

Hindustan Hardy Spicer Ltd.

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**Twentyfifth Annual Report
2006-2007**

Hindustan Hardy Spicer Limited**Annual
Report
2006 - 07****BOARD OF DIRECTORS**

Mr. S. C. Saran	Chairman
Mr. A. R. Rajwade	Managing Director
Mr. K. H. Captain	Director
Mr. Shiamak Marshall	Director
Mr. Phillip A. Rotman II	Director
Mr. Jehangir H.C. Jehangir	Director
Mr. Sanjiv Bhasin	Director

Bankers

State Bank of India

Auditors**J.L. Bhatt & Company****Solicitors****Junnarkar & Associates**

411, Embassy Centre

4th Floor,

Nariman Point,

Mumbai - 400 021.

Report  junction.com**Registered Office**

Bombay Footwear Building,
Deonar Village Road,
Opposite N.K.G.B. Bank-Deonar,
Mumbai - 400088.

Plant

C-12, Additional Nasik Industrial Area,
Ambad, Nasik - 422 010.

Registrars and share**Transfer Agents**

Satellite Corporate Services Pvt. Ltd.
B-302, Sony Apartment,
Opp. ST. Jude Highschool,
Off. Andheri Kurla Road,
Jarimari, Sakinaka
Mumbai - 400 072.

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NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of HINDUSTAN HARDY SPICER LIMITED will be held at Sunville Deluxe, Pavillion, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Monday, June 11, 2007 at 4.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. S. C. Saran who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. K. H. Captain who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration

SPECIAL BUSINESS

6. To appoint Director in place of Mr. Jehangir H. C. Jehangir, who was appointed as an Additional Director of the Company with effect from October 30, 2006, by the Board of Directors and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.
7. To appoint Director in place of Mr. Sanjiv Bhasin, who was appointed as an Additional Director of the Company with effect from January 30, 2007, by the Board of Directors and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), the Company in general meeting hereby approves the extension of the term of Mr. A. R. Rajwade as the Managing Director of the Company for a period of two years with effect from May 17, 2007 on the terms and conditions including the terms as to

Hindustan Hardy Spicer Limited

remuneration set out in the Agreement dated May 10, 2007 (the "Agreement"), and approved by the remuneration committee which Agreement placed before this Meeting be and is hereby specifically sanctioned with liberty to the Board of Directors of the Company (the "Board") to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Mr. Ashok R. Rajwade.

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during Mr. Ashok R. Rajwade's term of office as Managing Director the salary payable to him shall be as per the minimum salary prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the Agreement as the minimum remuneration.

"RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation by the Central Government to Schedule XIII of the Act the Board be and is hereby authorised to vary or increase the remuneration including the perquisites within such prescribed limits or ceiling and the Agreement between the Company and Mr. Ashok R. Rajwade be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

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 A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will be closed from Monday, June 4, 2007 to Monday, June 11, 2007 (Both days inclusive).
4. Dividend if declared will be payable to those members whose names appear in the Register of Members on June 11, 2007. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership of shares as at the end of business hours on June 4, 2007 as per details furnished by the Depositories for this purpose.

5. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed/unpaid for a period of seven years from the date they became due for payment shall be credited to the Investors' and Protection Fund setup by the Central Government. Members who have so far not claimed the dividend are requested to make claim with the Company as no claim shall lie against the fund or the Company in respect of individual amounts once credited to the said fund.
6. Members are requested to notify promptly any change in their addresses to the Company's Registrar and Share Transfer Agents, Satellite Corporate Services Pvt. Ltd., B- 302, Sony Apartment, Opp. ST Jude High School, Off. Andheri Kurla Road, Jarimari, Sakinaka, Mumbai 400 072.
7. Any query which the member proposes to raise at the time of the Annual General Meeting should be forwarded to the Company atleast seven (7) days in advance of the Annual General Meeting.

Registered Office :

Bombay Footwear Building,
Deonar Village Road,
Opp: N.K.G.S.B. Bank-
Deonar, Mumbai 400 088

By Order of the Board of Directors

A. R. RAJWADE
MANAGING DIRECTOR

Date : May 10, 2007

Hindustan Hardy Spicer Limited**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

Mr. Jehangir H. C. Jehangir was appointed as an Additional Director of the Company by the Board of Directors effective from October 30, 2006. By virtue of Section 260 of the Companies Act, 1956. Mr. Jehangir H. C. Jehangir will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment.

None of the Directors of the company except Mr. Jehangir H. C. Jehangir is concerned or interested in the resolution for his appointment as Director of the Company.

ITEM NO. 7

Mr. Sanjiv Bhasin was appointed as an Additional Director of the Company by the Board of Directors effective from January 30, 2007. By virtue of Section 260 of the Companies Act, 1956. Mr. Sanjiv Bhasin will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment.

None of the Directors of the company except Mr. Sanjiv Bhasin is concerned or interested in the resolution for his appointment as Director of the Company.

ITEM NO. 8

The Board of Directors of the Company (the "Board") had by a resolution dated April 30, 2007, approved the extension of the term of Mr. A. R. Rajwade as the Managing Director of the Company for a further period of two years with effect from May 17, 2007. The said extension of term of Managing Director and the payment of remuneration to him for his extended period is subject to the approval of the Members of the Company. The material terms of the Agreement dated May 10, 2007 referred to in the Resolution at Item No. 8 of the accompanying Notice inter alia are as follows:-

1. SALARY: Rs.1,24,000/- per month with an annual increment of Rs. 8,000 per month
2. PERQUISITES: In addition to the aforesaid salary, the Managing Director shall be entitled to the following perquisites:-
 - i) Incentive on the performance of the Company, as may be decided by the Board.

- ii) House rent allowance at the rate of 10% of the salary. The expenditure incurred by the Company on gas, electricity and water shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of twenty percent of the salary of the Managing Director.
- iii) **MEDICAL REIMBURSEMENT**
Expenses incurred for self and family subject to a ceiling of one months salary in a year or three month's salary over a period of three years.
- iv) **LEAVE TRAVEL CONCESSION**
for self and family once in a year in accordance with any rules specified by the Company subject to a ceiling of One and half month's salary.
- v) **CLUB FEES:**
Fees of clubs subject to a maximum of two clubs, but shall not include admission and life membership fee.
- vi) **PERSONAL ACCIDENT INSURANCE**
Of an amount the annual premium of which not to exceed Rs. 5,000/- per annum.
- vii) **PROVIDENT FUND**
Contribution to Provident Fund as per the Scheme of the Company.
- viii) **SUPERANNUATION/ ANNUITY FUND:**
Company's contribution to Superannuation/ Annuity fund in accordance with the Scheme of the Company. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- ix) **GRATUITY**
As per the rules of the Company, payable in accordance with the approved fund which shall not exceed half a month's salary for each completed year of service.
- x) **CAR:**
Provision of car for use on Company's business (not to be treated as perquisite). Use of car for private purpose shall be billed by the Company to the Managing Director by Rs. 600/- per month. Reimbursement of driver's salary not exceeding Rs. 4,000/- per month.
- xi) **TELEPHONE:**
Telephone at the residence of Managing Director (Not to be treated as perquisite). Personal long distance calls on telephone shall be billed by the Company to the Managing Director.

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- 3 (a) In the event of loss or inadequacy of profits, in any financial year of the Company during the term of office of Mr. A. R. Rajwade, Managing Director, the Company shall pay the above salary and perquisites as minimum remuneration subject to the ceiling limits prescribed in Section II 1 (B) of Part II of Schedule XIII of the Companies Act, 1956.
- 3 (b) Mr. A. R. Rajwade shall be entitled to earned/ privilege leave: On full pay and allowances, as per the rules of the Company but not more than one months leave for every eleven months of service shall be allowed. However, leave accumulated but not availed of, will be allowed to be encashed at the end of his tenure as Managing Director.
4. Either party shall be entitled to terminate the Agreement by giving the other party 180 days notice in writing without showing any cause.

Additional information required to be given alongwith a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given hereunder:

I. General Information:																																									
(1) Nature of industry.	Engineering Industry																																								
(2) Date or expected date of commencement of commercial production.	The Company has been in the business for many years.																																								
(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																																								
(4) Financial performance based on given indicators	<table><tr><th>2002-03</th><th>2003-04</th><th>2004-05</th><th>2005-06</th><th>2006-07</th></tr><tr><th colspan="5">(Rs. in Lacs)</th></tr><tr><td>Turnover</td><td>2041.62</td><td>2529.02</td><td>2795.20</td><td>2870.05</td><td>3068.47</td></tr><tr><td>Net profit (as computed under section 198)</td><td>64.96</td><td>115.89</td><td>163.60</td><td>197.43</td><td>146.28</td></tr><tr><td>Net profit/ (Loss) as per profit and loss account</td><td>30.82</td><td>62.41</td><td>107.52</td><td>132.10</td><td>93.95</td></tr><tr><td>Amount of Dividend paid</td><td>10.50</td><td>30.00</td><td>37.50</td><td>45.00</td><td>52.50</td></tr><tr><td>Rate of Dividend declared</td><td>7%</td><td>20%</td><td>25%</td><td>30%</td><td>35%</td></tr></table>	2002-03	2003-04	2004-05	2005-06	2006-07	(Rs. in Lacs)					Turnover	2041.62	2529.02	2795.20	2870.05	3068.47	Net profit (as computed under section 198)	64.96	115.89	163.60	197.43	146.28	Net profit/ (Loss) as per profit and loss account	30.82	62.41	107.52	132.10	93.95	Amount of Dividend paid	10.50	30.00	37.50	45.00	52.50	Rate of Dividend declared	7%	20%	25%	30%	35%
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Earning before interest, depreciation & taxes	105.08	155.16	200.09	243.52	212.94
% of EBIDT to turnover	5.15	6.13	7.16	8.48	6.94
(5) Export performance and net foreign exchange collaborations	2002-03 215.34	2003-04 302.93	2004-05 356.90	2005-06 676.21	2006-07 1094.72
(6) Foreign investments or collaborators, if any.	Spicer Gelenkwellenbau GmbH & Co. KG., Germany the foreign collaborators of the Company holds 26% of the equity share capital in the Company.				
II. Information about the appointee:					
(1) Background details	Name: Mr. Ashok R. Rajwade Designation: Managing Director Father's name: Ramchandra Rajwade Nationality: Indian Date of Birth: 15. 07. 1945 Qualifications: B.Sc., B.E. (Mechanical), MMS. Experience: Over 36 years in Engineering industry				
(2) Past remuneration	The gross remuneration paid to him in the year 2006-07 was Rs. 2.22 lacs per month.				
(3) Recognition or awards	The Institute of Engineers (India) awarded Fellowship to him in 2002 and authorized to use title as 'Chartered Engineer'.				
(4) Job profile and his suitability	<p>The Managing Director shall be responsible for the management of the whole of the affairs of the Company and to do all acts and things, which, in the ordinary course of business, he considers necessary or proper or in the interest of the Company.</p> <p>Considering the above and having regard to age, qualifications, ability and experience and looking to the business requirement the proposed remuneration is in the interest of the Company.</p>				

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(5) Remuneration proposed	A gross remuneration of Rs.27,95,760/- per annum based on monetary value of perquisites plus yearly increments, including Performance Incentive.
(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)	Compared to the remuneration with respect to the industry, size of the Company etc. the remuneration proposed to be paid to is just adequate.
(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	The Managing Director has no other pecuniary relationship with the Company or with the managerial personnel except the remuneration being paid to him as Managing Director of the Company.
III. Other information:	
(1) Reasons of loss or inadequate profits	In spite of continuous increase in the input cost (Diesel, Electricity, Steel etc.), during the year 2006-07 no increase was possible from any of the OE customers. Because of severe competition, we have to continue the sale with existing rate, which resulted into less contribution. Though export in the second half improved, overall profit was not adequate.
(2) Steps taken or proposed to be taken for improvement.	Various steps have been taken during last two years to improve the export, which is started giving results. We expect to increase export market share from 35% to minimum 40% to total turnover this year.
(3) Expected increase in productivity and profits in measurable terms.	Expected increase in export by 10% Expected increase in productivity by 10%. The Company expects to increase the profit by about 10%, barring unforeseen circumstances.

IV. Disclosures:

The remuneration package of Mr. A. R. Rajwade and other details such as remuneration, service contract, notice period etc. have been disclosed above. The Company does not have any scheme for grant of stock options.