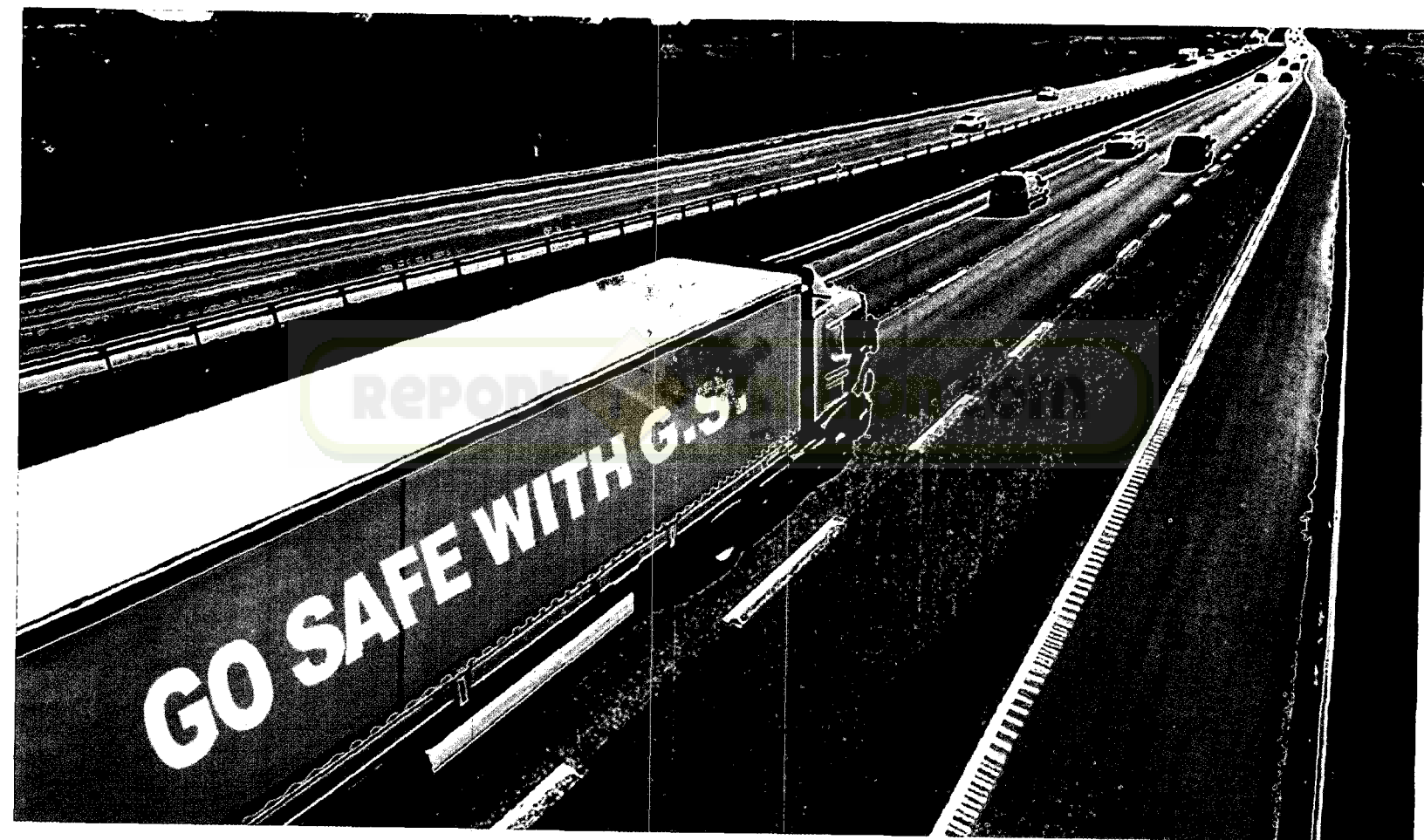


34th Annual Report 2007-2008



Journey to Excellence

G.S. AUTO INTERNATIONAL LIMITED

An ISO / TS 16949 Company

Board of Directors

Mr. Jasbir Singh Ryait
Chairman

Mr. Surinder Singh Ryait
Managing Director

Mrs. Dalwinder Kaur Ryait

Mrs. Amarjit Kaur Ryait

Mr. Mewa Singh

Mr. Makhan Singh

Auditors

M/s. Nanda & Bhatia
Chartered Accountants,
Red Cross Bhawan,
The Mall, Ludhiana - 141 001

Registered Office & Works
G.S. Auto International Ltd.
G.S. Estate, P.O. Box No. 711,
G.T. Road, Ludhiana - 141 003
Punjab, India
Ph. : 0161-2511001-05 (Five Lines)
Fax No. : 0161-2510885
Website : www.gsgroupindia.com
Email : info@gsgroupindia.com

Bankers

Punjab National Bank

Registrar & Transfer Agent

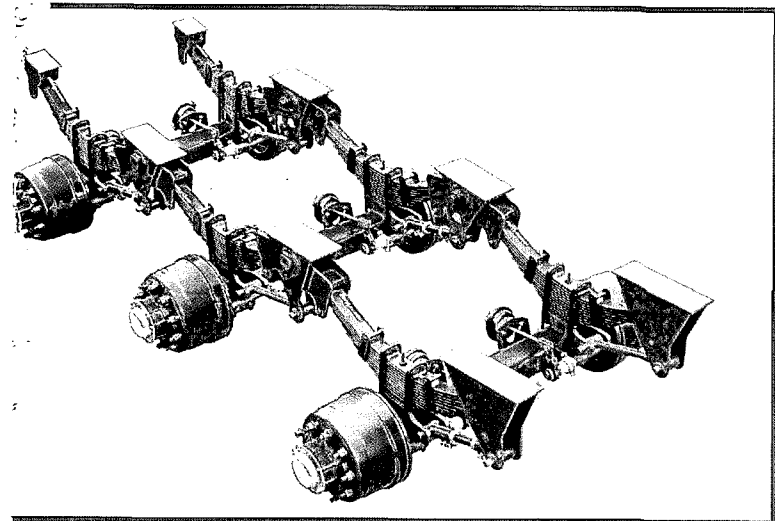
M/s. Skyline Financial Services Pvt. Ltd.
246, 1st Floor, Sant Nagar, Main Iscon Temple Road,
East of Kailash, New Delhi - 110 065
Email : admin@skylinerta.com
Ph : 011-26292682-83
Fax : 011-26292681

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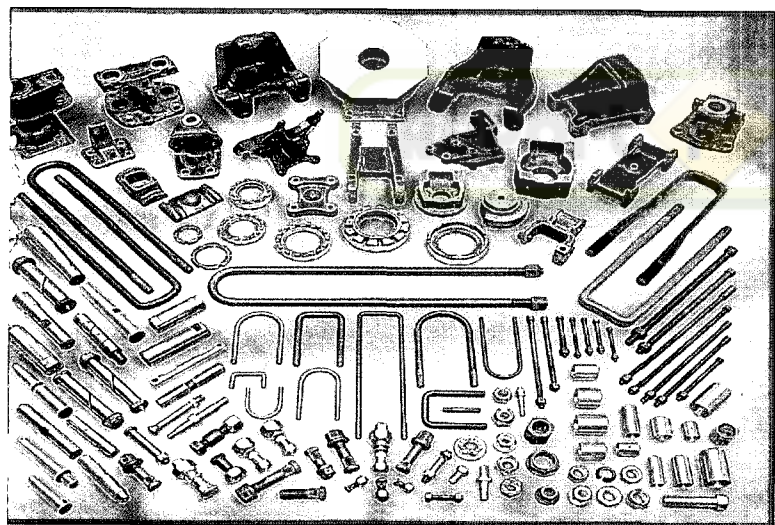
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Annual Report



TRAILER SUSPENSION



AUTOMOTIVE & SUSPENSION COMPONENTS

Vision

- Customer satisfaction through best quality products and in house research developments;
- Grow through organic growth as well as through value chain;
- Be a world class quality preferred supplier to OEM's of the world, through best quality, innovations and cost competitive products;
- Grab a sizeable market shares for the replacement market, through better dealer network and of the supply of best quality Components;
- Be a leader in local market for Machined, Cast and Forged Components;
- Grow Export business as well as Domestic business;

"We are what we repeatedly do.
Excellence, then, is not an act but habit."

"ARISTOTLE"



Mr. Surinder Singh Ryait
Managing Director

Mr. Jasbir Singh Ryait
Chairman



Chairman's Letter

Dear Shareholders,

As I am standing here to say a few words to you, on the 34th Annual General Meeting, it gives me immense pleasure to share a few moments of a marathon journey of G.S.Auto International Limited, which started way back in 1938, When our great forefather had started the company with a dream to build GS" a brand name in the automobile component segment, in the original equipment manufacturers (OEM's) as a preferred supplier as well as in the after market sale segment i.e. in the replacement market. When I look at the past of G.S.Auto International Limited, there was great challenges as well as difficult times for the business as a whole, when the economy was not in a good shape, particularly from 1997-2002, during the slowdown in the manufacturing sector, which coupled with the slow down in the automobile industry, it was the time to build good capacities and also to concentrate on the qualities of the product so to be ready and prepared oneself to face new challenges in the days to come. At such times we allow ourselves the indulgence of reflecting the journey and looking ahead to the future with more commitment and dedication, to strive for the excellence, as well as building its capacities, for the days to come. After the slow down in the economy during 1997-2002, was followed by rebound in the economy with the auto industry particularly, registering a growth over 10% for the days to come, and we are hopeful after a temporary slowdown currently witnessing in the Indian economy, the economy will bounce back at the earliest.

As for the year 2007-2008 is concerned, it was a year full of challenges as well as full of excitements, challenges in the shape of rise in steel prices, rise in crude prices, internationally as well as domestically, as well as appreciation of rupee by app.17%, coupled with the slow down in the key markets, such as United State of America, which ultimately effect the global automobile industry. Excitements in the shape of introduction of "NANO", along with the acquisition of global brand's namely "Jaguar and Land Rover" by one of the leading Indian automobile manufacturer is again re-assuring the growing power of Indian Automobile Industry in the world along with the growth of its ancillary industries, such as auto component manufacturers in India. However, we are concerned about the above mentioned challenges, which are posing threat, for the slow down in the economy, but we at G.S.Auto, feels that this slowdown in the Indian economy, is only temporary and the global economy particularly Indian economy will bounce back at the earliest. However, despite all these challenges, your company has not only achieved a satisfactory growth in the top line of the company but shows a remarkable turn around in the margins, as well as, shows a significant improvement in the Bottom line of the company, during the year under review, and we are hopeful that with your support and appreciation, along with company's management team and all its work force, we will continue to grow above than the industry average, However I will discuss the company performance, during the year, a bit later.

A slowdown in the automotive market in the world, particularly of United State of America, where there was a considerable decline in the medium and heavy commercial vehicles segment, can effects any auto component manufacturers in the world, caused to decline in the export turnover of the company. Further steep rise in the steel prices along with the rise in the crude prices, which after touching an all time high of \$ 146 per barrel, finally takes a correction to \$ 122 per barrel, caused to rise in the cost of production as well burdening the consumer expenditure along with reduction in the disposable income in the hands of consumer, which ultimately effected the automobile industry, caused to decline in the demands of commercial vehicles as well as other automobile segment. Increase in the interest rates in the Indian market also contributes to a great extent, increasing the cost of fund raising for the individual customers, which effect the commercial Vehicle loan rates Indian automobile market after registering a compounded growth of more than 20 % between 2002-2003 to 2006-2007, has witnessed a considerable slow down in commercial vehicle segment, which shows a less than 5% growth rate.

"Challenges Are High, The Dreams Are New, The World Out There Is Waiting For You. Dare To Dream, Dare To Try, No Goal Is Too Distant, No Star Is Too High"

However despite all the above said challenges, be it steep rise in the steel prices, crude prices, increase in the interest rates, your company has shown a significant growth in the overall sales of the company by over 12.50%. Your company shows a tremendous growth of 43 % in the Profit before depreciation Interest & Tax (PBDIT), where as Profit after Tax (PAT), of the company has shown a significant growth of 62 % .The PBDIT margins of the company has grown to 6 % as compared to 4.70 % of the previous year, showing an improvement of more than 25 %, in the overall margins of the company.

Considering all the challenges for the year 2007-2008, we at "G.S.AUTO" feels the performance during the year was quite

Chairman's Letter

satisfactory, however we also feels there is very much further scope of improvement in all the fields of the company and we at "G.S.AUTO" are committed to achieve the higher growth as compared to previous years, in the days to come, by improving our productivity throughputs and cost.

The Company during the year has started to pay more attention to the Replacement market through our formed formidable and unparalleled pan India network of more than 500 Distributors and 10000 Retailers, along with building/strengthening the relation's with all our OEM's, through better product quality and overall improvement in the productivity of the company. We at G.S.Auto feel that the replacement market of auto component is quite large and company can serve this market, in the days to come in a big way, through its distributor's network.

As I had shared my view with your self at previous AGM, we are planning to expand our capacity at Ludhiana as well for setting up another manufacturing unit, by adding new product profile to our existing product line up, for the better growth of the company for which we are seeking your approval for raising funds aggregating up to Rs.500 millions, as set out in the Notice of the AGM, for the said expansions. As it is evident from the performance of the 2007-2008, we are not resting at any level but by passing of each and every year we are more committed towards achieving a new heights through developing better relations with our customers, as we think, there is lot to be done at our level and this is just beginning towards a long journey.

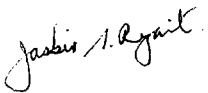
There will remain the concerns, for the year ahead on account of rise in the steel prices, rise in the interest rate, high crude prices, which will further slowdown the automobile industry as a whole particularly for commercial vehicle industry, as well as, competition across the sector, however each and every industry in this new environment has to live and accept these challenges and make a way to grow further despite all theses challenges, as every adversity will come up with a great challenges and to become one's more stronger and compatible than earlier. we have done reasonable well in these adverse conditions, but the days to come will be more challenging than 2007-2008 and we will have to even work harder than earlier, to maintain and even accelerate our growth and I personally believe my team member's will achieve and even surpass our growth targets.

Finally, I take this opportunity to express my gratitude and sincere thanks to all our team members and each and every employees of the company, for all-round efforts and showing a satisfactory performance in these adverse conditions. I feel, a company is only be good through its team members, as through their dedication and capabilities, we are achieving and even thinking of achieving better growth in the days to come. I also thank and express my deep gratitude to my colleagues on the Board of Directors, Banks and Financial Institutions, all our valued customers and suppliers for their continued support and confidence reposed in us.

I express my heartfelt thanks to my all the shareholders, for your continued support and faith in your Company and is hopeful, will continue to repose faith, confidence and trust in us and also give your valuable guidance to move ahead in these challenging time of the automobile industry.

With kind regards,

Yours Sincerely,



Jasbir Singh Ryait

Chairman



Company's Profile

Company's Profile

"G.S.AUTO" Synonymous to Indian Automotive Component Industry since 1938 is one of the leading and fastest growing manufacturers of Automotive Suspension and Fastening Components for Indian & International Passenger Cars, Utility Vehicles, Commercial Vehicles (LCVs, MCVs, HCVs), Multi-Axle Vehicles, Trailers and Specials Purpose Vehicles.

Our manufacturing facility is located in major industrial township of Ludhiana in North India, spread over an area of 1 million square feet of covered area. All our manufacturing facilities are ISO, QS and TS 16949 certified.

We are an established leader in all our product segments, National and International Tier 1 and Automobile Majors Like Tata Motor, Ashoka Leyland, Maruti Udyog Ltd., Sawraj Mazda, Eicher Motors Ltd., Hindustan Motors Ltd., VOLVO, Mahindra & Mahindra International pvt. Ltd and International Truck Company and Arvin Meritor etc. trust all our products. We develop components based on Customer's Specifications, Drawing and also provide Designing Solution for enhanced Product Performance and improved quality.

History

Our journey of excellence started long back in 1938 in pre independence days when a young man having a great vision translated his dream into reality steered by sheer hard work and determination.

The entrepreneurship of our founder, Baba Gurmukh Singh Ji, began with manufacturing of Bicycle Components, which afterwards got diversified into manufacturing of Automotive Components for various motor vehicles. Further momentums was gained with the joining of his son Giani Bhagat Singh (Former Chairman-G.S.Group) and S.Jagat Singh (Former Managing Director-G.S.Group). S.Jagat Singh had great marketing skill and vision to make "GS" as top brand in auto component market of India. He formed a small team of 4 dedicated people to start marketing activity outside Punjab across India.

They remained for months out of their hometown traveling all small and major towns of India to select dealers and distributors and formed formidable unparalleled pan India network of more than 500 Distributors and even more than 10000 retailers and this process is still on.

Their lifetime knowledge, skills and experience was handed over by them to their next generation sons. The participation of Mr. Jasbir Singh Ryait (Chairman) and Mr. Surinder Singh Ryait (Managing Director) further catalyzed growth of the Company. The brothers complement and supplement each other perfectly giving a great boost to the industry.

Key milestones since incorporation

1938: Start of business activity.

1973: Converted into Private Limited Company as "Gurmukh Singh & Sons Pvt. Ltd." on 29th June, 1973

1985: Renamed as G.S Auto International Ltd. with the successful raising of Funds through Public Issue and further got Listed in "The Bombay Stock Exchange Limited," "The Delhi Stock Exchange Association Limited", "The Ludhiana Stock Exchange Association Limited" and "The Ahmedabad Stock Exchange Association Limited".

1997: ISO 9002 Certification in March 1997 by BVQI, U.K

1999: QS 9000 Certification in December 1999, by BVQI, U.K

2003: Re-certified QS 9000 in June 2003 by BVQI, U.K

2005: ISO/TS 16949 Certification in April 2005 (recertified in Feb. 2008) by BVQI, U.K.

- 2007: The Company enter into trailer parts segments as well as also launched Commercial vehicle "Axle"

Product Range

On the strength of its expertise in the development and manufacture of components, G.S has explored new horizon to provide a diverse range of machined, forged and casted components. The following is the Product Range: -

1. Machined Parts
" King Pin Set

2. Forged Parts
" High Nuts

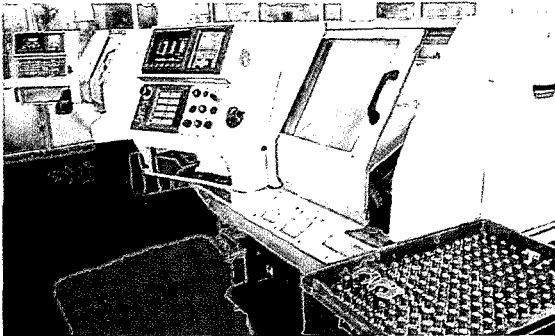
Company's Profile

- " Spring Pins
- " Shackle Bolts
- " Check Nuts
- " Axle Studs
- " U-Bolts
- " Centre Bolt
- " Miscellaneous Bolts and Genuine Nuts
- " Castle Nuts
- " Hex Nuts
- " Flange Nuts
- " Washer Type Nuts
- " Misc. Bolts

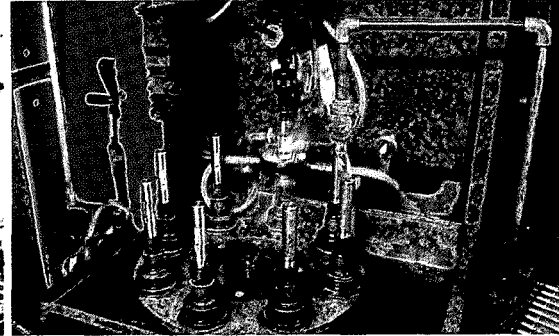
3. Non-Ferrous Cast Components

- " Customized Aluminum Bronze Parts of different sizes

CNC TURNING CENTRE



INDUCTION HARDENING PROCESS



MACHINE SHOP U-BOLT MANUFACTURING



MULTI STATION ROBOTIZED TRANSFER LINE

4. Ductile Iron Cast Components

- " Spring Hanger Shackle/Bracket
- " Engine Mounting
- " Base Plates
- " Threaded Rings
- " Compressor Mounting Bracket
- " Casting in Weight Range 1-20 Kgs

5. Trailer Parts

- " Full Dressed Trailer Axles
- " Specially Designed Leaf Spring Assemblies

Customer Base

GS Auto has a strong presence in...

- " OEM segment (Original Equipment Manufacturer)
- " Replacement Market
- " Export market

OEM Segment:

The strength of G.S. Brand lies in its quality endorsement by almost all major Indian and International OEMs: such as Tata Motors, Hindustan Motors Limited, Mahindra and Mahindra, Ashok Leyland, Eicher Motors, Swaraz Mazda, Maruti Suzuki India Limited, Volvo and Arvin Mertior etc.

Company's Profile

Replacement Market:

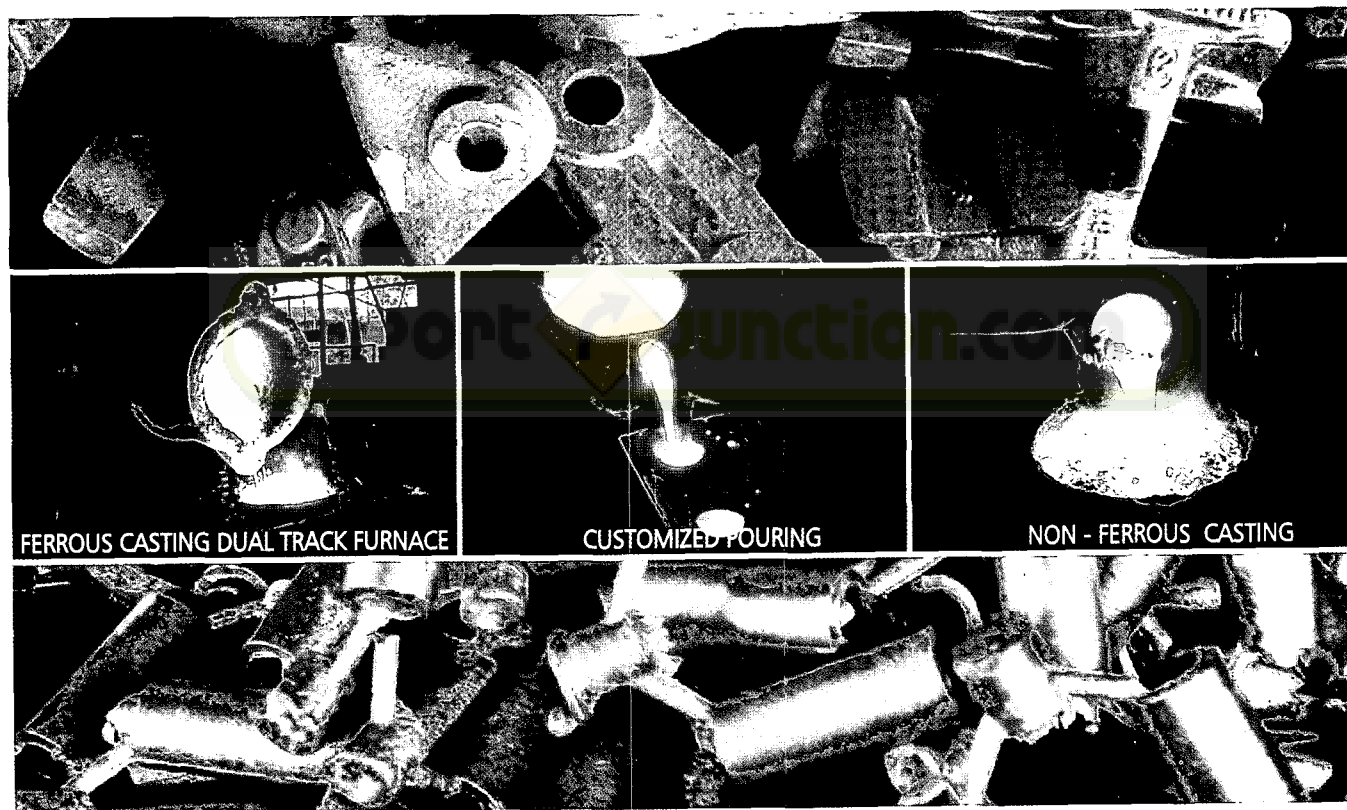
A vast network of over 500 Distributors and 10000 Retailers spread across the Nation wise cohesively provide support system and act a catalyst to our strength to combat competition. Being looked- after by their strong and dedicated sales team, G.S are able to provide efficient services to their dealers throughout the country.

Export Market:

There are more than 30 countries listed where G.S Auto have strongly made their presence felt. Flexible Production Run-up, Production Scheduling and of course, their ability to strictly stick to Deliver Schedule have endowed leveraging -effect in building-up strong customer base.

Manufacturing Facility:

At present the Company has its manufacturing facility at G.S.Estate, G.T.Road, Near Dhandari Kalan, Ludhiana spreading across 1 million square feet.



The Company has in house Foundry Plant with One Tone capacity Furnace melting 900kgs metal along with Linear Moulding Machines & Mould Making Machines. As a manufacturing Company, over the years we have multiplied capacities, built up technologies and invested in equipments that place us in a unique league. At G.S, the focus is on achieving best possible quality through stringent control on repeatability of manufacturing process. All manufacturing processes for processing of Alloy Steel Components i.e Annealing, Bar drawing, Hot Forging, Cold Forging, Precision Machining, Heat Treatment an Induction Hardening are available under *one roof* and are made to perform to deliver finished goods of highest quality acceptable to valuable customers.

Systemized Approach :

" Towards Global Competitiveness

GS always strive to manage the resources using globally tested concepts and techniques. After successful implementation of 5S, 3M concepts with in the organization, they are committed to work toward total productive maintenance (TPM) and total quality management (TQM).

Company's Profile

" Customer Support System

Feedback in any business is the blue print of its progress. Based on this knowledge, they have always stressed their nerves to keep their customer highly satisfied. Principal approach is cost effectiveness by reduced rejection rate and process control.

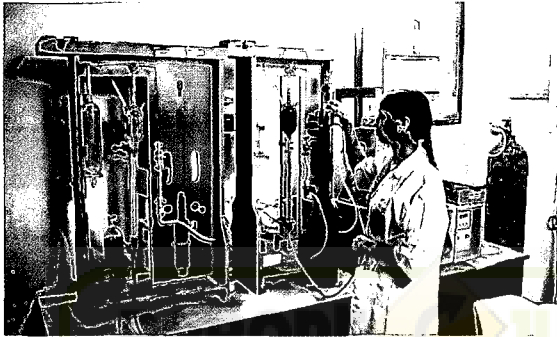
" Access To Latest Technology

Technology up gradations and Know-How can only unlock the fortunes. Smooth and uninterrupted information's flow and data acquisitions not only reduce the lead time to have access to the latest technology but also serve as a road map to the fast changing customer need.

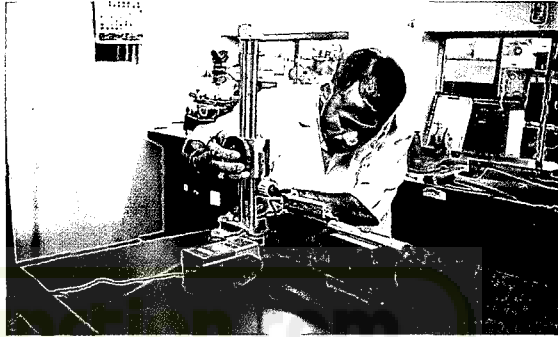
Quality is a Mission :

From the very beginning, G.S. Auto has always shown incessant thirst for Product Quality and Customer satisfaction. At G.S each component passes through series of stringent tests of quality from design stage to manufacturing. Conformance to Quality is just not restricted to the shop floor of the company but also through the supply chain.

Metal Analysis



Surface Roughness Tester



Micro Cracks Detecting Machine



Design and Development

Following quality system requirements are taken care at G.S Auto for conformance to quality standards, on-time delivery, maintaining product quality and handling customer complaint.

1. APQP (Advanced Product Quality Planning)
2. PPAP (Production Part Approval Process)
3. FMEA (Failure Mode Effect Analysis)
4. SPC (Statistical Process Control)
5. MSA (Measurement System Analysis)

After having conferred ISO 9002 Certification in 1997 and QS 9000 Certification in 1999 (Re-certified in 2003) by BVQI, UK. The Company looked forward to take further leaps by implementation of 5S, TPM, TQM concepts i.e Total Productive Maintenance/Total Quality management and Lean Manufacturing. The Management of G.S Auto feels that these are essential ingredients of success and sustenance in present times due to fierce competitions offered by Global companies. The quality movement in G.S has achieved its next milestone-ISO/TS 16949 accreditations in Feb.2008. We are committed for sustain growth and satisfaction of customers through innovative Business, technological, management practice and improving their effectiveness continually.