



Motor Industries Co. Ltd.
Annual Report 2006



BOSCH
Invented for life

The Bosch Vision

Creating value, sharing values

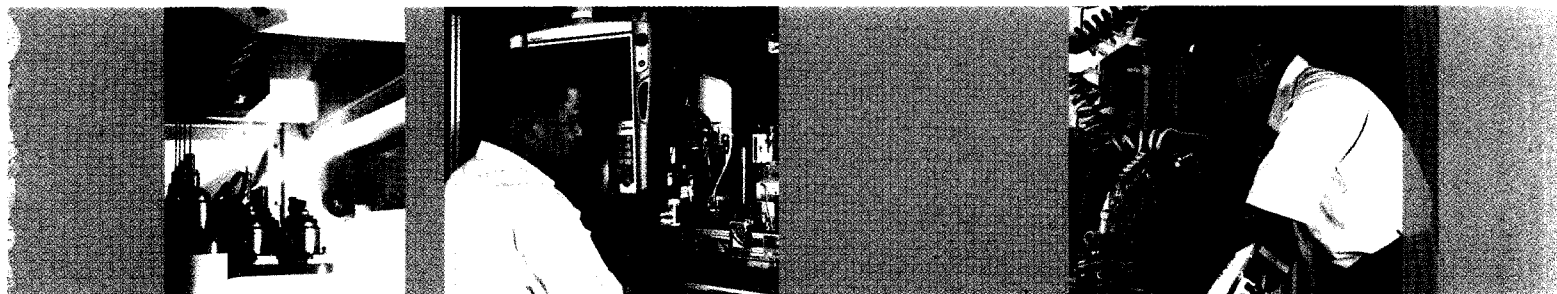
As a leading technology and services company, we take advantage of our global opportunities for strong and meaningful development. Our ambition is to enhance the quality of life with solutions that are both innovative and beneficial. We focus on our core competencies in automotive and industrial technologies, as well as in products and services for professional and private use.

We strive for sustained economic success and a leading market position in all that we do. Entrepreneurial freedom and financial independence allow our actions to be guided by a long-term perspective. In the spirit of our founder, we particularly demonstrate social and environmental responsibility – wherever we do business.

Our customers choose us for our innovative strength and efficiency, for our reliability and quality of work. Our organisational structures, processes, and leadership tools are clear and effective, and support the requirements of our various businesses. We act according to common principles. We are strongly determined to jointly achieve the goals we agree upon.

As associates worldwide, we feel a special bond in our values that we live day by day. The diversity of our cultures is a source of additional strength. We experience our task as challenging, we are dedicated to our work, and we are proud to be part of Bosch.

Table of Contents



4	About Bosch
5	About Mico
7	Board of Directors, Committees, etc.
8	Bosch in India
21	Report of the Directors
38	Financials at a glance
40	Annexure to the Report of the Directors
43	Report and Certificate on Corporate Governance
55	Management Discussion and Analysis Report
59	Report of the Auditors to the Members
62	Balance Sheet
63	Profit and Loss Account
64	Cash Flow Statement
65	Schedules to Balance Sheet
73	Schedules to Profit and Loss Account
76	Notes on Accounts
88	Balance Sheet Abstract
89	Subsidiary Company
96	Shareholder Information
100	National Network
101	Attendance Slip and Proxy

Cover page

From 1922 Bosch has been touching millions of lives across India, across every strata of society. And throughout this time, Bosch has balanced its tradition of delivering innovative products with its corporate philosophy of keeping these products safe, clean and economical. Thus contributing to a cleaner, greener environment without compromising on a safe and great automotive experience.

About Bosch



Bosch headquarters
in Germany

Robert Bosch GmbH is closely associated with the automotive industry across the world. The name Bosch is not just famous for automotive technology products like gasoline, diesel, chassis systems and car electronics - it is also a pioneer in the areas of automation technology, metals technology, packaging technology, power tools, heating technology, household appliances, car multimedia systems and security systems.

Founded in 1886 in Germany, as a 'Workshop for Precision Mechanics and Electrical Engineering' by Robert Bosch, Bosch today is the largest automotive technology supplier in the world. The Company had a global group turnover of Euro 43.7 billion as of 2006, its R&D expenditures amounting to 7.6% of its sales and the filing of over 3056 patent applications in the German patents office.

Bosch is active in every continent with 280 subsidiaries, associated companies and 13,000 service centres in more than 140 countries. In fiscal 2006, it employed roughly 2,60,000 people worldwide.

The special ownership structure of the Bosch Group guarantees its financial independence and entrepreneurial freedom. It makes it possible for the company to undertake significant up-front investments in the safeguarding of its future, as well as to do justice to its social responsibility in a manner reflective of the spirit and will of its founder. 92% of Robert Bosch GmbH shares are held by the charitable foundation Robert Bosch Stiftung. The entrepreneurial ownership functions are carried out by Robert Bosch Industrietreuhand KG.

About Mico



Mico corporate office
in India

Bosch Group's flagship in India, Motor Industries Company Limited (Mico) was established in the year 1951. It is a pioneer and leader in the Indian automotive segment for the last 56 years. Mico is the largest auto component manufacturer and one of the largest Indo-German companies in India. The Bosch Group holds 60.55% stake in the company. Access to state-of-the-art technology from Bosch and a commitment to world-class quality have made the Company, the country's largest manufacturer of Diesel Fuel Injection Equipment and one among the largest in the world.

Motor Industries is headquartered in Bangalore with facilities in Bangalore, Nashik, Naganathapura and Jaipur. All the four plants are TS 16949 and ISO 14001 certified. With a strength of approximately 10,300 associates, it manufactures and trades products as diverse as diesel and gasoline fuel injection systems, Blaupunkt car multimedia systems, auto electricals, hydraulics, industrial

equipment, special purpose machines, packaging machines, electric power tools and security systems.

The company has developed excellent R&D and manufacturing capabilities, a strong customer base and its market leadership is testimony to the high quality of technology and products. It also has a strong presence in the Indian automotive services sector. Mico's service network spans across 1,000 towns and cities with over 4,000 authorised representatives who ensure widespread availability of both products and services.

As Bosch focuses on developing India as its technology hub, Motor Industries is gearing up to meet these challenges. Bosch's slogan 'Invented for Life' communicates its core competencies and vision - technological leadership, modernity, dynamics, quality and customer orientation are part of its long tradition.



Leadership has a reward

Mico has been declared, 'Component Manufacturer of the Year' at the CNBC TV18 Autocar Auto Awards 2007. This award goes to the company that has made a mark both in the domestic and international markets with its superior technology and products. The CNBC Awards seek to recognise and reward exemplary performance in the industry in 2006 based on a comprehensive set of attributes including design, technology, value, product experience, and so on.

Board of Directors, Committees, etc.

Directors

H. Zimmerer, *Chairman*
 Dr. J. J. Irani (up to 31.12.06)
 B. Steinruecke
 Dr. B. Bohr
 D. S. Parekh (up to 31.03.07)
 B. Muthuraman (from 01.01.07)
 Renu S. Karnad (from 01.04.07)
 Dr. A. Hieronimus, *Managing Director*
 M. Lakshminarayan, *Joint Managing Director*
 Dr. F. Allerkamp, *Joint Managing Director*
 (from 01.05.06)

Company Secretary

B. S. Iyer

Auditors

Price Waterhouse & Co.

Bankers

State Bank of India
 Canara Bank
 Citibank, N A.
 Deutsche Bank A G

Registered Office

Hosur Road,
 Adugodi,
 Bangalore-560 030

Stock Exchanges

(Where the shares of the company are listed)

Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers
 Dalal Street
 Mumbai-400 001

National Stock Exchange of India Limited
 Exchange Plaza
 Bandra-Kurla complex
 Bandra (E)
 Mumbai-400 051

Audit Committee

D. S. Parekh, *Chairman* (up to 31.03.07)
 Renu S. Karnad, *Chairperson* (from 01.04.07)
 H. Zimmerer
 B. Steinruecke
 Dr. J. J. Irani (up to 31.12.06)
 B. Muthuraman (from 01.01.07)

Shareholders'/Investors' Grievance Committee

H. Zimmerer, *Chairman*
 D. S. Parekh (up to 31.03.07)
 Renu S. Karnad (from 01.04.07)
 Dr. A. Hieronimus
 Dr. F. Allerkamp (from 01.05.06)

Remuneration Committee

H. Zimmerer
 Dr. J. J. Irani (up to 31.12.06)
 B. Muthuraman (from 01.01.07)
 B. Steinruecke

Investment Committee

D. S. Parekh (up to 31.03.07)
 Renu S. Karnad (from 01.04.07)
 Dr. J. J. Irani (up to 31.12.06)
 B. Muthuraman (from 01.01.07)
 Dr. A. Hieronimus
 Dr. F. Allerkamp (from 01.05.06)

Property Committee

H. Zimmerer
 D. S. Parekh (up to 31.03.07)
 Renu S. Karnad (from 01.04.07)
 M. Lakshminarayan
 Dr. F. Allerkamp (from 01.05.06)

Share Transfer Committee

Dr. J. J. Irani (up to 31.12.06)
 B. Muthuraman (from 01.01.07)
 B. Steinruecke
 Dr. A. Hieronimus
 Dr. F. Allerkamp (from 01.05.06)

Registrar & Transfer Agent

Alpha Systems Private Ltd.
 No.30, Ramana Residency
 4th Cross, Sampige Road
 Malleswaram
 Bangalore-560 003

Bosch in India

A Journey of Commitment and Innovation

"It is a matter dear to my heart that Robert Bosch GmbH should be safeguarded in its substance [...] for as many future generations as possible, and that it should remain at all times financially independent, autonomous [i.e. self-governing] and able to take appropriate action."

(Source: Will of Robert Bosch dated May 31, 1938)

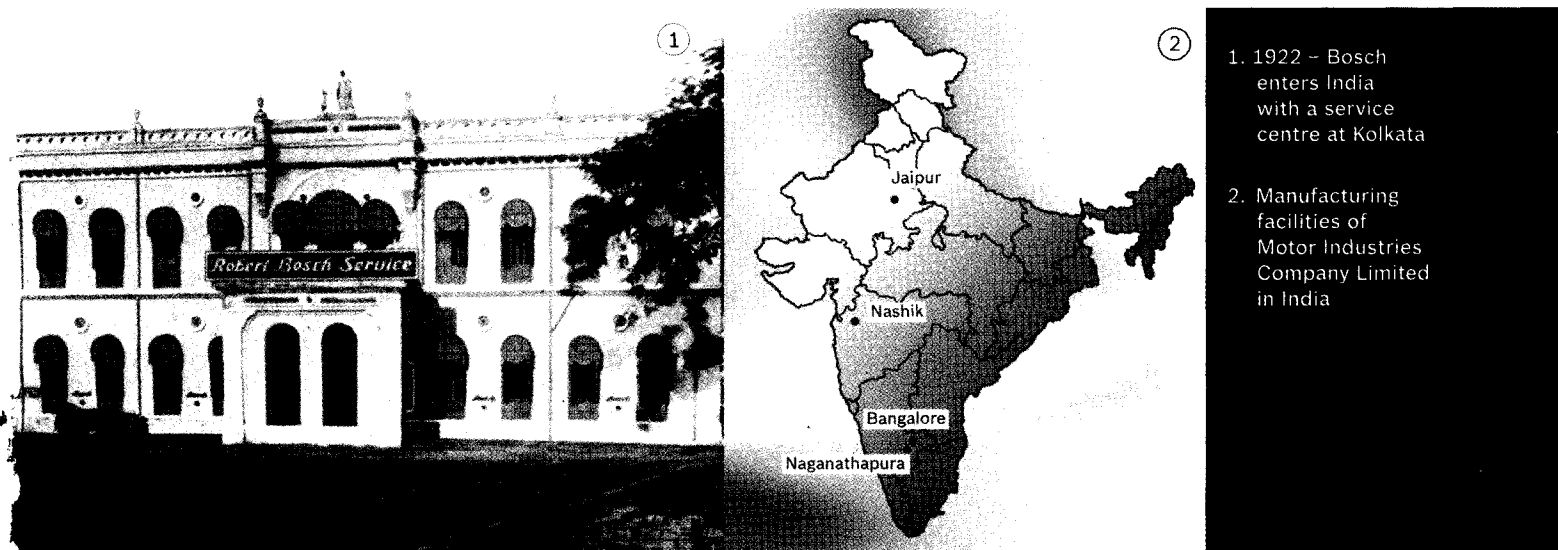
Humble Origins:

One man's vision that started with the magneto ignition.

Set up at Stuttgart in 1886 by Robert Bosch as a 'Workshop for Precision Mechanics and Electrical Engineering', Bosch is the world's largest supplier of automotive components today. Robert Bosch GmbH operates across three business sectors – automotive technology, industrial technology, and consumer goods & building technology, generating sales of 43.7 billion Euros for the year ending 2006. With a workforce of more than 2,60,000 associates, its network of operations comprise Manufacturing, Sales and After Sales Service networks with some 280 subsidiaries and more than 13,000 service centres in over 140 countries.

First factory building,
Stuttgart – built in 1901



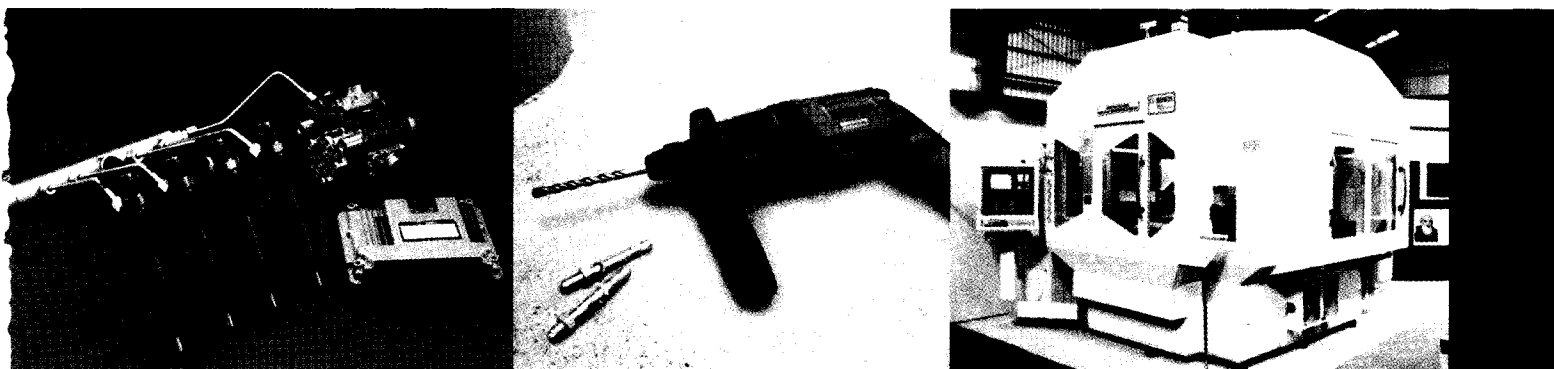


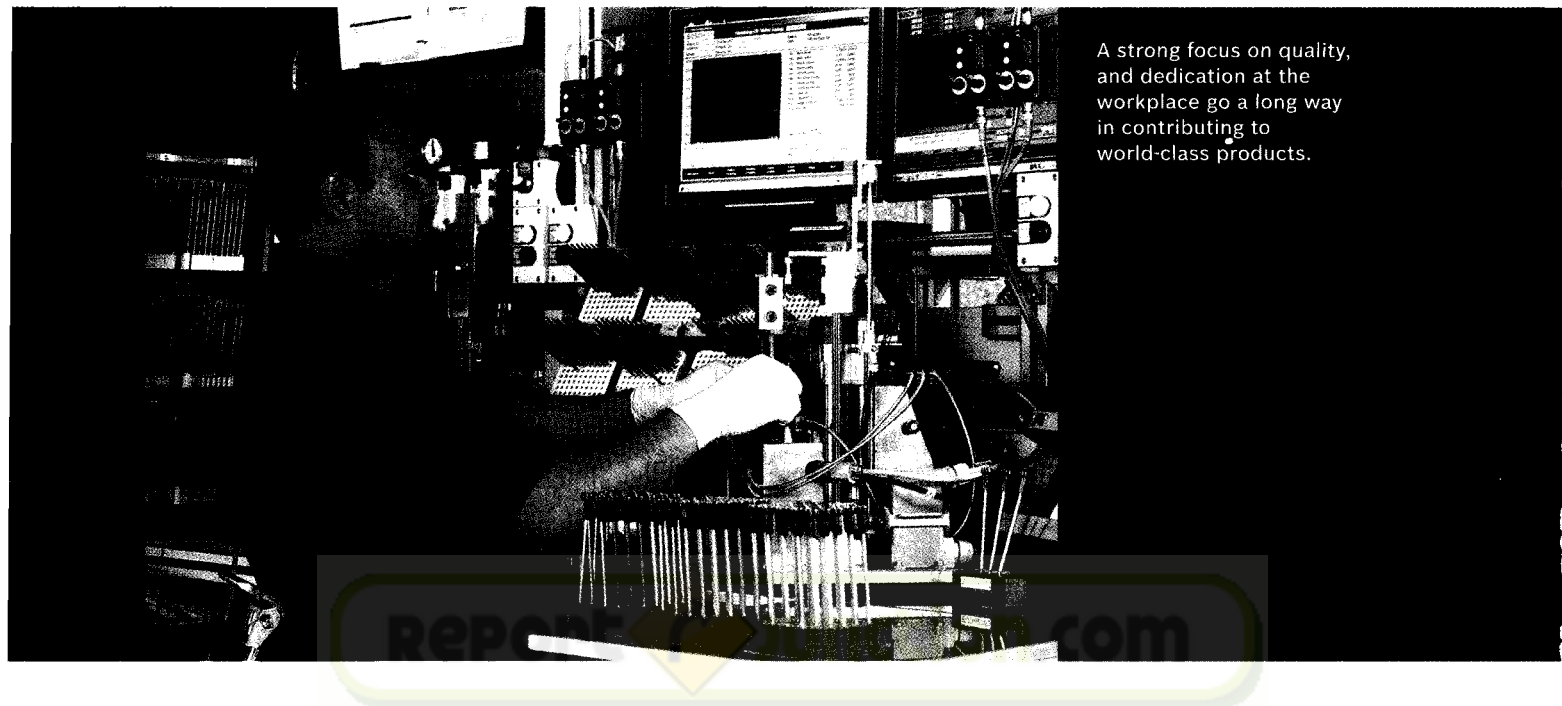
Bosch in India – in top gear

In India, Bosch has its roots dating back to 1922 when it set up a service centre in Kolkata. In 1951, Bosch began its journey in India with manufacturing through Motor Industries Company Limited and later expanded with three subsidiaries – Bosch Rexroth India Limited, Bosch Chassis System India Limited and Robert Bosch India Limited. Motor Industries, employing more than 10,000 associates, has spurred off an accelerated growth in the automotive industry, from its four manufacturing facilities at Bangalore, Naganathapura, Nashik and Jaipur. As part of its quality drive, all four facilities

are TS 16949 and ISO 14001 certified, and roll out world-class products catering not only to the Indian market, but also for export purposes.

Reinforcing Bosch's focus on the Asian market and primarily with India as an emerging hub, Motor Industries has been identified as a 'Centre of Competence' in the Bosch world. It is also part of the International Production Network of Bosch. In tune with the group's philosophy, Motor Industries has successfully produced world-class products through the localisation of global know-how.





A strong focus on quality, and dedication at the workplace go a long way in contributing to world-class products.

Its range of products incorporating automotive technology, industrial technology and consumer goods & building technology have set benchmarks in performance, safety and emission control. Bosch's relocation strategy has demonstrated its faith in Motor Industries' ability to deliver international quality products at competitive prices.

In India, Bosch manufactures and trades products as diverse as diesel and gasoline fuel injection systems, Blaupunkt car multimedia systems, auto electricals, hydraulics, industrial equipment, special purpose machines, packaging machines, electric power tools and security systems.

Bosch has been a pioneer in the automotive world. With the first locally applied Common Rail System launched in February 2005 in India, there are many such projects in the pipeline. Bosch with its innovative spirit is ensuring that future generations of the Bosch Common Rail System are focusing on the increase of injection pressure, better control on the pilot injection quantity and the tolerance levels of the injected fuel.

A culture of innovation

It is remarkable that a 120-year-old company such as Bosch with its traditional roots, can yet be so modern as well. But it is precisely the equilibrium between these two poles that gives rise to what is called 'innovation culture' in the organisation.