

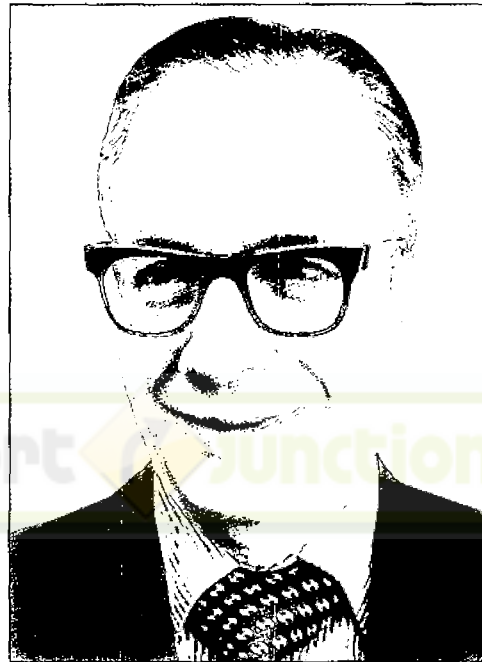
Report  Junction



SHRIRAM PISTONS & RINGS LTD.



SHRIRAM



DR. CHARAT RAM
(1918-2007)

In Dr. Charat Ram, we have lost not only our Chairman, but also a visionary, noted for his business acumen, integrity and ethics, simplicity of lifestyle and admired by compatriots.



SHRIRAM

Board of Directors

Dr. Charat Ram*

Shri Prem Pandhi**

- Chairman

Shri Pradeep Dinodia**

- Deputy Chairman

Shri Sanjiv Dass

Shri Rainer Fluhr

Shri O.P. Khaitan

Shri C.Y.Pal

Shri R.L. Saigal

Shri M.Sekimoto

Shri H.S.G. Shetty

Shri Deepak Shriram

- Vice Chairman & Managing Director

Shri A.K. Taneja

- Wholetime Director

Shri R. Srinivasan

- Wholetime Director

Dr.Peter Neu

- Alternate Director to Shri Rainer Fluhr

Principal Executives

Shri A.K. Taneja

- President

Shri R. Srinivasan

- Executive Director & Company Secretary

Shri Rajiv Sethi

- Executive Director

Shri S. Kumar

- Executive Director

Shri Anil Gadi

- Executive Director

Shri P.S. Ladiwala

- Chief Financial Officer

Technical Collaborators

KS Kolbenschmidt GmbH, Germany

Riken Corporation, Japan

Honda Foundry Co. Ltd., Japan

Fuji Oozx Inc., Japan

Bankers

UCO Bank

State Bank of Hyderabad

Corporation Bank

UTI Bank Ltd.

HDFC Bank Ltd.

IDBI Bank

Citi Bank N.A.

Auditors

T.R. Chadha & Co., New Delhi

Registered Office

23, Kasturba Gandhi Marg,

New Delhi - 110 001

Works

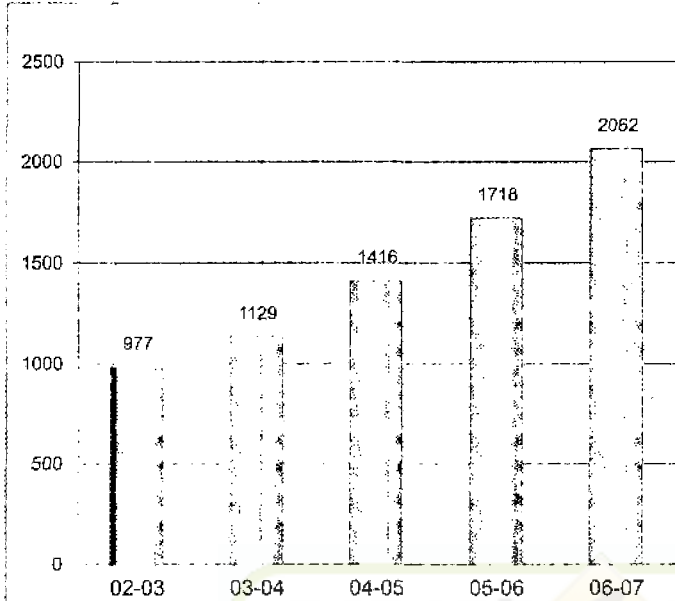
Meerut Road, Ghaziabad (U.P.)

* Dr. Charat Ram (Chairman) deceased on 15th May, 2007

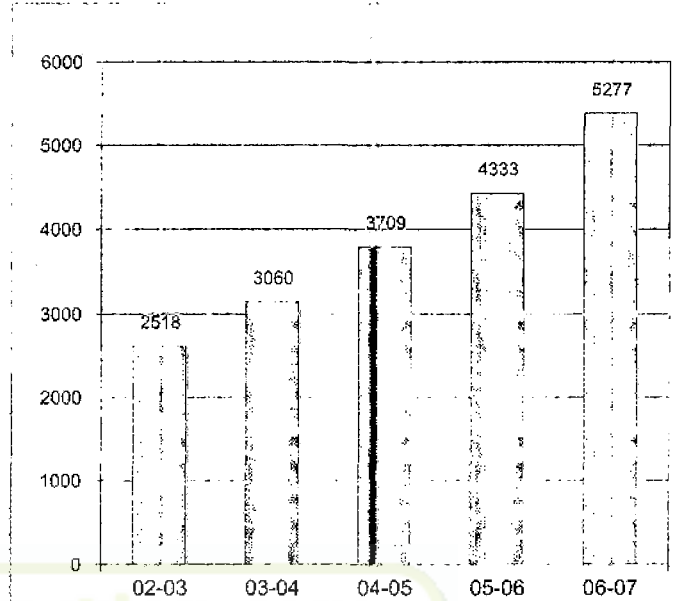
** From 29th May, 2007

FINANCIAL HIGHLIGHTS

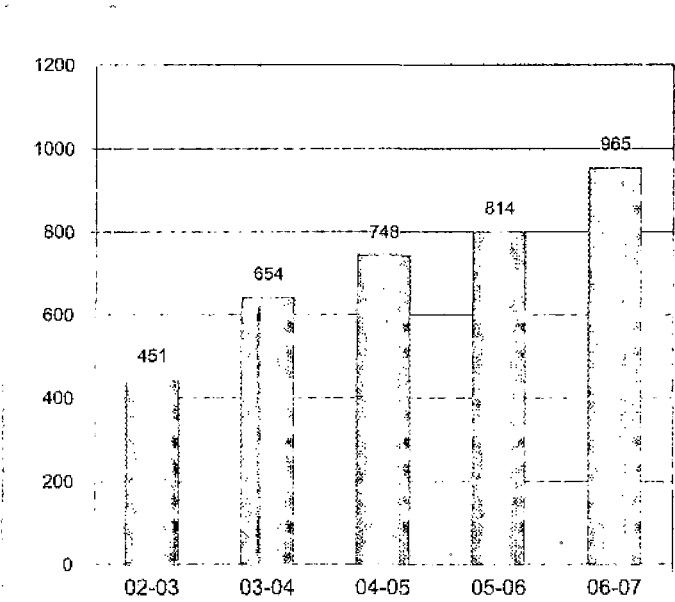
NET WORTH (Mn/Rs.)



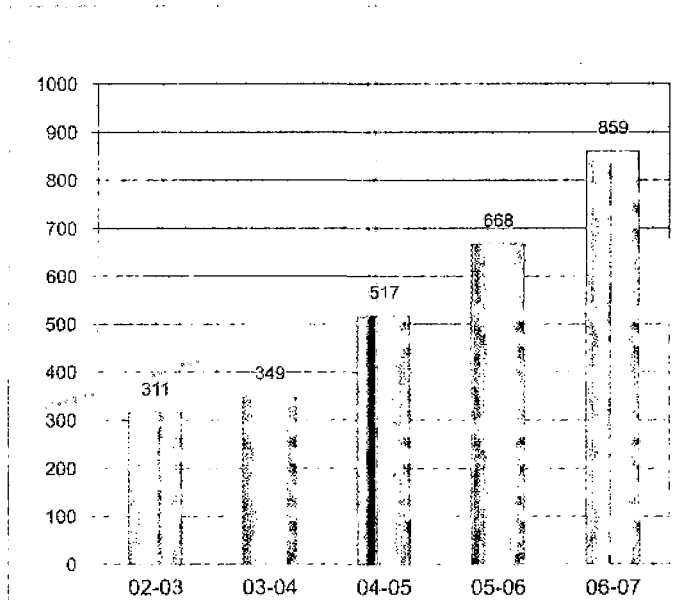
SALES (Mn/Rs.)



GROSS PROFIT (Mn/Rs.)



EXPORTS (Mn/Rs.)



**SHRIRAM****WORKING RESULTS AT A GLANCE**

| PARTICULARS | UNIT | YEAR ENDING MARCH | | | | | | | | | |
|--------------------------------|---------|-------------------|-------------|---------------|-------------|------------|------------|------------|------------|------------|------------|
| | | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| Paid-up Share Capital - Equity | Mn/Rs. | 224 | 224 | 224 | 224 | 224 | 224 | 224 | 112 | 112 | 112 |
| - Pref. | Mn/Rs. | - | - | - | - | 67 | 100 | 100 | 100 | 100 | 30 |
| Reserves & Surplus | Mn/Rs. | 1838 | 1494 | 1192 | 905 | 686 | 562 | 619 | 668 | 611 | 570 |
| Net Worth | Mn/Rs. | 2062 | 1718 | 1416 | 1129 | 977 | 886 | 943 | 880 | 823 | 712 |
| Gross Fixed Assets | Mn/Rs. | 5216 | 4330 | 3389 | 2814 | 2497 | 2270 | 2027 | 1862 | 1707 | 1365 |
| Gross Profit | Mn/Rs. | 965 | 814 | 748 | 654 | 451 | 313 | 282 | 246 | 181 | 240 |
| Net Profit | Mn/Rs. | 409 | 366 | 347 | 303 | 167 | 103 | 103 | 96 | 67 | 105 |
| Equity Dividend - Amount | Mn/Rs. | 64 | 64 | 57 | 51 | 29 | 25 | 25 | 18 | 15 | 15 |
| - Rate | % | 25 | 25.0 | 22.5 | 20.0 | 11.5 | 11.0 | 10.0 | 15.0 | 12.0 | 12.0 |
| Sales - Value - Total | Mn/Rs. | 5277 | 4333 | 3709 | 3060 | 2518 | 2126 | 2109 | 1982 | 1570 | 1566 |
| - Export | Mn/Rs. | 859 | 668 | 517 | 349 | 311 | 298 | 283 | 186 | 169 | 130 |
| - Qty. - Pistons | Mn/Nos. | 9.89 | 8.08 | 7.57 | 5.91 | 4.75 | 3.47 | 3.66 | 3.30 | 2.88 | 2.81 |
| - Pins | Mn/Nos. | 9.27 | 7.89 | 7.01 | 5.85 | 4.64 | 3.48 | 3.50 | 3.26 | 2.84 | 2.80 |
| - Rings | Mn/Nos. | 52.17 | 45.82 | 39.28 | 35.14 | 29.68 | 27.90 | 23.10 | 20.11 | 16.04 | 14.54 |
| - Engine Valves | Mn/Nos. | 15.26 | 11.49 | 8.80 | 5.92 | 4.72 | 4.08 | 3.54 | 3.01 | 2.25 | 2.08 |
| - Gears | Mn/Nos. | 0.08 | 0.0083 | 100 (Nos.) | - | - | - | - | - | - | - |

Notes : 1. Reserves & Surplus includes Revaluation Reserve of Rs. 258 Million as on 31.3.2007.

2. Gross Fixed Assets are at cost, including Revaluation Reserve.

3. Gross Profit is after all interest charges, but before Depreciation/Taxes.



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DIRECTORS' REPORT

The Directors have pleasure in presenting their 43rd Annual Report alongwith the audited accounts of the Company for the year ended March 31, 2007.

The gross profit for the year, after all interest charges, but before depreciation and taxes, is Rs.965 Million against Rs.814 Million last year.

Profit after tax for the year is Rs.409 Million against Rs.366 Million last year.

The Directors recommend that equity shareholders be paid dividend @ 25% for the year, inclusive of 17% interim dividend paid. The equity dividend alongwith dividend tax would absorb Rs.64.32 Million against Rs.63.78 Million last year.

An amount of Rs. 334.52 Million is being transferred to General Reserve Account.

The company's production and sales have increased by about 22% during the year. The increase in gross profit is 18.5%, lower than increase in sales, in view of significant increase in cost of raw materials which could not be fully recovered from customers. The company is continuing its focus on cost reduction and improvement in operational efficiency, to offset the impact of unprecedented increase in cost of raw materials to the maximum extent possible.

The Company's competition is now more directly with multinational competitor, having strong relationship with global OEMs worldwide. Additionally, there is more intense competition in the aftermarket due to general reduction of import duties and FTA with Thailand. However, with the strong ongoing technology support from the collaborators and excellent relationship with key customers, the Company is fully geared to meet the competition.

Company's exports during the year were Rs. 859 Million against Rs. 668 Million last year, registering growth of nearly 29% in foreign exchange earnings over last year.

"SPR International Auto Exports Ltd." was incorporated last year as a wholly owned subsidiary of the company. 50,000 equity shares of Rs.10/- each of SPR International Auto Exports Ltd were allotted in May 2006.

SPR International Auto Exports Ltd. is yet to commence its commercial activities and closed its accounts for the Financial Year ending March 2007. A statement pursuant to Section 212 of the Companies Act, 1956 is attached to the Accounts.

The Audited statement of accounts alongwith report of Board of Directors and the Auditors' report thereon of the subsidiary company are annexed.

In accordance with the Accounting Standard (AS 21) on consolidated financial statements, the consolidated financial statements are attached, which form part of the Annual Report.

The Directors confirm that: -

1. in the preparation of the annual accounts, the applicable accounting standards of the Institute of Chartered Accountants of India have been followed.
2. appropriate accounting policies have been selected and applied consistently, and have made judgments and



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estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profit of the Company for the same year.

3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

Fixed Deposits amounting to Rs.2.51 Million pertaining to 90 depositors remained unclaimed at the close of the year.

Following reports are enclosed, and form an integral part of Directors' report: -

1. Report on "CORPORATE GOVERNANCE" - as per annexure - I.
2. Report on "MANAGEMENT DISCUSSION AND ANALYSIS" - as per annexure - II.
3. Report on "CONSERVATION OF ENERGY", "TECHNOLOGY ABSORPTION" and "FOREIGN EXCHANGE EARNING & OUTGO" - as per annexure - III.
4. Data of "EMPLOYEES" - as per annexure - IV.

Shri M. Sekimoto, Shri R.L. Saigal and Shri Sanjiv Dass, Directors retire by rotation and being eligible, offer themselves for re-election. The brief resume and other details, in relation to the aforesaid Directors are given in the 'Notice of the Annual General Meeting'.

The Directors place on record their appreciation of the support extended to the company by the Collaborators, the Bankers, its business associates, and their appreciation of the work of all ranks of company's personnel during the year.

New Delhi
May 8, 2007

On behalf of the Board
PREM PANDHI
Dy. Chairman



ANNEXURE I TO DIRECTORS' REPORT "REPORT ON CORPORATE GOVERNANCE"

- 1.0) The Company has been following Good Corporate Governance practices. The corporate goals of the Company are to optimise shareholders' value while ensuring operational accountability and total transparency in all its operations.
- 2.0) As on 31.3.2007, the Company had 3 Executive and 10 Non-Executive Directors - 6 of the Non-Executive Directors are independent Directors.
- 2.1) During the year 7 Board of Directors Meetings were held as under:-
- 11th May, 2006 - 31st October, 2006
 - 17th June, 2006 - 30th January, 2007
 - 1st July, 2006 - 23rd March, 2007
 - 25th July 2006
- 2.2) Data of Directors' attendance, Directorship in other Companies and membership in Board Committees for year ending March 2007 is as under:-

| Directors | See Note | Attendance at | | Directorship in other Indian Public Ltd. Cos. | Board Committee Memberships in other Indian Public Ltd. Cos. | |
|------------------------------------------|----------|----------------|----------|-----------------------------------------------|--------------------------------------------------------------|----------|
| | | Board Meetings | Last AGM | | Member | Chairman |
| Non-Executive Directors | | | | | | |
| Dr. Charat Ram (Chairman) | 1 | 6 | Yes | 1 | Nil | Nil |
| Shri Prem Pandhi | | 7 | Yes | 1 | Nil | Nil |
| Shri Sanjiv Dass | 1 | 6 | Yes | 2 | Nil | Nil |
| Shri Pradeep Dinodia | | 7 | Yes | 8 | 2 | 4 |
| Shri L.P. Gupta | 3 | - | No | 5 | Nil | Nil |
| Shri Rainer Fluhr | 2, 4 | 1 | Yes | Nil | Nil | Nil |
| Shri O.P. Khaitan | | 7 | Yes | 9 | 4 | 2 |
| Shri C.Y. Pal | | 6 | Yes | 3 | 3 | 2 |
| Shri R.L. Saigal | | 7 | Yes | 1 | 1 | Nil |
| Shri M. Sekimoto | 2 | 5 | Yes | Nil | Nil | Nil |
| Shri H.S.G. Shetty (Nominee of IDBI) | | 7 | Yes | Nil | Nil | Nil |
| Executive Directors | | | | | | |
| Shri Deepak Shriram (Managing Director) | 1 | 7 | Yes | 2 | 1 | Nil |
| Shri A.K. Taneja (Whole-time Director) | | 7 | Yes | 1 | 1 | Nil |
| Shri R. Srinivasan (Whole-time Director) | | 7 | Yes | Nil | Nil | Nil |

Notes :

1. Dr. Charat Ram, Shri Deepak Shriram and Shri Sanjiv Dass are related to each other and are promoters of the Company.
2. Shri Rainer Fluhr and Shri Sekimoto are Executives of associate companies viz. K.S. Kolbenschmidt, Germany and Riken Corporation, Japan respectively.
3. Ceased to be a Director of the Company w.e.f. 11.5.2006.
4. Appointed a Director of the Company w.e.f. 11.5.2006.
5. For calculating Board Committee membership/chairmanship, only Audit Committee & the Shareholders' Grievance Committee membership/chairmanship has been considered.



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2.3) Shareholding of Non-executive Directors

- Shri Sanjiv Dass - 12,40,176 held Singly
 - 23,400 held jointly as 1st holder
 - 66,92,736 held jointly as 2nd holder

3.0) The Company has an Audit Committee comprising of five Non-Executive Directors all of whom except one (Shri Sanjiv Dass) being Independent Directors.

Shri R. Srinivasan, the Company Secretary is also the Secretary to the Audit Committee.

Statutory Auditors and Internal Auditors are permanent invitees to the Audit Committee meetings.

The role and powers of Company's Audit Committee are substantively as per the recommendations made by SEBI and as per provisions of the Companies Act, 1956.

3.1) During the year 4 Meetings of the Audit Committee were held as under :-

- 1st May, 2006 - 31st October, 2006
 - 24th July, 2006 - 30th January, 2007

3.2) Attendance at Audit Committee Meetings was as under:-

| Directors | Attendance |
|--------------------------------------|------------|
| Shri Prem Pandhi (Chairman) | 4 |
| Shri Sanjiv Dass | 2 |
| Shri Pradeep Dinodia | 4 |
| Shri R.L. Saigal | 4 |
| Shri H.S.G. Shetty (Nominee of IDBI) | 3 |

3.3) The last Annual General Meeting of the Company was held on July 1, 2006 and was attended by Shri Prem Pandhi, Chairman of the Audit Committee.

4.0) The Company has a Remuneration Committee comprising of 4 Directors to recommend for Board's consideration the remuneration of Managing Director & Whole-time Directors. The Committee comprises of Shri Prem Pandhi (Chairman), Shri O.P.Khaitan, Shri R.L.Saigal & Shri H.S.G. Shetty - all being Independent Directors. Remuneration of Directors is approved by the Board of Directors. During the year a Meeting of the Remuneration Committee was held on 1st July, 2006 which was attended by all directors.

4.1) Non-Executive Directors were paid sitting fee of Rs.20,000 (Rupees Twenty thousand only) for every meeting of the Board and Rs. 15,000 (Rupees Fifteen thousand only) for every meeting of the Board Committee attended during the year.



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Commission of 1% of the Net Profits of the Company is paid to the Non-Executive Directors as may be determined by the Board. This is as approved by shareholders in Annual General Meeting dated July 6, 2005. The fees and commission paid/provided to Non-Executive Directors for the year ended 31st March, 2007 is as under:-

| Directors | Sitting Fees for Board and Committee meetings paid during the year | Commission |
|--------------------------------------|--------------------------------------------------------------------|-------------|
| | Million/Rs. | Million/Rs. |
| Dr. Charat Ram | 0.12 | 3.28 |
| Shri Prem Pandhi | 0.22 | 1.58 |
| Shri Sanjiv Dass | 0.15 | 0.20 |
| Shri Pradeep Dinodia | 0.20 | 0.50 |
| Shri L.P. Gupta | - | - |
| Shri O.P. Khaitan | 0.15 | 0.20 |
| Shri C.Y. Pal | 0.12 | 0.20 |
| Shri R.L. Saigal | 0.22 | 0.20 |
| Shri M. Sekimoto | 0.09 | 0.20 |
| Shri H.S.G. Shetty (Nominee of IDBI) | 0.20 | 0.20 |
| Shri Rainer Fluhr | 0.02 | - |

Retainership fee of Rupees 336 Thousand (Rupees Three Hundred and Thirty Six Thousand only) as approved by shareholders in Annual General Meeting dated June 23, 2004 has been paid to Shri R.L. Saigal, Director, during the year for professional services rendered by him. The Board considers this as not being material pecuniary relationship.

4.2) Remuneration paid / provided to Managing Director and Whole-time Directors for the year ended March 31, 2007 is as under: -

| Directors | Salary | Commission | Company's Contribution to funds* | Perquisites and allowances | Total | Contract Period |
|------------------------------------------|--------|------------|----------------------------------|----------------------------|--------|--------------------------------------|
| | Mn/Rs. | Mn/Rs. | Mn/Rs. | Mn/Rs. | Mn/Rs. | |
| Shri Deepak Shriram (Mg. Director) | 3.80 | 8.21 | .0015 | 1.88 | 13.89 | 2nd April, 2003 to 1st April, 2008 |
| Shri A.K.Taneja (Whole time Director) | 3.72 | 9.65 | 1.60 | 2.77 | 17.74 | 21st April, 2004 to 20th April, 2009 |
| Shri R. Srinivasan (Whole time Director) | 2.71 | 6.75 | 1.16 | 2.01 | 12.63 | 1st Feb. 2006 to 31st Jan. 2011 |

Notes : 1. The notice period on either side is six months.

2. No severance fee is payable by the Company for terminating employment.

3. The Company does not have a scheme of stock options.

*4. Aggregate of the Company's contribution to Superannuation Fund, Provident Fund & Gratuity Fund.