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BRAKES AUTO (INDIA) LIMITED

BAIL

ANNUAL REPORT

2006 - 2007

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BRAKES AUTO (INDIA) LIMITED

ANNUAL REPORT 2006-2007

BOARD OF DIRECTORS

Mr. Suresh Sharma	-	Managing Director
Mr. Indresh Khanna	-	Executive Director
Mr. V. S. Rohatgi	-	Independent Director
Mr.Daljeet Singh Matharu	-	Non Executive Director

AUDITORS
B. VITHALANI & Co.
Chartered Accountants
101, Vasant Vaikunth.
M. G. Cross Road No. 4.
Kandivali (W) Mumbai – 400 067.
Tel.No.-022-28619097

REGISTERED OFFICE
326-B, Karim Building,
Besides Super Cinema,
M. S. Ali Road,
Ground Floor, Grant Road,
Mumbai-400 007.
Tel.No. 022-23012122

CORPORATE OFFICE
1011, Embassy Center,
207, Nariman Point
Mumbai – 400 021
Tel. No. : 022-2282 3367 / 2282 3368
Fax : 022 – 2283 2445
E-mail : sales@brakesautoindia.com

NEW PROJECT LOCATION
Plot No. T – 5 , MIDC,
Naradhana Industrial Area,
Naradhana, Dhule,
Maharashatra.

REGISTER AND SHARE TRANSFER AGENT
Purva Sharegistry India Pvt. Ltd.
Unit No-9, Shiv Shakti Indl. Estate,
Ground Floor, Sitaram Mills Compound,
J. R. Boricha Marg,
Lower Parel, Mumbai – 400 011.
Tel.No. 022-23016761

ANUAL GENERAL MEETING
Date : September 7, 2007
Day : Friday
Time : 09:30 a.m.
Place : 326-B, Karim Building, Ground Floor,
Beside Super Cinema, M. S. Ali Road,
Grant Road – East, Mumbai – 400 007. Maharashtra

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NOTICE

NOTICE is hereby given that the **Annual General Meeting** of the members of **BRAKES AUTO (INDIA) LIMITED** will be held at 326-B, Karim Building, Besides Super Cinema, Ground Floor, Grant Road, Mumbai - 400 007. on Friday, September 7, 2007 at 9:30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and Profit & Loss Account for the year ended on that date together with the Auditors' Report and Directors' Report.

2. To appoint auditors and to fix their remuneration and this regard to consider and if thought fit to pass, with or without modification (s) the following resolution as an ordinary resolution:
"RESOVED THAT M/s B. Vithlani & Co. Chartered Accountants we and is hereby appointed as auditor of the company, to hold office from the conclusion on 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".

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. The instrument appointing a proxy in order to be effective, should be duly completed, stamped and signed, and must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

3. Members are requested to bring their copies of the Annual Report to the Meeting. Members/proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.

4. Members are requested to advise immediately change in their address, if any, quoting their Folio number(s) to the company.

For and on behalf of the Board

Suresh Sharma
Managing Director

Place : Mumbai
Date : 07/08/2007

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DIRECTORS REPORT

Dear Members,

Your Directors have pleasure in presenting the Annual Report together with Audited Accounts of your Company for the financial year ended 31st March 2007. During the year under review your Company has earned a profit of Rs.10,41,734/-.

OPERATING AND FINANCIAL REVIEW:

(Amount in Rs.)

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Sales	34,16,25,650	23,98,81,002
Other Income	3,27,559	4,00,152
Total Expenditure	34,78,23,801	23,80,72,618
Depreciation	1,49,160	1,49,160
Profit before Tax	10,41,734	7,42,118
Provision for Taxes		
Current	2,93,500	62,773
Deferred	10,420	5,450
Profit after Taxes	7,37,814	6,73,895

DIVIDEND:

Keeping in mind the expansion plans of the company and also to conserve the resources of the Company, the Board of Director does not recommend a dividend for the year under review.

REVIEW OF OPERATION

During the year under review the sales turnover jumped from Rs. 23,98,81,002/- to Rs. 34,90,14,695/- thereby registering a growth of 142%. The results of the Company for the year under review bear a witness to the effort of the Board in an environment of healthy competition. The company has concentrated on its goals of consolidating and strengthening its marketing network, delivering quality products and cutting cost wherever possible. The results shows the environment of robust future, the Company posted a higher post tax profit as compared to the last year. The Profit before tax for the year was Rs. 10,41,734/- as compared to Rs. 7,42,118/- in the previous year.

Your directors are hopeful of better results for the company in the current year.

PRESENT PLANNING:

The Brakes Auto (India) Limited has proposed to new mega project of Casting/Forgings with Machining facilities to produce Automotive components at MIDC, Nardhana Industrial Area, Dist Dhule, Maharashtra. The site is 25 Kilometer away from Dhule and is located near by to Agra Mumbai National Highway. The company has acquired 10000 Sq. Mtrs. of Land for its requirements of Phase I and also reserved with MIDC authority 30000 Sq. Mtrs. of Land for further expansion in future, The Company has completed all formalities including registration of documents and taken the possession. The cost of the project is Rs. 66.86 Crores.

Now the company proposes to set up a foundry / Forging Plant with a capacity to produce 25000 MTA. of casting with machining and Forgings with a capacity of 25000 MTA of forgings manufacturing facility with machining for the production of Automobiles Components as original parts and for spares as replacement parts of Light & Heavy Vehicle.

While majority of the Plant & Machineries will be ordered from domestic manufacturers and others will be imported through their Indian Agents. All the supplies are reputed in their respective lines from implementation of the project.

The Company has started the civil work for the said project in January, 2007. The company has adequate in house capabilities for detailed Design, Engineering and Execution of the project. The Company as well as its promoters are in the field of manufacturing Automobiles Parts/Spares for the Light/Heavy vehicles

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including Scooters, Motorcycles, Passenger Cars, Locomotives etc. and have executed several projects. It is proposed to implement the project within a period of One year commencing January' 2007. The Trial production will start from 1st February, 2008 and Commercial production will start from 1st March, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS
Management discussion and analysis (MDA). of the company for the year under review is attached to this report.

INSURANCE
All properties and insurable interest of the company including building, plant and machinery and stock have been adequately insured under the industrial All Risk Policy (including loss arising on account of machinery break down).

PUBLIC DEPOSITS
Your company has neither invited nor accepted any fixed deposit from the public during the year under review.

AUDITORS
M/s. B. Vithalani & Co., Chartered Accountants, retires at the conclusion of this Annual General Meeting and being eligible offers themselves for reappointment

PARTICULARS OF EMPLOYEES
There were no employees during the year drawing remuneration attracting the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS RESPONSIBILITY STATEMENT:
Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirmed:

a) That in the preparation of the Annual Accounts for the financial year ended March 31, 2007, the applicable Accounting Standards have been followed along with proper expianation relating to material departures.
b) That the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the company for the year under review;
c) That the Directors had 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 preventing and detecting fraud and other irregularities.
d) That the Directors have prepared the Annual Accounts for the financial year ended March 31, 2006 on a going concern basis.

PARTICULARS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION
This information is required as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2006 is annexed hereto.

FOREIGN EXCHANGE
Foreign exchange earned during the period under consideration was Nil.

Foreign exchange expenditure incurred during year amounted to Nil.

HUMAN RESOURCES
Your Company enjoys cordial relations with its employees. The key focus of your Company is to attract, retain and develop talent. The Board wishes to place on the record its appreciation of the contributions made by all employees ensuring high levels of performance and growth during the year.

APPRECIATION
Your Directors wish to place their gratitude and appreciation for the devoted service of the staff and workers of the company and would also like to place on record their gratitude to the company's bankers for their continuous support.

ACKNOWLEDGEMENT

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Your directors wish to place on record their appreciation for the Co-Operation and assistance extended to the company by MIDC Dhule, Bankers – Bank Of India , Syndicate Bank , Union Bank of India.

Finally your directors would like to thank the Share holders for the continued support & Co-operation. We also appreciate the valuable support and sincere efforts put in us by you. Employees at all levels has helped the Company to reach the position it enjoys today.

For and on behalf of the Board

Place : Mumbai
Dated: 07/08/2007

Suresh Sharma
Managing Director

Daljeet Singh Matharu
Director

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure & Developments

The automobile industry has witnessed significant growth in recent years, which has resulted in associated growth across various automobile supply segments. The domestic Indian market has recorded an overall increase of more than 30% over the previous year (ACMA) and this trend is expected to continue in the near term too. Much of this growth has been derived from an improvement in the infrastructure within India, of which road construction has been central to government policy.

The automobile industry is expected to grow at the rate of 20% in the next 3 to 5 years within domestic India. Further, there has been and will continue to be consumer upgrading as from two-wheelers to cars which is likely to provide continued growth in the passenger car sales. A test case in this regard is China, which has witnessed a peak in two-wheeler segment followed by large-scale increase in passenger car demand in last three years. Growth of Indian passenger cars has been at a CAGR of 24% over the past three years.

Internationally the outlook is positive and India has been identified as auto ancillary hub for global sourcing resulting in large inflow of orders from global MNCs. India has a cost advantage coupled with standards of quality that meet international standards and certification. An estimated USD 40 billion worth of exports' annual business inflow from the international market is expected into India by 2015 time period. There have been global acquisitions by Indian auto ancillaries to gain access to large European and US markets through their overseas subsidiaries and there has been a subsequent shift of high cost business to India to outsource from low cost Indian manufacturers or their parent Company resulting in cost savings of 25 to 35% on an average.

Key Strengths of the Indian Automotive Component Industry

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A. Low-Cost Labour

Wage rates in India are US$8 on average according to the ACMA, this provides Indian companies significant competitive advantage when compared to levels seen in the US and European markets. The most straightforward method of the global automotive makers to benefit from this is by outsourcing non-core operations away from their domestic bases to India.

B. Technical Capabilities

India has a large talent bank of skilled engineers that can be used, at very cost effective levels to perform some of the Research and Development work increasingly relied upon by manufacturers. An ACMA study notes that India stands out in terms of both design and machining capability as well as engineer availability, second only to Germany on a global basis and ahead of the USA in position number 3. When the cost of these engineers is factored, India stands alone in terms of competitive advantage over its potential outsourcing peers.

C. Scale of Operations

The automobile companies and auto ancillaries have buildup capacities over a period of time, which are matching to the International Standards in terms of scale of operations. Due to which India have already emerged as:-

- 2nd Largest Two-Wheeler Manufacturer in the World;
- 2nd Largest Tractor Manufacturer in the World;
- 5th Largest Commercial Vehicle Manufacturer in the World.
- 4th Largest Car Market in Asia - expected to cross the 1 million mark this year.

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The low cost advantage combined with large scale operations gives India an edge over other countries in terms of cost competitiveness. The quality standards of Indian manufacturing are meeting the global standards and already accepted by the OEM's majority of whom are the international companies who have set up their shops in India.

As a result, India has emerged as manufacturing hub for vehicles and components and it has become a export base for Small Cars, CKDs, Two Wheelers, engine assemblies etc.

In the auto ancillaries sector all the automobile majors i.e. General Motors, Volvo, International Truck & Engine Co., Cummins, Caterpillar, Delphi, Motorola automotive electronics division etc. have their procurement offices in India. The multiplier effect of all these developments will lead to a geometrical growth in demand in times to come and auto sector will emerge as biggest global sourcing base in the world.

2. Opportunities & Threats
OPPORTUNITIES

Exports – A Major Growth Area

Indian component exports are set to grow exponentially from hereon and surpass the last five years' CAGR of 19%.

The growth of Indian exports is expected to accelerate as:

1. Contracts signed over the last 2 years are now beginning to enter the supply phase;
2. It is not worth the time and effort for global OEMs to develop vendors in India for just a few components. They have bigger plans and once the relationships get going, incremental growth would be much faster.
3. Most companies are seeing a significant surge in request for quotations from global customers.
4. Indian companies have over the last few years, increased their globai presence through their respective technology partners, setting up marketing offices and acquiring businesses.

Exports typically offer better margins for most component manufacturers than the domestic businesses. This is because Indian vendors are able to offer competitive rates compared to those offered by competitors from higher cost locations such as Europe, the US, Mexico and Brazil. Thus, for the industry as a whole, margins are expected to improve with exports growing faster than domestic sales.

However, initial investments into marketing front-end and setting up/ upgrading facilities may lead to higher costs in near term.

THREATS

Inadequate infrastructure in the country: The growth of infrastructure in our country has lagged behind compared to the rest of the developing world. The absence of reliable road networks & transportation facilities make it difficult to stick to a strict dispatch and delivery schedules of overseas customers. Import policy: The current policy on import of machines and equipment and the custom duty structures make it difficult for the Indian manufacturers to procure good manufacturing equipment from overseas.Political scenario: The uncertain political scenario has adversely affected the potential of exports from the country with the speed of reforms in the economic and trade policies of the government. adverse legislation: Any adverse change in the government policies related to trade or imposition of any new taxes would adversely affect the exports from India.

3. SEGMENT WISE PERFORMANCE

The Company deals in only one segment i.e. Automotive components. Therefore, it is not possible to give segment wise performance

4. OUTLOOK

The Company has growth from strength to strength, and year under review has been eventful and satisfactory.

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During the year under review several steps were taken by the management with a view to sharpening competitiveness, consolidation, gaining market share and exploit the opportunity that we will present itself as unique.

The Company acquired land & building adjacent to its factory at Dewas, which will enable the Company to double its production capacity in respect of Automobile parts.

The management is now well poised to concentrate its resources, energies and skills in optimizing its resources, energies and skills in optimizing growth in areas of core competence. The management is focusing on improving the fundamentals of operations with focusing on improving the fundamentals of operations with thrust on delivering better value to our shareholders. Cost management has also assumed prime importance and all out efforts are made at all levels for cost control.

5. RISKS & CONCERNS

In the normal course of business, the Company is exposed to demand fluctuations for its products, internal risks such as variations in operational efficiency and external business risks. External business risks are in the nature of cyclical demand fluctuations, regulatory and environmental laws etc. The Company is also exposed to financial risks in the form of foreign exchange fluctuations and interest rates variations.

The Company is attempting to guard itself against these risks by appropriate product positioning strategy, product improvements and performance measurement system for operational efficiency. The Company adopts a strategic business planning model along with annual budgets, periodic review meetings and action plans for identified areas to improve the overall performance.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established internal control systems, which provide reasonable assurance with regard to safeguarding of the Company's assets, promoting operational efficiency and ensuring compliance with various statutory provisions. The Internal Audit Department reviews internal control systems in various business process and also verifies compliance of the laid down policies and procedures. Reports of the internal auditor are reviewed by the senior management and are placed before the Audit Committee of the Directors. The statutory auditors also review their findings with the senior management and the Audit Committee.

7. COMPANY'S FINANCIAL PERFORMANCE:

Highlights

Particulars	2006–2007 Amount (in Rs.)	2005 – 2006 Amount (in Rs.)
Income :		
Sales:	34,16,25,650	23,98,81,002
Other Income	3,27,559	4,00,152
Increase/(Decrease) in stock	70,61,486	(13,17,258)
(A)	**34,90,14,695**	**23,89,63,896**
(Less) Expenditure		
Cost of goods sold	34,69,41,617	23,76,88,379
Administrative expenses	8,82,184	3,84,239
Finance charges	---------	---------
Misc. Expenditure W/Off	--------	--------
(B)	**34,79,72,961**	**23,80,27,618**
Profit/(Loss) for the year	10,41,734	7,42,118
Less : Provision for Tax	2,93,500	62,773
Short Provision for Taxation -PY	10,420	5,450
Net Profit/(Loss) for the year	**7,37,814**	**6,73,895**

The directors wish to inform that there is a tremendous increase in the sales from the financial year 2006 to 2007. The company is basically involved in the business of manufacturing as well as trading of

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