs. Seema Jain and Mr. J.S.S. Rao is contractual. Mr. Kashi Ram is regular employee of the Company.
- Other terms and conditions of employment are as per rules of the Company.

**(b) Nature of Duties:**

- **Mr. J.K. Jain :** 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.
- **Mrs. Seema Jain :** Mrs. Seema Jain is in charge of overall finance and accounts functions of the Company and looking after these functions on the head office level.
- **Mr. J.S.S. Rao:** Mr. J.S.S. Rao is in charge of overseas functions of the Company and also looking after strategic tie-ups and overseas business development.
- **Mr. Kashi Ram:** He is responsible for the Production and Operation functions in the north Indian Units of the Company.

**(c) Relation with Director or Manager of the Company:**

- Mr. J.K. Jain, Chairman & Managing Director is husband of Mrs. Seema Jain, Director and father of Ms. Aanchal Jain and Mr. Rahul Jain, Directors hence all four are related to each other. Further, all of these are promoters of the Company.
- Mr. J.S.S. Rao and Mr. Kashi Ram are not related to any Director / Manager of the Company.

**(ii) There is no other employee who employed for the part of the Financial year (2007-08), 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, which is more than remuneration of managing director or whole-time director and also holds by himself or along with his spouse and dependent children not less than 2% of the equity shares of the company. Hence sub-clause (iii) of Section 217(2A)(a) of the Companies Act, 1956 is not applicable.**

**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, 2008, 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 31.3.2008 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 hope 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**

**-Sd-**

**J.K. JAIN**

Chairman & Managing Director

**Place : New Delhi**

**Date : 29.08.2008**

## 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. In Diesel Generators fuel injection technology is improved which have reduced diesel consumption.
2. Float switches have been installed on every water tank resulting in wastage of water and saving of power.
3. Timer systems have been installed on all cooling systems.
4. Energy saving devices has been installed wherever found necessary.
5. 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. In endeavors of reduction of consumption of energy some proposals have been identified and shall be implemented. Energy conservation is a continuous process and company is doing its best 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 and testing.

##### **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 capitalized when the Company is certain to recover the development cost from future economic benefits. Fixed Assets utilized for research and development are capitalized and depreciated in accordance with the depreciation method as explained in Notes to accounts.

#### **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:**

- 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.

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

**Activities relating to Exports:** The Company exports automotive lights and mirrors to OEMs and Tier-I Suppliers 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.

## **ANNUAL REPORT 2007-08**

- (vi) Established 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 2007-08, 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>2007-08</b>	<b>2006-07</b>
1	Value of Import on CIF basis	2687.46	2366.81
2	Foreign Travel	23.75	13.47
3	Professional Expenses	7.12	17.06
4	Technical Know how fee & Other fee	58.64	55.72
6.	Overseas Office Expenses	35.29	40.13
7.	Other Exp.	2.54	15.18
<b>TOTAL</b>		<b>2814.80</b>	<b>2508.37</b>

<b>Earning in Foreign Exchange</b>		<b>Amount (In Rs. lacs)</b>	
<b>S.No.</b>	<b>Particulars</b>	<b>2007-08</b>	<b>2006-07</b>
1	Export Sale on FOB Value	969.30	791.49
2	Testing Fee Received	0.00	8.89
3	Sale of Fixed Assets	83.35	13.95
4	Tool Development Charges	29.91	12.50
<b>TOTAL</b>		<b>1082.56</b>	<b>826.83</b>

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and development

The automobile industry has been on a strong growth trajectory in the recent years. With the phenomenal growth in the domestic automobile industry, India has become one of the prime business destinations for many global automotive players and over the years, they have developed large capacities, infrastructure and market for their products. 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.

India's vast middle class, easy availability of retail finance with low down payment schemes, increasing household incomes and launch of more stylish models had enabled the industry to grow. As automotive component industry rides piggyback on the automobile industry, hence automotive industry was also growing fast.

However, the year 2007-08 saw a decline in sales in two wheeler as well as four wheelers segments compared to the previous years and growth story seems to be get stuck a while. Rising interest rates, rupee appreciation, increases in cost of raw material are the main factors that contributed to economic instability and fluctuating business prospects for the Industry. Rising interest rates and drying up of finance for certain segments of vehicles had an immediate and negative impact on the output of the automobiles and in turn adversely affected the automotive industry. Higher inflation has also dampened the spirit of Indian Consumers, leading to a sharp decline in growth of Automobile Industry.

The current year 2008-09 expected to continue to be a challenging year. Continued restricted availability of retail finance, high inflation and high fuel prices are likely to affect growth of automobiles. In addition, steep increase in cost of raw materials and inability to fully pass on the cost increase may impact margins.

However, we believe this is a temporary phase and growing population, increasing trend of owning personal vehicles, increase and upgrading of Indian middle class, cropping up of satellite townships and growing rural economy will be the major growth drivers for automobile industry which will result in growth of the automotive industry. Further, Global Automobile majors are seeing India as a major sourcing hub, opening new growth opportunities for Indian Automotive Industry.

### Opportunities and threats

#### a) Opportunities

We believe that growing population, increase and upgrading of Indian middle class, increasing trend of owning personal vehicles, cropping up of satellite townships and growing rural economy will be the major growth drivers for automobile industry which will result in growth of the automotive industry. Further, Global Automobile majors are seeing India as a major sourcing hub, opening new growth opportunities for Indian Automotive Industry.

Taking above factors into consideration, the Company is increasing its capacities and setting up more manufacturing units to tap the growth opportunities.

Further, besides domestic OEMs, the management is focusing on exports and after sales market in a big way.

#### b) Threats/Challenges

In comparison to developed countries, China and Thailand, India has 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, more incentives for power sector etc.

The opportunities as well as challenges are well factored into strategic planning of the management. By its dynamic leadership, proactive approach and quality benchmarking the management will keep the growth story on.

### 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. The company has registered a moderate growth over last year.

### Outlook

For the industry, the current year 2008-09 expected to continue to be a challenging year. Continued rising interest rates, restricted availability of retail finance, high inflation and high fuel prices are likely to affect growth of automobiles.

Still, it seems to be a temporary phase as these issues are expected to be mitigated by market dynamics and 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 result in growth of auto components industry in the coming times.

Taking above factors into consideration, the company is increasing its capacities and setting up more manufacturing units to tap the future growth opportunities.

### Risk and Concerns

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. Further, high inflation and high fuel prices are likely to affect growth of automobiles. In addition, steep increase in cost of raw materials and inability to fully pass on the cost increase may impact margins.

### **Internal Control Systems and its adequacy**

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 finance functions of the company through regular monitoring and suggestions.

### **Financial performance with respect to operational performance**

The Company's net turnover for F.Y. 2007-08 is Rs. 17729.79 lacs which is higher by 5.32% in comparison to last year's net turnover of Rs 16833.54 lacs and profit before finance charges, depreciation, tax and Prior Period expenses is Rs 2,400.11 lacs in comparison to last year's Rs 2,486.29 lacs, lower by 3.47%.

### **Human Resources Management System / Industrial Relations**

The manufacturing of automotive lamps and rear view mirrors is a 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 higher goals of the organization.

The Company provides the required training to the employees to hone their skills and increase productivity. The company has maintained excellent relationship with the employees during the year.

### **Cautionary statement**

**The statements in Management Discussion and Analysis 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

The basic practices of corporate governance for any company stems from the philosophy, culture and mindset of the management. Then management translates it into whole organization. The Company's management practices are based on principles of integrity, fairness, equity, accountability, commitment and transparency. Over the time these practices has been inculcated in whole organization. For the Company, good corporate governance means compliance with various related statutory and regulatory requirements and following the sound business practices, which entails from above principles and working for overall interest of all the stakeholders.

### 2. BOARD OF DIRECTORS:

#### 2.1 Composition of the Board

As on 31st March 2008, 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 31.03.2008
1	Mr. J.K. Jain	CMD Promoter	Nil	Nil
2	Mrs. Seema Jain	E PD	Nil	Nil
3	Mr. J.S.S. Rao	E D	Nil	Nil
4	Mr. Pravin Kumar	E D	Nil	Nil
5	Ms. Aanchal Jain	E PD	Nil	Nil
6	Mr. Rahul Jain	NEPD	Nil	Nil
7	Mr. C.D. Shah	I D	Nil	Nil
8	Mr. Iqbal Singh	I D	Nil	Nil
9	Mr. K.S. Lamba	I D	Nil	Nil
10	Mr. P.S. Bhatia	I D	Nil	Nil
11	Mr. C.S. Kothari	I D	Nil	Nil
12	Mr. J.S. Chandhok	I D	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 2007-08, seven Board Meetings were held on 30.04.2007, 23.06.2007, 28.07.2007, 29.10.2007, 10.12.2007, 30.01.2008 and 29.03.2008.

### 2.3 Directors Attendance Record

The attendance of directors at the above Board Meetings and at the previous Annual General Meeting held on 17<sup>th</sup> December 2007 is as under:

Sr. No.	Name of the Director	Board Meeting held	No. of Board Meeting attended	Whether present at the previous AGM
1	Mr. J.K. Jain	7	7	Yes
2	Mrs. Seema Jain	7	7	Yes
3	Mr. J.S.S. Rao	7	7	No
4	Mr. Pravin Kumar	7	7	No
5	Ms. Aanchal Jain	7	3	No
6	Mr. Rahul Jain	7	6	Yes
7	Mr. C.D. Shah	7	Nil	No
8	Mr. Iqbal Singh	7	5	Yes
9	Mr. K.S. Lamba	7	Nil	No
10	Mr. P.S. Bhatia	7	6	Yes
11	Mr. C.S. Kothari	7	7	Yes
12	Mr. J.S. Chandhok	7	5	Yes

### 2.4 Profile of Directors:

#### Brief Profile of the Directors:

**Mr. J. K. Jain**, aged 56 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 53 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 since her college days. She is presently actively involved in overseeing the finance functions of the Company.

**Mr. Rahul Jain**, aged 21 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, New Delhi he has completed B.Sc. (Management) from the Indian Institute of Learning Management (IILM), New Delhi. Presently, he is pursuing further studies in advance management in London, UK. At the same time, he has been taking interest in the business activities of the organization.

**Ms. Aanchal Jain**, aged 26 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 51 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 27 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 Industries 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 58 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 35 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 60 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 80 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 69 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 60 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 32 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 55 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 35 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 10 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 and inter-se relationship of the Directors as on 31.03.2008

Sr. No.	Name of the Director	Name of the other Company where he hold Directorship	Committees (Member- M) (Chairman-C)	Shareholding in the Company	Inter-se relation with other Director(s)
1	Mr. J.K. Jain	-FIEM Auto Pvt. Ltd.	Nil	1871092	# See Note below
2	Mrs. Seema Jain	-FIEM Auto Pvt. Ltd.	Nil	1314362	# See Note below
3	Mr. J.S.S. Rao	Nil	Shareholders / Investor Grievance Committee-M	12	Nil
4	Mr. Pravin Kumar	INKO Company Pvt. Ltd. (MD)	Nil	350	Nil
5	Ms. Aanchal Jain	Nil	Nil	312693	# See Note below
6	Mr. Rahul Jain	Nil	Shareholders / Investor Grievance Committee-M	3990279	# See Note below
7	Mr. C.D. Shah	Nil	Nil	36000	Nil
8	Mr. Iqbal Singh	-Parspex (India) Pvt. Ltd. (Managing Director) - Harav India Pvt. Ltd.	Remuneration Committee-M	20014	Nil
9	Mr. K.S. Lamba	Lamba Traders & Engineers Pvt. Ltd.	Nil	80000	Nil
10	Mr. P.S. Bhatia	Nil	-Audit Committee-M -Remuneration Committee-M	Nil	Nil
11	Mr. C.S. Kothari	Radico Sales Promotion Pvt. Ltd.	-Audit Committee-M -Remuneration Committee-C -Shareholders / Investor Grievance Committee-C	1	Nil
12	Mr. J.S. Chandhok	- G. S. Tyres Pvt. Ltd. - Kpro Knowledge Services Pvt. Ltd.	Audit Committee-C	Nil	Nil

# **Note:** Mr. J.K. Jain, Chairman & Managing Director is husband of Mrs. Seema Jain, Director and father of Ms. Aanchal Jain and Mr. Rahul Jain, Directors hence all four are related to each other. Further, all of these are promoters of the Company. Except these, no other Director is related to each other.

## 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, Mr. Jasmit Singh Chandhok is the Chairman of the audit committee. 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:

1. 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. Overseeing the 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 of the annual financial statements with the management;
5. Review of the adequacy of internal control systems with the management and the external and internal auditors ;
6. Review of the adequacy of internal audit system including the 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 and annual financial statements before submissions to the Board.

### 3.1 Audit Committee Meetings

During the Financial year ended 31.03.2008, four meetings of the Audit Committee were held on 30.04.2007, 28.07.2007, 29.10.2007 and 31.01.2008. 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	4	4
2	Mr. P.S. Bhatia	4	4
3	Mr. C.S. Kothari	4	4

## 4. REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. C. S. Kothari, Mr. P. S. 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 31.03.2008, three meetings of the Remuneration Committee were held on 23.06.2007, 29.10.2007 and 29.03.2008. The Attendance of the Members at these meetings were as under:

Sr. No.	Name	No. of Meetings held	No. of Meetings Attended
1	Mr. C.S. Kothari	3	3
2	Mr. P.S. Bhatia	3	3
3	Mr. Iqbal Singh	3	3

### 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 31.03.2008 are furnished as under:

Sr. No.	Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
1	Mr. J.K. Jain	1,23,00,000	1,80,000	Nil	1,24,80,000
2	Mrs. Seema Jain	24,00,000	Nil	Nil	24,00,000
3	Mr. J.S.S. Rao	24,00,000	Nil	Nil	24,00,000
4	Mr. Pravin Kumar	18,00,000	Nil	Nil	18,00,000
5	Ms. Aanchal Jain	12,00,000	Nil	Nil	12,00,000
6	Mr. Rahul Jain	Nil	Nil	Nil	Nil
7	Mr. C.D. Shah	Nil	Nil	Nil	Nil
8	Mr. Iqbal Singh	Nil	Nil	Nil	Nil
9	Mr. K.S. Lamba	Nil	Nil	Nil	Nil
10	Mr. P.S. Bhatia	Nil	Nil	Nil	Nil
11	Mr. C.S. Kothari	Nil	Nil	Nil	Nil
12	Mr. J.S. Chandhok	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, service contract and severance fees for the Directors.
3. The Company has not paid any sitting fees or other payment to the non-executive directors for Board or Committee Meetings.

## 5. SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE

The Shareholders / Investor 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 similar 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.

### 5.1 Shareholders/ Investors Grievance Committee Meetings

During the Financial year ended 31.03.2008, 15 meetings of the Shareholders'/Investors' Grievance Committee were held on 18.04.2007, 30.05.2007, 15.06.2007, 30.06.2007, 28.07.2007, 03.08.2007, 18.09.2007, 15.10.2007, 29.10.2007, 30.11.2007, 15.12.2007, 31.12.2007, 08.02.2008, 29.02.2008 and 31.03.2008. 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	15	15
2	Mr. Rahul Jain	15	11
3	Mr. J.S.S. Rao	15	7

### 5.2 The status and details of the shareholders' complaints received during the financial year ended 31.03.2008 are as under:

Sr. No.	Particulars	No. of Complaints received	No. of Complaints resolved	Pending Complaints
1.	Received through direct Correspondence	16	16	Nil
2.	Received through BSE	Nil	Nil	Nil
3.	Received through NSE	01	01	Nil
4.	Received through SEBI	01	01	Nil
	<b>Total</b>	<b>18</b>	<b>18</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
2006-07	17.12.2007	Airforce Auditorium, Subrato Park, New Delhi - 110010	10.30 a.m.
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.

There was no special resolution passed by the Company at the AGMs held on 29.09.2005 and 21.08.2006. However, in the AGM held on 17.12.2007 the following Special Resolutions were passed:

- 1 Increase in Remuneration of Mr. J.S.S. Rao, Whole Time Director.
- 2 Increase in Remuneration of Mrs. Seema Jain, Whole Time Director.
- 3 Increase in Remuneration of Ms. Aanchal Jain, Whole Time Director.
- 4 Increase in Remuneration of Mr. J.K. Jain, Chairman & Managing Director.
- 5 Approval to Keep Register of Members and Index at the office of Registrar & Transfer Agent.

No special resolution was passed by way of postal ballots in any of the last three AGMs. 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:

- a) The 'Related Party Transactions' have been reported elsewhere in this Annual Report in Schedule XVIII 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.
- b) 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, if any, 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 2007-08 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 Business Standard (Hindi & English), Veer Arjun (Hindi) or Financial Express and Jansatta (Hindi) Newspapers. The results are also posted on the website of the Company [www.fiemindustries.com](http://www.fiemindustries.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 19th AGM:**

Monday, the 29th September 2008 at 10.00 a.m. at Guru Kirpa Farms, Palla Bakhtawarpur Road, G.T. Karnal Road, Village Alipur, Delhi-110036.

**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 Tuesday, September 23, 2008 to Monday, September 29, 2008 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.

**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.

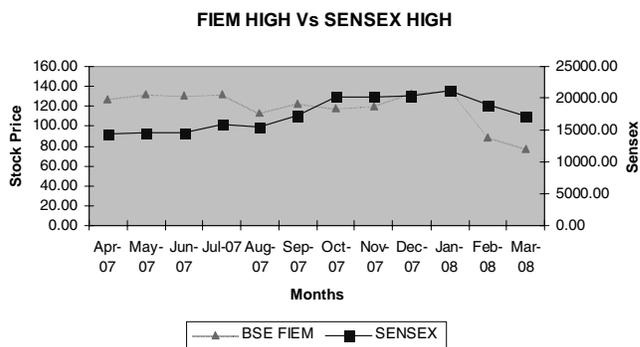
Name of the Stock Exchange	Address	Stock Code
National Stock Exchange of India Ltd.	Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex Bandra (E) Mumbai - 400 051.	FIEMIND
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001	532768

**The Annual Listing Fees for the year 2008-09 has been paid by the Company to both the Exchanges.**

**f) Market Data: High and Low during each month in Financial Year 2007-08**

Month	NSE		BSE	
	High	Low	High	Low
April, 2007	128.00	92.00	127.65	95.00
May, 2007	134.70	113.00	132.00	110.00
June, 2007	131.00	113.00	131.00	111.05
July, 2007	132.00	104.00	132.00	105.05
August, 2007	119.00	89.00	113.00	89.25
September, 2007	122.00	92.55	122.90	95.25
October, 2007	119.70	90.10	117.80	95.00
November, 2007	115.00	90.25	119.90	97.25
December, 2007	147.60	99.90	133.50	98.15
January, 2008	134.75	75.00	135.00	75.00
February, 2008	84.75	51.50	88.25	51.20
March, 2008	76.50	53.25	76.50	52.50

**g) Comparison of FIEM High Vs Sensex High during Financial Year 2007-08**



**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 within 15 days from the date of receipt.

**j) Distribution of shareholding as on 31.03.2008**
**Distribution by category:**
**Statement showing Shareholding Pattern as on 31.03.2008**

Category Code	Category of Shareholder	Number of shares holders	Total number of shares	Percentage of total no. of shares
<b>(A)</b>	<b>Promoter and Promoter Group</b>			
	Individuals/HUF	5	7499964	62.70
	Bodies Corporate	1	84400	0.70
	<b>Sub-Total (A)</b>	<b>6</b>	<b>7584364</b>	<b>63.40</b>
<b>(B)</b>	<b>Public Shareholding</b>			
	<b>(1) Institutions</b>			
	Mutual Funds/ UTI	1	19608	0.16
	Foreign Institutional Investors	2	141331	1.18
	<b>Sub-Total (B)(1)</b>	<b>3</b>	<b>160939</b>	<b>1.34</b>
<b>(2)</b>	<b>Non-Institutions</b>			
	Bodies Corporate	256	1216020	10.17
	Individuals	8089	2456491	20.54
	Any Other (specify)-			
	i. Non Resident Indians.	95	316105	2.64
	ii. Foreign Corporate Body	1	104051	0.87
	iii. Clearing Members.	34	19832	0.17
	iv. Hindu Undivided Families	335	104424	0.87
	<b>Sub-Total (B)(2)</b>	<b>8810</b>	<b>4216923</b>	<b>35.26</b>
	Total Public Shareholding (B)= (B)(1)+(B)(2)	8813	4377862	36.60
	<b>TOTAL (A)+(B)</b>	<b>8819</b>	<b>11962226</b>	<b>100.00</b>
<b>(C)</b>	ADRs / GDRs	0	0	0.00
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>8819</b>	<b>11962226</b>	<b>100.00</b>

**Distribution by Size:**

Sr. No.	Shareholding Range	No. of Shareholders	Shares held	%age of Total
1	1 to 250	7264	643634	5.38
2	251 to 500	1129	404330	3.38
3	501 to 1000	191	149427	1.25
4	1001 to 2000	106	157742	1.32
5	2001 to 3000	37	93103	0.78
6	3001 to 4000	15	56075	0.47
7	4001 to 5000	9	41203	0.34
8	5001 to 10000	9	61523	0.51
9	10001 and above	59	10355189	86.57
	<b>Total</b>	<b>8819</b>	<b>11962226</b>	<b>100</b>

**j) Dematerialization of shares and Liquidity status as on 31.03.2008**

Sr. No.	Demat / physical	No. of Shares	Liquidity/ lock-in	%age of Total	
1	NSDL	34,39,943	Free to trade	28.76	
2	CDSL	7,30,411	Free to trade	6.11	
3	Physical	77,91,872	Free	-53,94,219	45.09
			Under Lock-in	-23,97,653	20.04
	<b>Total</b>	<b>1,19,62,226</b>		<b>100.00</b>	

**k) 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.

**l) Plant Locations**

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

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

**Upcoming Plant Locations**

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**Unit VII**

Plot No. 1915, Rai Industrial Estate,  
Phase-V, Distt. Sonapat  
Haryana

**Unit VIII**

Plot No 93, Sector – 5  
IMT Manesar, Gurgaon  
Haryana

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**m) Address for Correspondence**

**Registered Office Address:** D-34, DSIDC Packaging Complex,  
Kirti Nagar, New Delhi-I 10015

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

**n) 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, 2008, 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 of 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 : 29.08.2008**

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## **COMPLIANCE WITH CODE OF CONDUCT**

I, J.K. Jain, Chairman & Managing Director of the Company hereby certify that the Board of Directors and the Sr. Management Personnel have affirmed compliance of the Code of Conduct of the company for the financial year ended March 31, 2008.

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

**Place : New Delhi  
Date : 29.08.2008**

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**CERTIFICATION BY MANAGING DIRECTOR AND CFO FOR FINANCIAL YEAR 2007-08**

**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 2007-08 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 : August 29, 2008**

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

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

## AUDITORS' REPORT

To **The Members of**

**FIEM INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of FIEM INDUSTRIES LIMITED as at 31<sup>st</sup> March 2008, 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.
2. 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.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) 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.
4. Further to our Comments in the Annexure referred to in Paragraph 3 above we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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) On the basis of written representations received from directors, as on 31<sup>st</sup> March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31<sup>st</sup>, 2008 from being appointed as director in terms of clause (g) of Sub section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the 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 2008.
    - 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

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

Place: New Delhi  
Dated: 29/08/2008

**ANNEXURE TO AUDITORS' REPORT**

(Referred to in Paragraph 3 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) Fixed assets have been physically verified by the management during the year in a phased periodical manner and 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 the going concern status of the company is not affected.
2.
  - a) 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) 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 and 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 the Companies Act 1956. Therefore, the provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
  - e) As informed, the company has not taken any loan, secured or unsecured during the year from companies, firms or other parties covered in register maintained under section 301 of Companies Act, 1956. However the outstanding balance of loan taken by the company in earlier year from one party listed in the register maintained under Sec. 301 of the Companies Act 1956 was duly repaid during the year. The maximum amount of loan taken from such party outstanding at any time during the year was Rs 6 lacs and the year end balance was Nil.
  - 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 or interest wherever stipulated.
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. 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 *though there has been a slight delay in a few cases.*

- 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 the year end for a period of more than six months from the date they became payable.
- c) According to the records of the Company, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are as follows

<b>Name of Statue</b>	<b>Nature of Due</b>	<b>Period to which it Pertains</b>	<b>Amount in Rs</b>	<b>Forum where dispute is Pending</b>
Central Excise Act, 1944	Modvat Credit of Excise Duty	1996-97	25,07,076	CESTAT, New Delhi
<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 (as amended) 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 (as amended) 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. 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 (as amended) are not applicable to the company.
19. The company has not issued any debentures.
20. The company has not raised any money by way of public issue during the year.
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: 29/08/2008**

## BALANCE SHEET AS AT 31ST MARCH 2008

(Amount in Rs)

Schedules		AS AT 31.03.2008	AS AT 31.03.2007
<b>SOURCES OF FUNDS</b>			
<b>I. Shareholders' Funds</b>			
a)	Share Capital	I 119,622,260	118,581,610
b)	Equity Share Suspense	-	1,040,650
c)	Reserves & Surplus	II 1,017,114,347	959,701,242
		1,136,736,607	1,079,323,502
<b>II. Loan Funds</b>			
a)	Secured Loans	III 479,915,815	301,814,614
b)	Unsecured Loans	-	3,156,524
		479,915,815	304,971,138
<b>III. Deferred Tax Liability (Net)</b>			
		IV 93,665,604	65,121,013
<b>TOTAL</b>		<b>1,710,318,026</b>	<b>1,449,415,653</b>
<b>APPLICATION OF FUNDS</b>			
<b>I. Fixed Assets</b>			
a)	Gross Block	V 1,679,633,734	1,293,105,572
b)	Less : Depreciation	287,988,831	211,942,175
c)	Net Block	1,391,644,902	1,081,163,397
d)	Capital work in Progress (Including Capital Advances)	36,103,029	107,781,456
		1,427,747,932	1,188,944,853
<b>II. Investments</b>			
		-	62,250,793
<b>III. Current Assets, Loans and Advances</b>			
a)	Inventories	228,431,313	197,452,987
b)	Sundry Debtors	239,492,760	228,644,360
c)	Cash and Bank Balances	9,818,395	56,076,048
d)	Loans and advances	149,184,518	117,074,164
		626,926,986	599,247,559
<b>Less :-</b>			
<b>Current Liabilities and Provisions</b>			
a)	Current Liabilities	VII 282,913,698	336,101,116
b)	Provisions	61,919,993	65,583,136
		344,833,691	401,684,252
<b>Net Current Assets</b>		282,093,294	197,563,307
<b>IV. Miscellaneous Expenditure</b>			
	(to the extent not written off or adjusted)	VIII 476,800	656,700
<b>TOTAL</b>		<b>1,710,318,026</b>	<b>1,449,415,653</b>

**Significant Accounting Policies and Notes to Accounts**

Schedule I to XVIII 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 &amp; Associates Chartered Accountants

Sd/-  
**(J. K. Jain)**  
Managing DirectorSd/-  
**(Seema Jain)**  
DirectorSd/-  
**(Arvind K. Chauhan)**  
Company SecretarySd/-  
**Anil Kumar Gupta**  
Prop.Place : New Delhi  
Date : 29/08/2008

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2008

(Amount in Rs )

	Schedules	Current Year 2007-08	Previous Year 2006-07
<b>[A] INCOME</b>			
Gross Sales and Operating Income		2,020,776,800	1,942,359,382
Less : Excise Duty		247,797,658	259,004,932
Net Sales	IX	1,772,979,142	1,683,354,450
Other Income	X	28,764,412	20,958,811
Increase / (Decrease) in Stock	XI	52,468,051	41,025,245
<b>TOTAL [A]</b>		<b>1,854,211,605</b>	<b>1,745,338,506</b>
<b>[B] EXPENDITURE</b>			
Purchase of Goods Traded in		17,637,216	8,220,853
Cost of mould, dies and tools for Sale	XII	11,931,700	-
Raw Materials Consumed	XIII	1,053,964,322	1,058,159,612
Manufacturing Expenses	XIV	341,984,700	292,961,056
Employees Cost	XV	74,672,623	61,841,067
Cost of Finance	XVI	19,508,419	18,920,879
Administrative and Selling Expenses	XVII	114,010,251	98,142,442
Depreciation & Amortization	V	79,207,532	52,244,644
Less Transfer from Revaluation Reserve		992,026	992,026
		78,215,506	51,252,618
<b>TOTAL [B]</b>		<b>1,711,924,737</b>	<b>1,589,498,527</b>
<b>[C] Net Profit before Taxation and Extraordinary Item "A - B"</b>		<b>142,286,868</b>	<b>155,839,980</b>
Prior Period Expense		522,047	1,488,525
Net Profit after Prior Period Expenses		141,764,820	154,351,453
Extraordinary income (Net of Tax Effect)		-	22,616,251
Net Profit after Extraordinary Income		141,764,820	176,967,704
Less : Tax Expenses			
i) Provision for Current Tax (Including Wealth Tax)		16,125,000	17,177,609
ii) Provision for Deferred Tax		28,544,591	20,618,009
iii) Provision for Fringe Benefit Tax		3,250,000	2,466,295
iv) Income Tax & FBT paid for earlier year		452,083	1,248,764
		48,371,674	41,510,677
<b>[D] Net Profit after Tax</b>		<b>93,393,146</b>	<b>135,457,027</b>
Add :- Balance Brought Forward		289,534,291	176,489,850
Add :- Addition of Profit on Amalgamation		-	31,296,411
<b>[E] Profit Available for Appropriation</b>		<b>382,927,437</b>	<b>343,243,288</b>
<b>[F] APPROPRIATIONS</b>			
i) Transfer to General Reserve		10,000,000	15,000,000
ii) Proposed Dividend		29,905,565	29,905,565
iii) Corporate Dividend Tax		5,082,451	5,082,451
<b>Profit Carried to Balance Sheet</b>		<b>337,939,421</b>	<b>293,255,272</b>
Basic and Diluted EARNINGS PER EQUITY SHARE (Par value Rs 10 per share)			
- Before Extraordinary items		7.81	11.38
- After Extraordinary items		7.81	13.67
No. of shares (Weighted Average)		11,962,226	9,912,226

**Significant Accounting Policies and  
& Notes to Accounts** XVIII

Schedule I to VIII 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 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 : 29/08/2008

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rs)

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
		<b>SCHEDULE -I</b>
<b>SHARE CAPITAL</b>		
<b>I. Authorised</b>		
3,00,00,000 (previous year 3,00,00,000) Equity shares @ Rs 10 each	<b>300,000,000</b>	<b>300,000,000</b>
<b>II. Issued, Subscribed &amp; Paid-up</b>		
1,19,62,226 Equity Shares of Rs. 10/- each fully paid up. ( Prv. Year 1,18,58,161 Equity Shares of Rs. 10/- each fully paid up )	119,622,260	118,581,610
<b>TOTAL</b>	<b>119,622,260</b>	<b>118,581,610</b>
Of the above		
a) 1,04,065 Equity shares of Rs 10/- each were allotted during the current year to Shareholders of M/s Fiem Sung San (India) Limited Pursuant to its Amalgamation with the Company without payment being received in cash.		
b) 10,00,000 Equity shares of Rs 10/- each were allotted as fully paid bonus shares by capitalization of profits in an earlier year.		
		<b>SCHEDULE -II</b>
<b>RESERVES &amp; SURPLUS</b>		
<b>I. CAPITAL RESERVE</b>		
a) Land Revaluation Reserve		
As per Last Balance Sheet	117,477,278	117,477,278
Add :- Addition during the year	-	-
	117,477,278	117,477,278
b) Building Revaluation Reserve		
As per Last Balance Sheet	27,717,330	28,709,356
Add :- Addition during the year	-	-
Less:- Depreciation on revalued amount of assets	992,026	992,026
	26,725,304	27,717,330
c) Capital Subsidy		
As per Last Balance Sheet	-	132,000
Add :- Addition during the year	-	-
Less:- Deduction during the year	-	132,000
	-	-
<b>II. SECURITIES PREMIUM ACCOUNT</b>		
As per Last Balance Sheet	509,972,343	29,688,400
Add :- Addition during the year	-	520,700,127
	509,972,343	550,388,527
Less:- Share Issue Expenses Written off (Net of Tax Effect)	-	40,416,184
	509,972,343	509,972,343
<b>III. GENERAL RESERVE</b>		
As per Last Balance Sheet	15,000,000	-
Add :- Transferred from Profit & Loss A/c	10,000,000	15,000,000
Less:- Deduction during the year	-	-
	25,000,000	15,000,000
<b>IV. PROFIT AND LOSS ACCOUNT</b>		
Profit & Loss Account Brought Forward	337,939,421	293,255,272
Deduction on Amalgamation	-	3,720,981
	337,939,421	289,534,291
<b>TOTAL</b>	<b>1,017,114,347</b>	<b>959,701,242</b>

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

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
		<b>SCHEDULE -III</b>
<b>SECURED LOANS</b>		
<b>I. TERM LOANS</b>		
a) From BANKS	218,877,890	110,423,076
<b>VEHICLE LOANS</b>		
a) From BANKS	9,205,572	10,624,930
b) from OTHERS	461,760	1,023,250
	9,667,332	11,648,180
<b>II. WORKING CAPITAL ADVANCE FROM BANKS</b>	251,370,593	179,743,358
<b>TOTAL</b>	<b>479,915,815</b>	<b>301,814,614</b>

**NOTES**
**A) TERM LOANS FROM BANKS**

- a) From Citibank NA :- Loan outstanding as at 31st March 2008 Rs 9,44,46,571 (Previous Year 6,97,50,000) (Principal amount repayable within 12 months from the date of Balance sheet Rs 2,50,71,571 )  
(Secured against exclusive charge on all the movable and immovable assets procured out of the term loan including factory land and building at Nalagarh Unit,H.P. and at Rai Unit,Haryana and personal guarantee of one of the directors (pending for waiver))
- b) From Standard Chartered Bank :- Loan outstanding as at 31st March 2008 Rs 12,44,31,319 (Previous Year 4,06,73,076 ) (Principal amount repayable within 12 Months is Rs 3,33,06,319 )  
(Secured against First Charge on movable fixed assets(Present and Future) including Plant and Machinery at Hosur Unit-2 (Present and future) & Equitable Mortgage on Land and Building at Hosur Unit-2 situated at Thally road, Hosur, Tamilnadu and Unit-3 situated at Kelamangalam Road, Hosur, Tamilnadu and Property at Mansarover Garden, Delhi )

**B) WORKING CAPITAL ADVANCES FROM BANKS**

- a) From Citibank NA :- Loan outstanding as at 31st March 2008 Rs 11,66,50,933 (Previous Year Rs 14,29,46,395) (Principal amount repayable within 12 months from the date of Balance sheet Rs 11,66,50,933)  
(Secured against First Pari Passu Charge all present and future receivables, stocks/inventories and on all fixed assets of the company(excluding assets specifically purchased out of term loans from Citibank and Standard Chartered Bank) including equitable mortgage charge on first pari passu basis on Land and Building situated at Kundli,Haryana & Thally Road Hosur,Tamilnadu and exclusive charge on all movable and immovable fixed assets at Rai unit,Haryana and personal gaurantee of one of its directors (pending for waiver))
- b) From Standard Chartered Bank :- Loan outstanding as at 31st March 2008 Rs 13,47,19,660 (Previous Year Rs 3,67,96,963) (Principal amount repayable within 12 months from the date of Balance sheet Rs 13,47,19,660)  
(Secured against First Pari Passu charge on Stocks & Book Debts, and Equitable mortgage charge on First Pari Passu basis on land and building situated at Kundli,Haryana & Thally Road Hosur,Tamilnadu)

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

Loan outstanding as at 31st March 2008 Rs 96,67,333 (Previous Year Rs 1,16,48,180) (Principal amount repayable within 12 months from the date of Balance sheet Rs 58,73,165)

**SCHEDULE -IV**
**DEFERRED TAX LIABILITY (NET)**

<b>I.</b>	Deferred Tax Liabilities			
	i) On Difference in Depreciation and other differences in book value of Fixed assets as per Financial Books and Income Tax Books	107,606,620	107,606,620	74,590,827
<b>II.</b>	Less :- Deferred Tax Assets			
	i) On Disallowances under Income Tax Act 1961	8,905,423	13,941,016	3,175,323
	ii) On Tax Effect of Share Issue Expenses	5,035,593	13,941,016	6,294,491
	<b>Net Deferred Tax liability</b>		<b>93,665,604</b>	<b>65,121,013</b>

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

## FIXED ASSETS

SCHEDULE-V  
(Amount in Rs.)

Nature of Assets	GROSS BLOCK		DEPRECIATION BLOCK		NET BLOCK					
	As at 01.04.2007	Additions	Deductions	As at 31.03.2008	Upto 01.04.2007	For the Year	Deductions	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
<b>Tangible Assets</b>										
Freehold Land	226,870,290	54,787,038	-	281,657,328	-	-	-	-	281,657,328	226,870,290
Leasehold Land	1,682,900	-	-	1,682,900	17,715	17,715	-	35,430	1,647,470	1,665,185
Building	170,580,244	86,740,711	-	257,320,955	16,390,624	7,038,285	-	23,428,909	233,892,046	154,189,620
Plant & Machinery	675,161,132	199,964,425	347,923	874,777,634	115,920,616	36,904,675	6,199	152,819,092	721,958,542	559,240,516
Car and Motorcycle	41,282,109	6,793,660	886,382	47,189,387	13,696,102	4,286,499	197,274	17,785,327	29,404,060	27,586,007
Cycle	28,510	-	-	28,510	7,908	2,021	-	9,929	18,581	20,602
Staff Bus & Delivery Van	4,329,115	40,500	-	4,369,615	1,528,707	492,106	-	2,020,813	2,348,802	2,800,408
Mould, Block & Dies	105,037,123	43,338,135	26,284,983	122,090,275	39,584,711	19,746,666	2,957,402	56,373,975	65,716,301	65,452,412
Tools & Equipments	10,601,961	7,256,937	-	17,858,898	3,900,059	2,392,840	-	6,292,899	11,565,999	6,701,902
Furniture & Fixtures	20,771,307	6,804,924	-	27,576,231	4,596,912	1,533,833	-	6,130,745	21,445,486	16,174,395
Computers	19,694,874	1,916,782	-	21,611,656	11,726,706	3,168,291	-	14,894,997	6,716,659	7,968,168
<b>Intangible Assets</b>										
Software	9,292,659	540,344	-	9,833,003	2,855,946	1,547,943	-	4,403,889	5,429,114	6,436,713
Patent & Trademarks	807,494	-	-	807,494	322,998	161,424	-	484,421	323,072	484,496
Development Expenditure	5,870,991	4,930,243	-	10,801,234	1,174,199	1,649,573	-	2,823,772	7,977,461	4,696,792
Technical Know How Fee	1,094,863	933,750	-	2,028,613	218,972	265,660	-	484,632	1,543,981	875,891
<b>Total</b>	<b>1,293,105,572</b>	<b>414,047,450</b>	<b>27,519,288</b>	<b>1,679,633,734</b>	<b>211,942,175</b>	<b>79,207,532</b>	<b>3,160,875</b>	<b>287,988,831</b>	<b>1,391,644,902</b>	<b>1,081,163,397</b>
<b>Previous Year</b>	<b>770,716,292</b>	<b>628,554,609</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>
<b>Capital Work-in-Progress</b>									<b>36,103,029</b>	<b>107,781,456</b>

## NOTES:

- Freehold Land includes Rs. 90,24,081 (Previous Year Rs. Nil) at Nalagarh in respect of which registration in the name of the Company is pending as on 31.03.2008 due to legal formalities.
- The Gross Block of Freehold Land include Rs. 11,74,77,278 and Building include Rs. 2,97,01,382 on account of Revaluation of these assets in earlier years. Consequent to the said revaluation there is an additional charge of depreciation of Rs. 9,92,026 (Previous Year Rs. 9,92,026) and equivalent amount, has been withdrawn from Revaluation Reserve and credited to the Profit & Loss Account.
- Premium paid for Leasehold land is amortized over the period of lease term or estimated useful life whichever is shorter .
- Technical know-how fee and development expenditure incurred on technical services are amortized on a straight line method over a period of five years.
- The Gross Block as on 01.04.2007 includes Rs. 8,70,06,845 being assets acquired on amalgamation of erstwhile Fiem Sung San (India) Ltd with the Company
- Capital Work in progress includes:
  - Rs. 3,60,29,849 on account of advance against capital expenditure (Previous Year Rs. 5,26,91,888)
  - Rs. 73,180 on account of fixed assets in transit (Previous Year Rs. 47,93,234)
  - Rs. Nil on account of fixed assets under construction (Previous Year Rs. 5,02,96,334)

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

(Amount in Rs)

	AS AT 31.03.2008	AS AT 31.03.2007
<b>SCHEDULE -VI</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	83,193,947	99,769,145
b) Mould, Tools and dies in Process	410,088	-
c) Stores and Spares Including Packing Material	4,902,039	2,362,222
d) Work in Progress	110,964,006	71,061,302
e) Finished Goods	25,385,577	16,820,230
	<u>224,855,657</u>	<u>190,012,899</u>
II. Material in Transit (at Cost)	3,575,655	7,440,088
<b>TOTAL [A]</b>	<b>228,431,313</b>	<b>197,452,987</b>
<b>[B] Sundry Debtors</b>		
I. Debt outstanding for a period exceeding Six Months		
a) Considered good	41,122,279	36,591,156
b) Considered doubtful	4,137,809	2,028,806
II. Other Debts :- Considered Good	198,370,481	192,053,204
	<u>243,630,570</u>	<u>230,673,166</u>
Less:- Provision for Doubtful Debts	4,137,809	2,028,806
<b>TOTAL [B]</b>	<b>239,492,760</b>	<b>228,644,360</b>
<b>[C] Cash &amp; Bank Balances</b>		
I. Cash in Hand	2,333,083	1,085,078
II. Bank Balances		
a). In current A/cs	2,857,948	274,805
b). In Citibank IPO account	-	401,204
c). In Deposit with Banks		
FDR with Banks	4,085,918	52,285,828
Margin Money with banks	342,367	1,564,841
	<u>4,428,285</u>	<u>53,850,669</u>
Add : Interest Accrued on FDR's	157,338	355,152
	<u>4,585,623</u>	<u>54,205,821</u>
III. Balance in SB A/c with Post Office	-	109,140
IV. Unpaid Dividend Account	41,740	-
<b>TOTAL [C]</b>	<b>9,818,395</b>	<b>56,076,048</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.	5,936,904	5,526,543
II. Advances for Goods other than Capital Goods	26,256,069	7,726,171
III. Security Deposits	11,912,707	11,418,004
IV. Balance with Customs, Excise and Service tax Dept.	52,488,943	51,957,176
V. Balance with Sales Tax Department	2,792,459	1,386,381
VI. Advance Income Tax/TDS	46,547,437	35,213,748
VII. MAT Credit Entitlement	-	1,379,846
VIII. Advance Fringe Benefit Tax	3,250,000	2,466,295
	<u>149,184,518</u>	<u>117,074,164</u>
<b>TOTAL [D]</b>	<b>149,184,518</b>	<b>117,074,164</b>
<b>GRAND TOTAL [A+B+C+D]</b>	<b>626,926,986</b>	<b>599,247,559</b>

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

(Amount in Rs)

	AS AT 31.03.2008	AS AT 31.03.2007
<b>SCHEDULE -VII</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>[ A ] Current Liabilities</b>		
<b>I. Sundry Creditors</b>		
<b>For Goods</b>		
Due to Micro, Small and Medium Enterprises (See Note No. 20 of Schedule XVIII)	-	-
Due to Others	158,650,334	213,006,780
	<u>158,650,334</u>	<u>213,006,780</u>
<b>For Other Than Goods</b>		
Due to Micro, Small and Medium Enterprises (See Note No. 20 of Schedule XVIII)	-	-
Due to Others	46,707,457	56,062,745
	<u>46,707,457</u>	<u>56,062,745</u>
	205,357,791	269,069,525
II. Advances from Customers	33,471,814	29,829,070
III. Interest accrued but not due on loans	54,830	48,528
IV. Unpaid Dividends	41,740	-
V. Security Deposits from Dealers	2,565,689	3,115,689
VI. Liabilities for Expenses	25,417,839	21,351,193
VII. Statutory Liabilities	16,003,995	12,687,111
<b>TOTAL [ A ]</b>	<b><u>282,913,698</u></b>	<b><u>336,101,116</u></b>
<b>[ B ] PROVISIONS</b>		
<b>1) Taxation</b>		
I. Income Tax and Wealth Tax	16,125,000	22,500,000
II. Fringe Benefit Tax	3,250,000	2,466,295
III. Corporate Dividend Tax	5,082,451	5,082,451
	<u>24,457,451</u>	<u>30,048,746</u>
<b>2) Proposed Dividend</b>	29,905,565	29,905,565
<b>3) Warranties</b>		
Opening Balances	-	-
Addition During the Year	885,000	-
Less Utilisation	639,454	-
Closing Blance	<u>245,546</u>	<u>-</u>
	245,546	-
<b>4) Excise Duty</b>	1,560,915	1,802,596
<b>5) Retirement Benefits</b>		
a) Gratuity	3,973,121	2,493,140
b) Leave Encashment	1,777,395	1,333,089
	<u>5,750,516</u>	<u>3,826,229</u>
<b>TOTAL [ B ]</b>	<b><u>61,919,993</u></b>	<b><u>65,583,136</u></b>
<b>GRAND TOTAL</b>	<b><u>344,833,691</u></b>	<b><u>401,684,252</u></b>
<b>[ A+B ]</b>		

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

(Amount in Rs)

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
		<b>SCHEDULE -VIII</b>
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off/or adjusted)		
<b>1 Preliminary Expenses</b>		
As per Last Balance Sheet	-	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>		
As per Last Balance Sheet	-	5,763,501
Addition During The Year	-	8,750,570
Less :- Written off During the Year		
- Capitalized		996,607
- Treated as Revenue exp		13,517,464
	-	14,514,071
Closing Balance	-	-
<b>3 Increase in Authorised Capital</b>		
As per Last Balance Sheet	656,700	251,600
Add :- Addition During the year	-	585,000
	656,700	836,600
Less :- Written off during the year	179,900	179,900
	476,800	656,700
<b>TOTAL</b>	<b>476,800</b>	<b>656,700</b>

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

(Amount in Rs)

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
		<b>SCHEDULE IX</b>
<b>NET SALES</b>		
Domestic Sales	1,659,234,207	1,599,415,949
Sale of mould, Dies and Tools	13,500,000	-
Export Sales	100,240,045	83,922,469
Job Charges Received	4,890	16,032
Total Sales	<u>1,772,979,142</u>	<u>1,683,354,450</u>
	1,772,979,142	1,683,354,450
<b>TOTAL</b>	<b><u>1,772,979,142</u></b>	<b><u>1,683,354,450</u></b>
		<b>SCHEDULE X</b>
<b>OTHER INCOME</b>		
Dividend Received on Non Trade Mutual Fund Investment	2,305,427	4,654,559
Profit on Forward Contract	6,274,033	-
Deemed export benefit receivable	546,213	-
Tool development Charges Received	3,356,272	1,589,000
Interest Received (TDS - Rs 1,28,924 P.Y. Rs 94,781)	721,256	364,620
Profit on Sale of Assets	8,764,123	9,247,853
Rebate and Discount	223,727	53,815
Segregation Charges Received	372,894	771,795
Testing Charges Received	2,473,903	2,031,735
Rent Received	-	165,000
Interest Written Back	418,547	395
Difference in Foreign Exchange - Assets	2,084,684	-
Refund of Sale Tax	-	968,832
Sundry Creditors Written back	1,223,333	308,734
Difference in Foreign Exchange	-	802,473
<b>TOTAL</b>	<b><u>28,764,412</u></b>	<b><u>20,958,811</u></b>
		<b>SCHEDULE XI</b>
<b>INCREASE/(DECREASE) IN STOCK</b>		
Stock in Trade at Close		
a) Work in Progress	110,964,006	67,061,302
b) Finished Goods	25,385,577	16,811,112
c) Interunit Goods in Transit	-	4,000,000
	<u>136,349,583</u>	<u>87,872,414</u>
Stock in Trade at Commencement		
a) Work in Progress	67,061,302	38,868,510
b) Finished Goods	16,820,230	7,979,949
	<u>83,881,532</u>	<u>46,848,459</u>
	83,881,532	46,848,459
Increase in Stock on Amalgamation		
a) Closing Stock of Finished Goods		9,118
b) Opening Stock of Finished Goods	-	7,828
		<u>1,290</u>
<b>TOTAL</b>	<b><u>52,468,051</u></b>	<b><u>41,025,245</u></b>

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

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
		<b>SCHEDULE XII</b>
<b>COST OF MOULD DIES AND TOOLS FOR SALE</b>		
Opening Stock of Mould and Die for sale	-	-
Purchases	12,341,788	-
Less :- Closing stock of Mould and die for sale	410,088	-
<b>TOTAL</b>	<b>11,931,700</b>	<b>-</b>
		<b>SCHEDULE XIII</b>
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock of Raw Material	99,769,145	56,854,038
Add :- Purchases	1,037,389,123	1,101,074,719
Less :- Closing stock of Raw Material	83,193,947	99,769,145
<b>TOTAL</b>	<b>1,053,964,322</b>	<b>1,058,159,612</b>
		<b>SCHEDULE XIV</b>
<b>MANUFACTURING EXPENSES</b>		
Wages	137,018,341	93,439,478
Contribution to Provident fund and other funds	3,470,180	2,408,043
Power & Fuel	91,943,329	80,179,803
Job Charges	10,788,769	24,634,969
Stores Consumed	30,658,053	24,836,573
Repair - Plant & Machinery	12,555,181	12,642,122
Repair - Dies	5,791,763	2,908,377
Increase/ (decrease) in Excise Duty on Closing Stocks	(241,681)	1,802,596
Factory / Warehouse Rent	1,314,195	369,000
Turnover Tax	-	7,536,154
Packing Material	33,521,085	32,061,517
Freight, Cartage & Octroi	10,221,125	5,138,995
Testing Fees Paid	4,485,702	4,442,221
Segregation Charges Paid	458,659	561,208
<b>TOTAL</b>	<b>341,984,700</b>	<b>292,961,056</b>
		<b>SCHEDULE- XV</b>
<b>EMPLOYEES COST</b>		
Salaries & Allowances	61,391,904	52,731,410
Contribution to Provident fund and other funds	1,405,929	1,165,053
Staff Welfare Expenses	7,370,107	6,005,484
Gratuity to staff	3,860,673	1,230,032
Earned Leave to staff	644,011	709,088
<b>TOTAL</b>	<b>74,672,623</b>	<b>61,841,067</b>

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

(Amount in Rs)

		<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>
			<b>SCHEDULE XVI</b>
<b>COST OF FINANCE</b>			
I	Interest		
	a. To Banks	16,813,144	13,509,017
	b. To Others	301,268	3,779,951
		17,114,412	17,288,968
II.	Bank Charges	1,238,127	1,281,911
III.	Processing Charges	1,155,879	350,000
	<b>TOTAL</b>	<b>19,508,419</b>	<b>18,920,879</b>
			<b>SCHEDULE XVII</b>
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>			
	Advertisement, Sub & Membership Exp.	7,504,797	2,950,385
	Amalgamation and Merger Exp.	615,392	279,900
	Auditor's Remuneration	1,750,000	1,556,120
	Brokerage and Commission	26,575	450,000
	Diwali Expenses	1,784,190	1,976,593
	Donation (other than Political Parties)	751,663	1,772,077
	Business promotion	3,091,909	1,908,169
	Guest House Expense including Rent	2,865,882	2,089,640
	Insurance	1,681,982	1,798,350
	Internal Audit Fees	960,000	960,000
	Provision for bad and Doubtful debt	2,155,242	2,028,806
	Rent	942,698	1,012,316
	Rates, Taxes and Fee	958,311	1,905,173
	Repair & Maintenance Building	1,445,959	956,838
	Repair & Maintenance Other	5,769,076	5,151,059
	Royalty	4,296,522	4,208,386
	Difference in Foreign Exchange	2,621,149	-
	Loss on sale of Car	-	38,508
	Other Office Exp	16,549,811	16,346,901
	Other Selling & Distribution Expenses	13,734,793	13,151,536
	Telephone Expenses	3,416,888	2,686,173
	Cash discount on sales	17,863,990	14,252,537
	Traveling & Conveyance (Directors -50.94 lacs P.Y. 29.45 lacs)	12,212,661	10,424,179
	Vehicle Running & Maintenance	11,010,760	10,238,796
	<b>TOTAL</b>	<b>114,010,251</b>	<b>98,142,442</b>

## **SCHEDULE-XVIII**

Significant Accounting Policies and Notes to Accounts attached to and forming part of the Financial Statements as at 31.03.2008.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Basis of Preparation**

- I. The Financial statements have been prepared on 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. Generally Accepted Accounting Principles comprises mandatory accounting standard as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.
- II. The Accounting Policies have been consistently applied by the Company and are consistent with those applied in previous year. However the changes as required by a changes or revision to an existing Accounting Standard are dealt in the appropriate paras in the notes to accounts.

#### **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 statement and the reported amount of the revenue and expenses during the reporting periods. 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 doubtful debts, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets, provision for warranty costs and intangible assets. The estimates based upon management knowledge of current events and economic circumstances.

#### **C. Fixed Assets**

- I. Fixed assets are valued at the historical cost of acquisition except for certain fixed assets, which have been stated at revalued amounts 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. Interest on borrowings and financing costs during the period of construction or installation of fixed assets which take substantial period of time to get ready for its intended use up to the date of commencement of commercial production is added to the cost of fixed assets.
- II. Intangible assets are shown at the consideration paid for acquisition less accumulated amortization.

- III. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, the cost of fixed assets that are not yet ready for their intended use at the balance sheet date and fixed assets in transit that are not yet received for their intended use at the balance sheet date.

#### **D. Inventories**

- 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, finished goods, traded goods & moulds & dies in process etc. 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 if any 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 recouped from the Revaluation Account and reduced from the depreciation to be charged in the Profit & Loss Account.
- II. Premium Paid on Leasehold land is amortized over the period of lease term.
- III. On assets sold during the year, depreciation is charged up to the date of sale/discard.

- IV. Patents & Trademarks and Technical know-how expenses are amortized over a period of 5 years.

**G. Foreign Currency Transactions**

- I. Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of transaction. 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. Capital assets purchased in foreign currencies are converted at the exchange rates prevailing on date of transaction. In consonance with AS-II the exchange gains/losses on settlement during the year are recognized in the Profit & 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.
- III. Foreign currency bank account and foreign currency loan 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 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.

**I. Revenue Recognition**

- I. Revenue is recognized to the extent of the probability of the economic benefits flowing to the company, which can be reliably measured.
- II. 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.
- III. Inter-unit/warehouse transfer has not been considered as part of "Turnover".
- IV. Insurance claims are accounted for based on certainty of realization.
- V. Interest and other dues are accounted on accrual basis.
- VI. Dividend on mutual fund is accounted when the right to receive is established.

**J. Research and Development**

- 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. Fixed Assets utilized for

research and development are capitalized and depreciated in accordance with the depreciation method set out in paragraph F (I).

**K. Employee Benefits**

- I. Retirement Benefits in the form of Provident Fund and ESI schemes 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 applicable to all permanent and full time employees of the company and is provided for on the basis of actuarial valuation made at the end of each financial year using Projected Unit Credit Method.
- III. The Gratuity Liability is a defined benefit obligation and is provided on the basis of an actuarial valuation made at the end of each financial year using Projected Unit Credit Method. The Liability as at the year-end represents the difference between the actuarial valuation of the future gratuity liability of the continuing employees and the fair value of plan assets with ING Vysya Life Insurance Company as at the end of the year.
- IV. Actuarial gains/losses are immediately taken to the profit and loss account.

**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. Provision's, 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.

Provisions are recognized using best management estimates at the date of the Balance Sheet and are reviewed every year. The provision for warranty cost has been provided after taking into account the past trend of the warranty claims.

**N. Taxation**

- 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 incomes 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. 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 warehouse/factory. Further the company makes 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**

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. Derivatives Instruments and Hedge Accounting**

The company uses foreign exchange forwards contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forwards contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes. Gains/losses on settlement of foreign exchange forwards contracts

are charged to profit and loss accounts, 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, prismatic mirror and sheet metal parts etc for two-wheeler and four wheeler applications. It has entered in to a license and technical assistance agreement with Ichikoh Industries Limited, Japan and Batz S. Coop, Spain.

**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. Change In Accounting Policy**

**Effects of Exchange Differences on Fixed Assets**

In Line with the Companies (Accounting Standard), 2006 and revised requirement of AS-11, Exchange differences arising on translation for foreign currency liabilities for acquisition of fixed assets from outside India, which was hitherto being adjusted to cost of fixed assets, have been charged to Profit and Loss account. The change has resulted in the increase in Profit for the year by Rs. 20.85 Lakhs. If the previous year's policy would have been followed the fixed assets would have been lower by Rs 20.85 Lakhs and the profit after tax would have been lower by the aforesaid amount.

**4. 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, have 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. 29.76 Lakhs has been recouped from the Revaluation account. The details of revaluation are given hereunder.

(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

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

**5. Financial & Derivatives Instruments**

1. In respect of Hedging Currency & Interest Rate Related Risks, Nominal Amounts of derivatives contracts entered in to by the Company and outstanding as on 31<sup>st</sup> March 2008 amount to Rs. 2176.54 (Previous Year Rs. 675.00). Category wise break-up is given below:

(Figures In Lakhs)

Particulars	Purpose	31.03.2008		31.03.2007	
		Rs.	FC	Rs.	FC
Interest Rate Swaps	Hedge against exposure to variable interest outflow on loans	2007.50	5522.14 (JPY)	675.00	1824.30 (JPY)
Forward Contracts (For Sell)	Hedge of expected future sales	70.76	1.80 (\$)	-	-
Currency Swaps	Hedge against exposure to optimize interest cost on loans	98.28	2.50 (\$)	-	-

2. The year end foreign currency exposures that have not been hedged by derivatives instruments or otherwise is as follows:

(Figures In Lakhs)

Nature of Instruments	31.03.2008		31.03.2007	
	Rs.	FC	Rs.	FC
<b>Payables in foreign Currency</b>				
-For Import of Goods	24.60 45.81	Euro 0.40 USD 1.14	21.93 46.56	Euro 0.38 USD 1.07
-For Import of Fixed Assets	64.33 24.28 6.26	JPY 164.12 Euro 0.38 USD 0.16	38.26 - 18.04	JPY 109.01 Euro - USD 0.41
<b>Receivables in foreign Currency</b>				
-For Export of Goods	25.89 -	JPY 66.05 -	- 143.05	- USD 3.27

Note: - The conversion rate of foreign currency as on 31.03.08 have been adopted on the basis of the exchange rates taken from the banks.

**6. 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
- Mrs. 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. Related Parties Controlled by KMP**

- Fiem Auto Private Limited
- Jagjeevan Kumar Jain (HUF)
- Fiem Auto & Electrical Industries (KMP is the Sole Proprietor)

**Transactions and Balances with Related Parties**
**(Rs. In Lakhs)**

Particulars	Key Management Personnel (KMP)	Relative of KMP	Related Parties controlled by KMP
Remuneration	202.80 (90.00)	-	-
Brand Royalty	-	-	42.96 (42.08)
Purchase of Fixed Assets	400.00 (75.00)	-	-
Dividend Paid	87.46 (-)	99.76 (-)	2.40 (-)
Remuneration Payable	55.83 (19.75)	-	-
Brand Royalty Payable	-	-	14.94 (78.64)
Loan and Advances	- (6.00)	-	-

**7. Deferred Tax Liability**

In accordance with Accounting Standard-22 on accounting for taxes on income the deferred tax charge of Rs. 285.45 (Previous Year Rs. 206.18 Lakhs) for the current year has been recognized in the Profit and Loss account. The tax effect of significant timing differences as of March 31, 2008 that reverses in one or more subsequent years gave rise to the following net deferred tax liabilities as at March 31, 2008.

**(Rs. in Lakhs)**

Particulars	31.03.2008	During the Year	31.03.2007
<b>Deferred Tax Liability:</b>			
On account of timing difference in Depreciation and Amortization	1076.07	285.20	790.87
<b>Total (A)</b>	<b>1076.07</b>	<b>285.20</b>	<b>790.87</b>
<b>Deferred Tax Assets:</b>			
On account of timing difference in Expenses disallowances Under Income Tax Act	-	(3.43)	3.43
Amalgamation & Merger Expenses	1.82	1.06	0.76
Provision for Doubtful Debt	14.06	7.17	6.89
Provision for Leave Encashment	6.04	1.51	4.53
Provision for Gratuity	13.50	5.03	8.47
Pre-operative Expenditure	38.15	(6.83)	44.98
Provision for Bonus	13.01	5.36	7.65
Provision for Warranty	0.83	0.83	-
Provision for Excise Duty	1.64	1.64	-
<b>Total (B)</b>	<b>89.05</b>	<b>12.34</b>	<b>76.71</b>
<b>Net Deferred Tax Liability (A-B)</b>	<b>987.02</b>	<b>272.86</b>	<b>714.16</b>
Less: Reversal of Tax effect of Share Issue Expenses eligible for Income Tax deduction u/s 35D of IT Act, 1961 (1/5 of Rs. 62.94 Lakhs)	50.36	(12.59)	62.95
<b>Net Deferred Tax Liability</b>	<b>936.66</b>	<b>285.45</b>	<b>651.21</b>

\*Figure in brackets denote reversal of deferred tax

**8. Capital Commitments**

(Rs In Lakhs)

Particulars	2007-08	2006-07
Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	260.19	1053.58

**9. 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	31.03.2008	31.03.2007
A	Profit attributable to equity shareholders after extraordinary items (Rs. in Lakhs)	933.93	1354.57
B	Less: Extraordinary Income (Net of Tax) (Rs. in Lakhs)	-	226.16
C	Profit attributed to Equity Shareholders before extraordinary item (Rs. in Lakhs)(C=A-B)	933.93	1128.41
D	Basic/Weighted Average number of equity shares outstanding during the year (Nos. In Lakhs)	119.62	99.12
E	Nominal Value of Equity share (In Rs.)	10.00	10.00
F	Basic Earning per share before extraordinary items (C/D) (In Rs.)	7.81	11.38
G	Basic Earning per share after extraordinary items (A/D) (In Rs.)	7.81	13.67

**10. Payments to Auditors**

(Rs. In Lakhs)

Particulars	31.03.2008	31.03.2007
For Audit fee	17.50	15.39
For IPO Certification fee	-	5.00
For Taxation Matters	-	0.17
For Service Tax*	2.16	2.52
<b>Total</b>	<b>19.66</b>	<b>23.08</b>

\*Service Tax Credit has been availed.

**11. Managerial Remuneration**

(Rs. In Lakhs)

Particulars	31.03.2008	31.03.2007
To Managing Director		
Salary and Allowances	123.00	30.00
Perquisite and other benefits	1.80	-
To Whole time directors		
Salary and Allowances	78.00	60.00

- The above remuneration does not include the accrued amount of gratuity and leave encashment as at the year end as the company determines this amount through actuarial valuation and separate amount to directors in not ascertainable.
- As no commission is payable to the directors, the computation of net profits in accordance with section 309 (5) read with section 349 of the Companies Act, 1956 has not been given.

**12. Contingent Liabilities not provided in the accounts**
**(Rs. In Lakhs)**

<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
Guarantee/security given to Custom authorities (Margin for guarantee provided Rs. Nil Lakhs-Previous year Rs. 1.80 Lakhs)	0.00	9.00
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	25.07
Import LC/guarantee (against Import of Mould & Dies and Plant & Machinery) (Margin for LC/guarantee provided Rs. 12.71 Lakhs Previous year Rs. 37.10 Lakhs)	94.63	247.33
Guarantee/security given to Bombay Stock Exchange Ltd (Margin for guarantee provided Rs. 3.90 Lakhs Previous year Rs. 3.90 Lakhs)	26.00	26.00
Guarantee/security given to Electricity Board, H.P. (Margin for guarantee provided Rs. 1.80 Lakhs-Previous year Rs. 1.80 Lakhs)	12.00	12.00

**13. Segment Reporting**

The company's operations predominantly are manufacturing of automotive parts and accessories. The company is managed organizationally as a unified entity and all its assets other than export debtors are located in India.

Sales (Net of Excise Duty) for the year ended 31<sup>st</sup> March 2008 Rs.17729.78 Lakhs (Previous Year Rs. 16833.54 Lakhs). Details of sales and year end debtors are as follows.

**(Rs. In Lakhs)**

<b>Location</b>	<b>Segment Revenue</b>	
	<b>31.03.2008</b>	<b>31.03.2007</b>
Domestic Market	16760.48	16042.05
Overseas Market	969.30	791.49
<b>Total</b>	<b>17729.78</b>	<b>16833.54</b>
	<b>Carrying Amount of Segment Debtors</b>	
	<b>31.03.2008</b>	<b>31.03.2007</b>
Domestic Market	2235.11	2147.57
Overseas Market	159.82	138.87
<b>Total</b>	<b>2394.93</b>	<b>2286.44</b>

The Company has common assets for producing goods for Domestic market and overseas market. Hence, separate figures for fixed assets can not be furnished.

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

<b>S No</b>	<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
	Raw Materials	734.33	692.29
	Capital Goods	1705.69	1673.40
	Moulds & Dies	123.42	0.00
	Mock-up Sample	96.87	0.00
	Stores and Spare Parts	25.53	0.95
	Consumable Store	0.29	0.17
	Packing Materials	1.33	0.00

**15. Expenditure in Foreign Currency**

**(Rs. In Lakhs)**

<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
Traveling and Conveyance	23.75	13.47
Professional fees	7.12	17.06
Technical know-how & Engineering Fee etc.	58.64	55.72
Overseas Office Expenses	35.29	40.13
Others	2.54	15.18

**16. Income in Foreign Currency**

**(Rs. In Lakhs)**

<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
FOB Value of Export Sales	969.30	791.49
Testing Fee Received	0.00	8.89
Sale of Fixed Assets	83.35	13.95
Tool Development Charges	29.91	12.50

**17. 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)**

<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
Total of future minimum lease payments under non-cancelable operating lease for following periods:		
-Not later than one year	45.12	43.95
-Later than one year and not later than five years	180.48	175.80
-Lease payment recognized in Profit & Loss Account	42.18	39.32

**18. Foreign Exchange Fluctuation/Adjustment**

**(Rs. in Lakhs)**

<b>Nature of Exchange Fluctuation</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
<b>-Monetary Item</b>		
Relating to Export during the year as a part of 'Sales'	13.64	1.39
Relating to Import during the year as a part of 'Purchase'*	(7.39)	(2.01)
Other Exchange Fluctuation as a part of 'Indirect Exp'	26.21	(8.02)
<b>-Non Monetary Item</b>		
Relating to Capital Goods/Assets as a part of 'Other Income'	20.85	-
<b>-Forward Contracts &amp; Options</b>		
On Settlement of forward contract a part of 'Other Income'	62.74	-
On Settlement of forward contract a part of 'Fixed Assets'*	(9.92)	-

\*Figure in brackets denote gain on foreign exchange fluctuation.

**19. Dividend Paid to Non Resident Shareholders (Foreign Currency)**

<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
Number of Non Resident Shareholder	1	-
Number of Equity Share held by them	104051	-
Amount of Dividend Paid (In Rs.)	260127	-
Year to which dividend relates	2006-07	-

**20. Micro, Small & Medium Enterprises**

The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at year end together with interest paid/payable under this Act have not been given.

**21. Disclosure of Non-Scheduled Bank Balance**
**(Rs. In Lakhs)**

Name of Bank	2007-2008		2006-2007	
	Rs.	FC (YEN)	Rs.	FC (YEN)
Japan Resona Bank	0.69	174738	1.73	445434

**22. Post-Employment Benefits Plans**
**A-Defined Benefit Plans**

Disclosure requirement as per Revised Accounting Standard on Employee Benefit-AS (15)-As per actuarial valuation as on 31.03.2008 are as follows:

**(Rs. in Lakhs)**

Description	Gratuity		Leave Encashment	
	31.03.08	31.03.07	31.03.08	31.03.07
<b>1. Net employee benefit expenses (Recognized in Profit &amp; Loss A/c)</b>				
Current Service Cost	35.15	15.03	5.43	6.75
Interest cost on benefit obligation	3.25	2.12	1.07	0.60
Expected return on plan assets	(1.26)	(1.11)	N/A	N/A
Net actuarial gain/(loss) recognized in the year	1.47	(3.74)	(0.06)	(0.26)
Net benefit expenses	38.61	12.30	6.44	7.09
<b>2. Plan assets/(liability) (Recognized in Balance Sheet)</b>				
Present value of Defined benefit obligation	71.62	40.67	17.77	13.33
Fair value of plan assets	31.89	15.74	-	-
Plan assets/(liability)	(39.73)	(24.93)	(17.77)	(13.33)
<b>3. Change in the present value of the defined benefit obligation</b>				
Opening defined benefit plan	40.67	26.57	13.33	7.53
Interest cost	3.25	2.12	1.07	0.60
Current service cost	35.15	15.03	5.43	6.75
Actuarial (gains)/losses on obligation	(1.32)	(3.05)	(0.06)	(0.26)
Benefits Paid	(6.13)	-	(2.00)	(1.29)
Closing defined benefit plan	71.62	40.67	17.77	13.33
<b>4. Change in the fair value of the plan assets</b>				
Opening fair value of plan assets	15.74	-	N/A	N/A
Expected return	1.26	1.12	N/A	N/A
Contribution by employer	23.80	13.93	N/A	N/A
Actuarial gains/(losses) on obligation	(2.78)	0.69	N/A	N/A
Benefits Paid	(6.13)	-	-	-
Closing fair value of plan assets	31.89	15.74	N/A	N/A
<b>5. Actuarial Assumptions</b>				
Interest & Discount Rate	8.00%	8.00%	8.00%	8.00%
Attrition Rate	1.00%	1.00%	1.00%	1.00%
Retirement Age	58	58	58	58
Service cost increase rate	4.00%	4.00%	4.00%	4.00%
<b>6. The major categories of plan assets as a percentage of the total plan assets</b>	N/A as Funded through Insurer	N/A as Funded through Insurer	N/A	N/A

**B- Defined Contribution Plans**

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

(Rs. in Lakhs)

Particulars	31.03.2008	31.03.2007
Employer's Contribution to Provident Fund	39.16	28.20
Employer's Contribution to ESI Fund	9.21	7.43
Employer's Contribution to Wages Welfare Fund	0.38	0.10
<b>Total</b>	<b>48.75</b>	<b>35.73</b>

**23. Licensed and Installed Capacity**

(Numbers in Lakhs)

Particulars	Units	31.03.2008	31.03.2007
Licensed Capacity	Nos.	N/A	N/A
Installed Capacity	Nos.	N/A	N/A

**24. Opening and Closing Stock of Finished Goods**

(Figures In Lakhs)

Product	Units	31.03.2008		31.03.2007	
		Qty	Value	Qty	Value
<b>Opening Stock</b>					
Automotive Lighting & Signaling Parts	Nos.	2.26	148.19	1.06	59.41
Rear View Mirrors & Parts	Nos.	0.47	17.25	0.30	15.32
Sheet Metal Parts	Nos.	0.21	2.71	0.04	1.44
Other Automotive Components		-	0.05	-	0.09
Material Received Back from Customer Repair/Rectification		-	-	-	3.63
<b>Total</b>			<b>168.20</b>		<b>79.89</b>
<b>Closing Stock</b>					
Automotive Lighting & Signaling Parts	Nos.	3.02	198.12	2.26	148.19
Rear View Mirrors & Parts	Nos.	1.44	54.92	0.47	17.25
Sheet Metal Parts	Nos.	.00081	0.08	0.21	2.71
Prismatic Mirror and Mirror Plates	Nos.	0.02	0.73	-	-
Other Automotive Components			-		0.05
<b>Total</b>			<b>253.85</b>		<b>168.20</b>

**25. Actual Production of Finished Goods**

(Figures In Lakhs)

Product	Units	31.03.2008	31.03.2007
Automotive Lights, Signaling Parts	Nos.	155.38	146.90
Rear View Mirror & Parts	Nos.	41.00	33.26
Sheet Metal Parts	Nos.	25.17	38.52
Prismatic Mirror and Mirror Plates	Nos.	0.73	-

**26. Detail of Sales (Net of Excise Duty)**
**(Figures In Lakhs)**

Product	Units	31.03.2008		31.03.2007	
		Qty	Value	Qty	Value
<b>Manufacturing Goods</b>					
Automotive Lights, Signaling Equipment & Parts	Nos.	154.62	13973.92	145.70	13041.54
Rear View Mirror & Parts	Nos.	40.03	2181.16	33.09	1802.50
Sheet Metal Parts	Nos.	25.38	1173.60	38.35	1849.87
Prismatic Mirror and Mirror Plates	Nos.	0.71	24.24	-	-
Other Automotive Components			63.23		44.00
Material Received back from customers for repairs/rectification.			-		3.63
Job Charges Received			0.05		0.16
<b>Total (A)</b>			<b>17416.20</b>		<b>16741.70</b>
<b>Traded Goods</b>					
Plastic Powder	Kg.	0.03939	2.55	0.00475	0.40
Auto Bulbs	Nos.	3.76	33.15	3.89	43.91
Iron Sheet & Rods	Kg.	1.09	33.74	0.67	19.06
Moulds & Dies	Nos.	2	135.00	-	-
Mock up Sample			96.40	-	-
Other	-	-	12.74	-	28.48
<b>Total (B)</b>			<b>313.58</b>		<b>91.85</b>
<b>Total (A+B)</b>			<b>17729.78</b>		<b>16833.55</b>

**27. Raw Material & Components Consumed**
**(Figures In Lakhs)**

Product	Units	31.03.2008		31.03.2007	
		Qty	Value	Qty	Value
Plastic Powder	Kg.	26.63	2651.03	25.30	2734.23
Auto Bulb	Nos.	160.28	1372.89	149.87	1309.00
Iron Sheet & Rods	Kg.	21.89	810.73	26.04	930.55
Other Automotive Components			5704.99		5607.81
<b>Total</b>			<b>10539.64</b>		<b>10581.59</b>

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

Product	Units	31.03.2008		31.03.2007	
		Qty	Value	Qty	Value
Plastic Powder	Kg.	0.03939	2.51	0.00475	0.39
Auto Bulb	Nos.	3.76	26.82	3.89	34.03
Iron Sheet & Rods	Kg.	1.09	36.02	0.67	21.43
Moulds & Dies	Nos.	2	119.32	-	-
Mock up Sample	-	-	96.87		
Other Automotive Components			14.14		26.36
<b>Total</b>			<b>295.68</b>		<b>82.21</b>

**29. Opening and Closing Stock of Raw Materials & Components**

(Figures In Lakhs)

Product	Units	31.03.2008		31.03.2007	
		Qty	Value	Qty	Value
<b>Opening Stock</b>					
Plastic Powder	Kg.	1.92	187.92	0.99	110.28
Auto Bulb	Nos.	22.93	184.12	14.12	95.90
Iron Sheet & Rods	Kg.	1.08	43.74	0.95	33.80
Other Automotive Components		-	581.91	-	328.56
<b>Total</b>			<b>997.69</b>		<b>568.54</b>
<b>Closing Stock</b>					
Plastic Powder	Kg.	1.65	159.54	1.92	187.92
Auto Bulb	Nos.	22.20	173.13	22.93	184.12
Iron Sheet & Rods	Kg.	0.66	27.52	1.08	43.74
Other Automotive Components			471.74	-	581.91
<b>Total</b>			<b>831.93</b>		<b>997.69</b>

**30. Imported and Indigenous Raw Material & Packing Material Consumption**

(Rs. In Lakhs)

Particulars	31.03.2008		31.03.2007	
	Amount	% of Consumption	Amount	% of Consumption
<b>Raw Material</b>				
Imported	748.97	7.11	564.61	5.34
Indigenous	9790.67	92.89	10016.98	94.66
<b>Total</b>	<b>10539.64</b>	<b>100.00</b>	<b>10581.59</b>	<b>100.00</b>
<b>Packing Material &amp; Store</b>				
Imported	1.62	0.25	0.17	0.03
Indigenous	640.17	99.75	568.81	99.97
<b>Total</b>	<b>641.79</b>	<b>100.00</b>	<b>568.98</b>	<b>100.00</b>

**31. Utilization of IPO Fund**

In October 2006, the company completed Initial Public offering (IPO) of its equity share 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. Out of the said issue a sum of Rs. 4990.48 Lakhs was utilized upto 31<sup>st</sup> March 2007. The Balance amount of Rs. 626.52 Lakhs was fully utilized during the year in the following manners.

Particulars	Rs. In (Lakhs)
I. Expansion Plan/New Projects	
1 Building & Civil works	63.65
2 Plant & Machinery	547.79
3 Moulds, Dies & Tools	7.99
4 Electrical Fitting & Equipments	5.42
II. Margin Money for working capital	1.54
III. Share Issue Expenses	0.13
<b>Total</b>	<b>626.52</b>

**32. Borrowing Cost**
**(Rs. In Lakhs)**

Particulars	2007-08	2006-07
Borrowing cost Capitalized to Qualifying Assets As Per Accounting Standard-16	102.79	83.05

**33. 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.

**34. Transfer to General Reserve**

The Company has transferred Rs 100 Lakhs (Previous Year Rs. 150 Lakhs) to General Reserve from Profit and Loss Account as per Companies (Transfer of Profits to Reserves) Rules, 1975.

**35. Accounting for Expenditure During Construction**

Expenditure during the construction period of new/extension units of Rs. 8.85 Lakhs (Previous year Rs. 9.97 Lakhs) have been debited to fixed assets which are specifically attributable to construction of a project or to the acquisition of fixed assets or bringing them to their working condition. The other expenditure during the construction period of Rs. Nil Lakhs (Previous year Rs. 135.17 Lakhs) which are not specifically attributable to construction of projects or to the acquisition of fixed assets or bringing to their working condition are recognized as an expense when they were incurred.

36. The figures appearing in brackets pertains to previous year

37. 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 : 29/08/2008

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No. 

				3	4	9	2	8
--	--	--	--	---	---	---	---	---

 State Code: 

									5	5
--	--	--	--	--	--	--	--	--	---	---

  
 Balance Sheet Date: 

3	1	.	0	3	.	0	8
---	---	---	---	---	---	---	---

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

Public Issue: 

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

 Right Issue: 

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

  
 Bonus Issue: 

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

 Private Placement: 

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

  
 Conversion of Bonds: 

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

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

Total Liabilities: 

1	7	1	0	3	.	1	8
---	---	---	---	---	---	---	---

 Total Assets: 

1	7	1	0	3	.	1	8
---	---	---	---	---	---	---	---

**Sources of Funds**

Paid-up Capital: 

	1	1	9	6	.	2	2
--	---	---	---	---	---	---	---

 Reserves & Surplus: 

1	0	1	7	1	.	1	4
---	---	---	---	---	---	---	---

  
 Secured Loans: 

	4	7	9	9	.	1	6
--	---	---	---	---	---	---	---

 Unsecured Loans: 

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

  
 Deferred Tax Liability: 

		9	3	6	.	6	6
--	--	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets: 

1	4	2	7	7	.	4	8
---	---	---	---	---	---	---	---

 Investments: 

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

  
 Net Current Assets: 

	2	8	2	0	.	9	3
--	---	---	---	---	---	---	---

 Miscellaneous Expenditure: 

						4	.	7	7
--	--	--	--	--	--	---	---	---	---

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

Turnover: 

2	0	2	0	7	.	7	7
---	---	---	---	---	---	---	---

 Total Expenditure: 

1	6	5	9	9	.	7	9
---	---	---	---	---	---	---	---

  
 Net Turnover\*: 

1	8	0	1	7	.	4	3
---	---	---	---	---	---	---	---

 Profit After Tax: 

		9	3	3	.	9	3
--	--	---	---	---	---	---	---

  
 Profit Before Tax: 

	1	4	1	7	.	6	4
--	---	---	---	---	---	---	---

 Dividend Rs. Per Share 

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

  
 Earning Per Share in Rs. 

				7	.	8	1
--	--	--	--	---	---	---	---

\*(including other income of Rs. 287.64 lacs)

**V. Generic 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 29.08.2008

**CASH FLOW STATEMENT FOR THE YEAR 2007-08**
**(Amount In Rs.)**

Particulars	2007-2008		2006-2007	
<b>A: CASH FLOW FROM OPERATING ACTIVITIES:</b>				
<b>Net Profit After Extraordinary Items But Before Provision for Taxation</b>		141,764,820		176,967,704
Adjusted for:				
Depreciation & Amortization	79,207,532		52,244,644	
Transferred from Revaluation Reserve	(992,026)		(992,026)	
Prior Period Expenses/Adjustments	522,047		1,488,525	
Loss/(Profit) on sale of Fixed Assets (Net)	(8,764,123)		(9,247,853)	
Extraordinary Income (Net of tax impact)	-		(22,616,251)	
Unrealised Exchange Loss/(Gain)	1,284,678		(569,868)	
Miscellaneous Expenditure Written-off	179,900		214,896	
Pre-operative Expenses Allocated	-		5,763,501	
Provision for Bad & Doubtful Debts	2,155,242		2,028,806	
Provision for Excise Duty	1,560,915		1,802,596	
Wealth Tax	110,200		68,725	
Dividend Income	(2,305,427)		(4,654,559)	
Interest Received	(721,256)		(364,620)	
Interest & Finance Charges	19,508,419	91,746,101	18,920,879	44,125,903
<b>Operating Profit before Working Capital Changes</b>		233,510,921		221,093,607
Adjusted for:				
(Increase)/Decrease in Debtors	(12,958,291)		(77,319,373)	
(Increase)/Decrease in Inventories	(30,978,326)		(84,940,686)	
(Increase)/Decrease in Loans & Advances	(21,202,311)		(41,231,993)	
Increase/(Decrease) in Current Liabilities & Provisions	(54,247,684)	(119,386,612)	73,050,058	(130,441,994)
<b>Cash Generated from Operation</b>		114,124,309		90,651,613
Adjusted for Direct Taxes and Other Items:				
Prior Period Expenses/Adjustments	(522,047)		(1,488,525)	
Income Tax	(32,774,222)		(49,936,503)	
Wealth Tax	(110,200)		(68,725)	
Fringe Benefit Tax	(3,382,000)	(36,788,469)	(3,141,295)	(54,635,048)
<b>Net Cash Flow from Operating Activities</b>		77,335,840		36,016,567
<b>B: CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets	(397,818,955)		(465,317,535)	
Purchase of Intangible Assets	(6,404,337)		(5,870,990)	
Sale of Fixed Assets	33,122,536		94,500,554	
(Increase)/Decrease in Capital Work in Progress	72,133,469		(70,988,572)	
Miscellaneous Expenditure	-		(585,000)	
Interest Received on FDR	551,058		282,790	
Dividend Income	2,305,427		4,654,559	
Investment for Acquisition of Company	-		(10,543,375)	
<b>Net Cash flow Used in Investing Activities</b>		(296,110,802)		(453,906,077)

**CASH FLOW STATEMENT FOR THE YEAR 2007-08 (Contd.)**

(Amount in Rs.)

Particulars	2007-2008		2006-2007	
<b>C: CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Proceeds from Issue of Equity Share Capital	-		41,000,010	
Increase in Securities Premium Account	-		520,700,127	
Dividend Paid (Including Dividend Distribution Tax)	(34,988,016)		-	
Share Issue Expenses	-		(46,710,674)	
Interest & Financial charges	(29,787,619)		(27,225,923)	
Increase in Long-Term Borrowing	106,473,966		26,648,293	
Increase in Short-Term Borrowing	68,548,948		5,658,550	
Net Cash flow from Financing Activities		110,247,279		520,070,384
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		(108,527,683)		102,180,872
<b>(A+B+C)</b>				
Opening Balance of Cash & Cash Equivalents		118,326,841		15,625,023
Add: On Amalgamation		-		491,209
Fluctuation Gain/(Loss) on Foreign Currency Accounts		19,237		29,737
Closing Balance of Cash & Cash Equivalents		<b>9,818,395</b>		<b>118,326,841</b>

**Foot Notes:**

- The figures in the Cash Flow Statement are based on or have been derived from Annual Financial Statement of the company.
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on Cashflow Statements issued by The Institute of Chartered Accountant of India.
- Cash and Cash equivalents include restricted Cash and Bank balance amounting to Rs. 44,70,025 (Previous year Rs. 93,80,669)
- Amounting to Rs.1,80,00,000 (Previous year-Rs.8,75,00,000) is lying as undrawn term loan from bank that is available for future capital purposes of the company.
- Cash and cash equivalents consists of cash on hand, demand deposit with banks and short term highly liquid investments that are readily convertible in to known amounts of cash and which are subject to an insignificant of risks of changes in value.
- 1,04,065 equity shares of Rs.10 were allotted as fully paid up to the shareholders of erstwhile Fiem Sung San (India) Limited pursuant to the Scheme of Amalgamation with effect from 01.04.2006.
- Previous year's figures have been regrouped/reclassified to conform to those of the current year
- Figures in brackets denote outflows of cash and cash equivalents.
- 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**  
Proprietor

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

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

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

Place: New Delhi  
Dated:29.08.2008



**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 hereby record my presence at the 19<sup>th</sup> Annual General Meeting held at Guru Kirpa Farms, Palla Bakhtawarpur Road, G.T. Karnal Road, Village Alipur, Delhi-110036 on the Monday, 29<sup>th</sup> day of September 2008 at 10.00 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 .....  
 ..... being a member/ members of Fiem Industries Limited, hereby appoint  
 Mr./Ms./Mrs.....of ..... or failing  
 him Mr./Ms./Mrs.....of .....as  
 my/our proxy to attend and vote for me/us and on my /our behalf at the 19<sup>th</sup> Annual General Meeting of the Company to be held  
 on Monday, 29<sup>th</sup> day of September 2008 at 10.00 A.M. and at any adjournment thereof.

As witness my hand/our hand(s) this ..... Day of .....2008

Affix  
revenue  
stamp

Notes:

- (i) The form should be signed across the revenue stamp as per specimen signature registered with the company / depository.
- (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

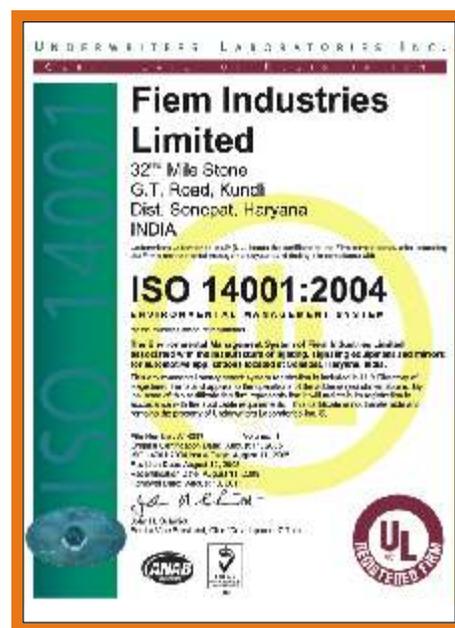
We have received the following certifications:

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.

In November, 2006 our Export Oriented Unit at Hosur 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 and 2008 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.
- National Business Leadership Award by Indian Society for Industry and Intellectual Development.



## OUR MANUFACTURING EDGE

We have six state of the Art manufacturing Units situated at different locations. Our New unit (Unit-VII) is coming up at Rai Industrial Area, Distt. Sonapat, Haryana which is under construction. We are also establishing a Factory at IMT, Manesar (Unit-VIII). 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 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





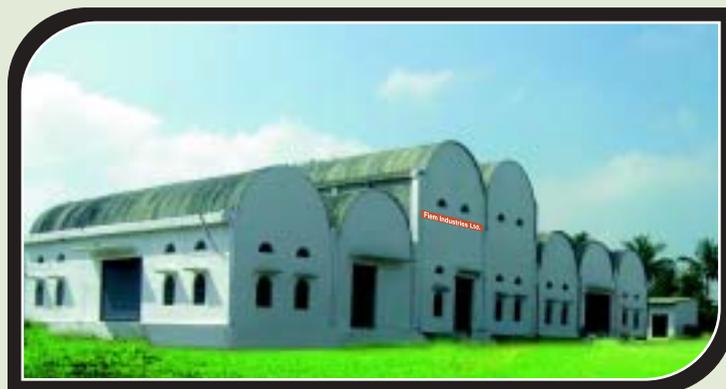
**Unit-I, Kundli**



**Unit-II, Hosur**



**Unit-III, Hosur**



**Unit-IV, Mysore**



**Unit-V- EOU, Hosur**



**Unit-VI, Nalagarh, HP**

### EXISTING PLANTS

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

### UPCOMING PLANTS

<p><b>Unit-VII</b> Plot No. 1915, Rai Industrial Estate, Phase - V, Sonapat (Haryana).</p>	<p><b>Unit-VIII</b> Plot No. 93, Sector-5, IMT Manesar, Gurgaon, Haryana</p>
--	--

**Book-Post**

If undelivered please return to :  
**FIEM Industries Limited**  
**D-34, DSIDC Packaging Complex,**  
**Kirti Nagar, New Delhi 110 015 (India)**