

HELLA INDIA LIGHTING LIMITED

Regd. Office : B-13, Badarpur Extn., New Delhi - 110044



ANNUAL REPORT

2006-2007

HELLA INDIA LIGHTING LIMITED

BOARD OF DIRECTORS

Mr. Martin Herbst
Ms. Stephanie Tang
Mr. Rainer Krause
Mr. V.K. Mathur
Dr. V.P. Juneja
Mr. R.S. Sharma

} Directors

Managing Director

COMPANY SECRETARY

Mr. Rakesh Sharma

AUDITORS

S.P. Chopra & Co.
Chartered Accountants
New Delhi

BANKERS

- Canara Bank
- State Bank of Patiala
- Deutsche Bank
- HDFC Bank

SUBSIDIARIES

- Bitoni Lamps Limited
- Chetan Genthe & Co. Limited

REGISTERED OFFICE

B-13, Badarpur Extn.,
New Delhi - 110044

UNITS

- 14/6, Mathura Road,
Faridabad, Haryana
- Ambala Chandigarh Road, Derabassi,
Distt. Mohali, Punjab

LISTING OF EQUITY SHARES

-The Delhi Stock Exchange Association Ltd.
3 /1 & 4/4B, Asaf Ali Road,
New Delhi -110002

-The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400001

ANNUAL GENERAL MEETING

Tuesday, 25th September, 2007 at
Executive Club, 439, Village Shahoorpur,
P.O. Fatehpur Beri, New Delhi -110030.

REGISTRAR & TRANSFER AGENTS

M/s Intime Spectrum Registry Limited,
A-40, IInd Floor, Near Batra Banquet
Hall, Naraina Industrial Area, Phase-II,
New Delhi - 110028

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HELLA INDIA LIGHTING LIMITED

NOTICE

Notice is hereby given that the 47th Annual General Meeting of the members of Hella India Lighting Limited will be held at Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi on Tuesday, 25th September, 2007 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March 2007, Profit & Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. V K Mathur who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Dr. V P Juneja who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification(s):

"RESOLVED THAT Pursuant to the provisions of sections 224, 225 & other applicable provisions, if any, of the Companies Act, 1956, M/s. BSR & Company, Chartered Accountants, Gurgaon, be and are hereby appointed as the Statutory Auditors of the Company in place of existing Statutory Auditors M/s. S. P. Chopra & Co., Chartered Accountants, New Delhi, from the conclusion of 47th Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may mutually be agreed between M/s. BSR & Company and the Board of Directors of the Company."

5. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification(s):

"RESOLVED THAT Ms. Stephanie Tang who was appointed as an Additional Director in terms of Article 120 of the Articles of Association and Section 260 of the Companies Act, 1956 and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass the following resolution, with or without modification(s), as an Ordinary Resolution:

"RESOLVED THAT subject to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, read with Memorandum and Articles of Association of the Company, the consent of the Company, be and is hereby granted to the cancellation/ reclassification and redesignation of unissued 490,000 (Four Hundred Ninety Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each of the Company, and in lieu of the aforesaid cancelled/ reclassified and redesignated 490,000 (Four Hundred Ninety Thousand) Equity Shares, 49,000 (Forty Nine Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each, be created.

RESOLVED FURTHER THAT consequent to the cancellation/ reclassification and redesignation of unissued 490,000 (Four Hundred Ninety Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each of the Company, and creation of 49,000 (Forty Nine Thousand) Redeemable Preference Shares of Rs. 100/-

(Rupees One Hundred only) each in lieu thereof, the Authorised Share Capital of the Company of Rs. 100,000,000/- (Rupees Hundred Million), be and is hereby altered and reclassified from the present 3,990,000 (Three Million nine hundred ninety Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each and 601,000 (Six hundred One Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each, to 3,500,000 (Three Million five hundred Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each and 650,000 (Six hundred fifty Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each.

RESOLVED FURTHER THAT the existing clause V of the Memorandum of Association of the Company be deleted and the following be substituted therefor:

- V The Authorised Share Capital of the Company is Rs. 100,000,000/- (Rupees Hundred Million) divided into 3,500,000 (Three Million five hundred Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each and 650,000 (Six hundred fifty Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each.

The Company shall have the power to increase or reduce the share capital of the Company and to divide the shares in its capital for the time being into several classes of shares, rights, preferential, qualified, or special privileges and conditions in such manner as may, from the time being be provided for in the regulations of the Company."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT subject to the approval of the shareholders at a general meeting and pursuant to the provisions of Section 80.81(1A) and other provisions of the Companies Act 1956 (including any amendment to or enactment thereof) (hereinafter referred to as the 'Act'), applicable provisions of the Memorandum and Articles of Association of the Company (as amended from time to time), subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), guidelines issued by Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), the listing agreement executed with the stock exchanges including SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended, the regulations issued by the Reserve Bank of India, Central Government and subject to the approvals, consents, permissions and/or sanctions, if any, of regulatory authorities, and subject further to such terms, conditions and modifications as may be prescribed in granting such consents, approvals and permissions and subject to such conditions as may be imposed by SEBI and other concerned authorities which may be agreed to by the Board of Directors, consent of the Company be and is hereby accorded to the Board to issue, offer and allot in one or more tranches and on such terms and conditions as may be deemed appropriate by the Board, to M/s. Reinhold Poersch GmbH and/or their affiliates/nominees upto 130,000 - 0.0000001% Compulsory Convertible non cumulative preference shares ('Preference Shares') of Rs. 100/- (Rupees one hundred only) each at a premium of Rs. 1100/- per share, as per SEBI (Disclosure & Investor Protection) Guidelines 2000, aggregating to Rs. 156,000,000/- (Rupees One Hundred Fifty Six Million) on preferential basis.

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RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the committee of the Board duly constituted be and is hereby authorized to take all actions, steps and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its discretion may deem fit including filing necessary papers, documents with The Registrar of Companies/Reserve Bank of India/ Stock Exchanges or any statutory authorities as may be required without being required to seek any further consent or approval of the Company or otherwise."

8. **To consider and if thought fit, to pass the following resolution as an Ordinary Resolution with or without modification(s):-**

"**RESOLVED THAT** Mr. Martin Herbst who was appointed as an additional director in terms of Article 120 of Articles of Association and Section 260 of the Companies Act, 1956 and in respect of whom, the Company has, pursuant to provisions of Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the company, liable to retire by rotation."

By Order of the Board
For HELLA INDIA LIGHTING LIMITED,

Sd/-

(Rakesh Sharma)
Company Secretary

Place : New Delhi
Date : 27th August, 2007

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument(s) appointing the proxy, if any, should be delivered at the registered office of the Company at B-13, Badarpur Extension, New Delhi-110 044, not less than 48 (forty eight) hours before the commencement of the meeting and in default, the instrument of proxy shall be treated as invalid. Proxies shall not have any right to speak at the meeting.
3. The Explanatory Statement setting out the material facts in respect of the special business under Item No. 4, 5, 6, 7 and 8 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company shall remain close for a period of 8 days, from Tuesday, 18th day of September, 2007 to Tuesday, 25th day of September, 2007 (both days inclusive).
5. Members are requested to send request for change in their addresses, if any, directly to the Share Registrar and Transfer Agent viz. Intime Spectrum Registry Limited, A40, 2nd Floor, Near Batra Banquet Hall, Naraina Industrial Area, Phase-II, New Delhi - 110028.
6. Members desirous of having any information regarding Accounts are requested to send their queries to the Company at least 10 days before the date of the meeting, so that the requisite information is made available at the meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4

The Company has received a special notice from a Member pursuant to section 225 read with section 190 of the Companies Act, 1956, proposing the appointment of M/s. BSR & Company, Chartered Accountants, Gurgaon as the Statutory Auditors to hold the office from the conclusion of forthcoming Annual General Meeting till the conclusion of following Annual General Meeting of the Company. The requisite certificate has been obtained from M/s. BSR & Company, Chartered Accountants that their appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956 and they are not disqualified in any way in terms of section 226 of the Companies Act, 1956 from appointment as the auditor of the Company. The Board of Directors of your Company accepted the recommendations of Audit Committee to appoint M/s. BSR & Company, Chartered Accountants, Gurgaon as the Statutory Auditors of the Company.

None of the Directors of the Company is concerned or interested in the above business.

Item No. 5

Ms. Stephanie Tang was appointed as an Additional Director in the Board Meeting held on 26th April, 2007 and as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of Forty-seventh Annual General Meeting of the Company. The Company has received a notice under

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Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Ms. Stephanie Tang as a Director, along with a deposit of Rs. 500/-.

The information related to Ms. Stephanie Tang as required under Clause 49 of the Listing Agreement is as under:-

Ms. Stephanie Tang is a seasoned professional and has vast experience in industry.

She is a Fellow member of CIMA from U.K. Subsequently she studied and acquired additional qualification of CPA from Singapore.

Ms. Stephanie Tang has a vast experience and worked in many countries. She worked in Siemens VDO AG for more than 20 years under various capacities as Head of Finance. She joined Hella KGaA Hueck & Co. on 1st December, 2005 as the Chief Administration Officer, responsible for Finance, Controlling & HR for Asia Pacific Region. She is a Chairman, Vice-Chairman, Chief Executive Officer, Director and Board member in all most all the Hella companies existing in the Asia Pacific region as per details given below.

Sl No.	Name of the Companies / Firms	Nature of interest	% of shares holding
1.	Hella Australia Pty Ltd, Australia	Board Member	NIL
2.	Hella Asia Pacific Holdings Pty Ltd, Australia	Chairman	NIL
3.	Hella Asia Pacific Pty Ltd, Australia	Chief Executive Officer & Director	NIL
4.	Hella Korea Inc., Korea	Chairman	NIL
5.	Hella Phil Inc., Philippines	Vice-Chairman	NIL
6.	Hella Asia Singapore Ltd, Singapore	Director	NIL
7.	Hella New Zealand Ltd, New Zealand	Director & Vice Chairman	NIL
8.	Hella Hongfa (Xiamen) Automotive Electronics Co., Ltd, China	Director	NIL
9.	Hella Changchun Tooling Co. Ltd, China	Director	NIL
10.	Hella China Ltd, China	Director	NIL
11.	Hella Beijing Lighting Ltd, China	Director & Chairman	NIL
12.	Hella (Shanghai) Automotive Industry Service Co., Ltd, China	Director & Chairman	NIL
13.	Changchun Hella Automotive Lighting Ltd, China	Director & Chairman	NIL
14.	Hella Shanghai Electronics Co., Ltd, China	Director & Chairman	NIL
15.	Hella India Electronics Pvt Ltd, India	Director	NIL
16.	Hella Engineering Pvt Ltd, India	Director	NIL

The Board of Directors recommends the Resolution for approval by the members.

None of the Directors except Ms. Stephanie Tang, is interested or concerned in the Resolution.

Item No. 6

The Company is engaged in manufacturing of Automotive Lighting to major OEM in the automobile sector. The Company has its manufacturing facility at Faridabad and Derabassi. The Company is actively considering modernization, upgradation and expansion of the existing facilities at Faridabad. The present authorized capital of the Company is Rs. 100,000,000/- (Rupees Hundred Million) comprises of 3,990,000 (Three Million nine hundred ninety Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each and 601,000 (Six hundred One Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each. The present paid-up equity share capital of the Company is Rs. 31,714,000/- (Rupees Thirty one Million Seven Hundred Fourteen Thousand only) comprises of 3,171,400 Equity Shares of Rs. 10/- each. The Preference Share Capital of the Company is Rs. 50,000,000/- (Rupees Fifty Million only) comprises of 500,000 Preference Shares of Rs. 100/- each.

In the above background, in order to enable the Company to raise the funds required by it for the aforesaid purpose, the promoter namely, M/s. Reinhold Poersch GmbH has agreed to infuse additional funds by subscribing to preference shares. The Board of Directors has proposed the issuance of preference shares on a preferential basis. It is therefore, proposed to suitably cancel/reclassify & redesignated existing un-issued capital and re-classify the present authorized share capital of the Company to Rs. 100,000,000 (Rupees One hundred Million only) which will comprise of 3,500,000 (Three Million five hundred Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each and 650,000 (Six hundred fifty Thousand) Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each.

The capital clause of the Memorandum of Association and Articles of Association of the Company would be suitably altered as a consequent to cancellation/ reclassification & redesignation of existing un-issued capital and re-classification in the authorized capital.

Your Directors, therefore, recommend the above resolution for your approval.

None of the Directors of the Company may be deemed to be interested or concerned in passing of the above resolution.

Item No. 7

It is proposed to issue upto 130,000-0.0000001% Compulsory Convertible non-cumulative preference shares of Rs. 100/- each for cash at a premium of Rs. 1100/- per share, as per SEBI (DIP) Guidelines 2000, to M/s Reinhold Poersch GmbH, a Company having its head office at Lippstadt, Germany. The provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 do not apply to Preference Shares as they do not carry voting rights.

The Board of Directors / Committee thereof will have the liberty to determine the terms and conditions of these Preference Shares, the conversion period and other commercial terms in relation to the Preference Shares when allotted.

The funds from the issue will be utilized for the purpose of modernization, upgradation and expansion of the existing manufacturing facilities at Faridabad. The objects of the issue through preferential offer.

To meet the funding requirements of the Company, including but not limited to, modernization, upgradation and expansion of the existing manufacturing facilities of the Company.

Shareholding pattern of the Company before and after the proposed issue of Preference Shares pursuant to the resolution.

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Category	Pre-issue shareholding (Equity Shares)	%	Post-issue shareholding (Equity Shares)	%
I. Promoter Group	2595663	81.85	2595663	81.85
II Institutional Investors	100	0.00	100	0.00
III Private Corporate Bodies	134751	4.25	134751	4.25
IV Indian Public	435449	13.73	435449	13.73
V NRIs & OCBs	5437	0.17	5437	0.17
Paid-up capital (Equity)	31,71,400	100.00	31,71,400	100.00

Category	Pre-issue shareholding (Preference Shares)	%	Post-issue shareholding (Preference Shares)	%
I. Proposed issue to	5,00,000	100%	6,30,000	100%
M/s Reinhold Poersch GmbH				
Paid-up capital (Preference)	5,00,000	100%	6,30,000	100%

	Pre-Issue	Post-Issue
Tota Paid-up Capital (in Rs.)	81,714,000	94,714,000

The post issue holding of the Promoter Group includes 25,95,663 Equity Shares of Rs. 10/- each and 500,000 - 0.0000001% non-convertible redeemable non-cumulative Preference Shares of Rs. 100/- each and 130,000 - 0.0000001% compulsory convertible non-cumulative preference shares of Rs.100/- each proposed to be issued pursuant to resolution appearing at item no. 7 of this Notice.

Identity of the proposed allottee and the percentage of post preferential issued capital that may be held by the said allottee:

Identity of proposed Allottee	Current Shareholding			Post-issue holding			
	Number of Equity Shares	%	Number of Preference Share	Number of Equity Shares	%	Number of Preference Shares	%
M/s Reinhold Poersch GmbH and/or its Affiliates	16,17,400	51	500000	16,17,400	51	630,000	100

The resolution seeks the consent of the shareholders in terms of Section 80 and 81(1A) of the Companies Act, 1956 for issue and allotment of the aforesaid Preference Shares on a Preferential Allotment basis.

The Directors recommend the Special Resolution for your approval.

None of the Directors of the Company may deemed to be interested or concerned in passing of the above resolution.

Item No. 8

Mr. Martin Herbst was appointed as an Additional Director in the Board Meeting held on 24th July,2007 and as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of Forty-seventh Annual General Meeting of the Company. The Company has received a notice, under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Mr. Martin Herbst as a Director, along with a deposit of Rs. 500/-.

The information related to Mr. Martin Herbst as required under Clause 49 of the Listing Agreement is as under:-

Mr. Martin Herbst is CEO of Aftermarket & Special OE Division of Hella KGaA Hueck & Co., Rixbecker Strabe - 7559552, Lippstadt, Germany, is a seasoned professional having more than 20 years' experience in domestic & international marketing. Automotive lighting, electronics, complete vehicle, modules and the automotive components aftermarket are the core

competence areas of the automotive supplier Hella KGaA & Co. with its group headquarter in Lippstadt, Germany. Hella is in 64th place among the top 100 German industrial companies. All the world's leading automobile manufacturers are Hella customers, as is the automotive components aftermarket.

The Board of Directors recommends the Resolution for approval by the members.

None of the Directors except Mr. Martin Herbst, is interested or concerned in the Resolution.

By Order of the Board
For HELLA INDIA LIGHTING LIMITED,

Sd/-
(Rakesh Sharma)
Company Secretary

Place : New Delhi
Date : 27th August, 2007

HELLA INDIA LIGHTING LIMITED

DIRECTORS' REPORT

To,
The Members,
Your Directors take pleasure in presenting the 47th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

(Rs. In Million)

	CURRENT YEAR ENDED 31.03.2007	PREVIOUS YEAR ENDED 31.03.2006
Profit/(Loss) before Depreciation & Interest	(60.83)	34.64
Interest	17.50	13.60
Profit/(Loss) before Depreciation	(78.32)	21.04
Depreciation	2.67	3.41
Net Profit/(-) Loss after Depreciation	(80.99)	17.63
Balance Brought forward	(208.73)	(226.36)
Transfer from General Reserve to Profit & Loss Account	Nil	Nil
Balance carried over to the Balance Sheet	(289.72)	(208.73)

OPERATIONAL PERFORMANCE

During the period under review for 12 months, the company achieved a net sales turnover of Rs.248.53 Million as compared to the previous year Rs. 228.80 Million. The loss amounts to Rs. 80.99 Million for 12 months as compared to the net profit of Rs.17.63 Million for the previous year. The Company had filled a reference before BIFR. Subsequent to the filing of the reference with BIFR, the company's net worth become positive and continued to be positive. The Company has reported their fact to the BIFR. The company has written off certain fixed assets, inventories and bad debts in aggregate amounting to Rs.67.77 Million during the year.

DIVIDEND

Since your Company has accumulated losses and made losses during the year under review, your Directors do not recommend any dividend.

SUBSIDIARIES

M/s Bitoni Lamps Limited and Chetan Genthe & Co. Limited are the subsidiaries of the Company. The accounts of the subsidiary companies in terms of Section 212 of the Companies Act, 1956 are annexed with the accounts of the Company. M/s Bitoni Lamps Limited is not carrying on any business. However, M/s Chetan Genthe & Co. Limited carried on nominal business of job work for the Company.

DIRECTORS

During the year under review, Mr. Peter F Doyle resigned from the Board of Directors of the Company consequently Mr. Raman Sharma, an alternate director also ceased to be as alternate director from that date. Your Directors place on record their appreciation of the valuable guidance and support provided by Mr. Peter F Doyle and Mr. Raman Sharma, during their association with the company.

Mr. Gerwin Vilain resigned from the office of the Directors of the Company with effect from 24th July, 2007. The Directors wish to place on record their appreciation for the contribution made by him during his tenure as Director & Chairman of the Company.

During the year the Board of Directors co-opted Ms Stephanie Tang and Mr. Martin Herbst as Directors of the Company. Their term of office expires on the forthcoming Annual General Meeting and the company has received the notices under section 257 of the Companies Act, 1956, for the appointment of Ms. Stephanie Tang and Mr. Martin Herbst as Directors of the Company.

Further, in accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. V.P. Juneja and Mr. V.K. Mathur, Directors of the Company will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of annual accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed. However, with respect to valuation of inventory of finished goods, the Company has followed its conservative past practice i.e. valuing the finished goods at value which is less than the 20% of the sales price.
- That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
- That the Directors have 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.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

AUDITORS & THEIR REPORT

M/s S. P. Chopra & Co, Chartered Accountants, the Statutory Auditors of the company, have audited the accounts of the Company for the financial year 2006-2007, following the prescribed accounting standards. The Company received a special notice under section 225 of the Companies Act, 1956 from one of its shareholder to appoint M/s BSR & Company, Chartered Accountants, Gurgaon as Statutory Auditors of the Company for the year 2007-08 instead of existing Statutory Auditors M/s. S.P.Chopra & Company. The Company has received a certificate from M/s. BSR & Company to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

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1. The Company has been a part of dispute between the current and the previous Management which was finally settled by the intervention of the Arbitrators. The Company engaged the services of M/s. BSR & Associates, Chartered Accountants (Accounting Firm), to analyse the Balance Sheet of the Company. The Accounting Firm observed as under:-

a) The fixed assets, inventory of raw materials / stores and spares of the Company, as per physical verification and as appearing in the fixed assets register and store ledger respectively were not matching. As per their report they observed that certain fixed assets as appearing in the fixed assets register were not available during the physical verification exercise.

b) The Accounting Firm also pointed out the difference in depreciation wrongly / shortly charged in earlier years.

c) Further in their view certain assets were of revenue in nature which had been capitalised in the earlier years.

The Management with a view to give true and fair value of the fixed assets decided to write off a sum of Rs. 16.99 Million representing incorrect capitalisation, not availability of assets, retirement of old assets and incorrect charging of depreciation. Further a sum of Rs. 10.00 Million were also written off with a view to give true and fair value of inventory of raw materials / stores

2. The Accounting firm also analysed the sundry debtors which were outstanding for a long period including parties with whom the Company is currently carrying on the business.

The Management has been sending its representatives to follow recovery of debts. The debtors are very old and the company having no record to support its claim has taken the decision, following the observation of the Accounting firm to write off the debtors with a view to give true and fair value of the debtors.

3. The company is in the business of manufacturing automotive components. The company has been incurring losses in the past. The company has adopted conservative approach with respect to valuation of inventory of finished goods by deducting 20% from the sale price to arrive at a cost. This approach is consistent with earlier years and does not over state the income of the company and is not a departure from earlier accounting policy of the Company.

The company has made complete record of all the information which was made available to Internal Auditors, Accounting Firm, Independent Agency and Statutory Auditors during their assignments.

INDUSTRIAL RELATIONS

Relations with the work force at both the Units remained cordial through out the year. The Directors wish to place on record their appreciation of the sincere and devoted efforts of the Management, Staff and workers during the period under review.

STATUTORY DISCLOSURES

The information relating to the Conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as Annexure II and forms part of this report.

There are no employees whose particulars are to be furnished pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

ENVIRONMENTAL PROTECTION & POLLUTION CONTROL

Your Company regards preservation of the environment as one of its primary social responsibility. Accordingly, the Company places emphasis on compliance with pollution norms.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Details as required under Management Discussion and Analysis Report are appended as Annexure I.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required under the Clause 49 of Listing Agreement with Stock Exchanges is annexed as a separate section titled "Report on Corporate Governance" to this Annual Report.

COMPLIANCE CERTIFICATE

A certificate from the Practicing Company Secretary, regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached and forms part of this report.

ACKNOWLEDGEMENT

Your Directors are grateful to the Banks, Shareholders, Customers, Distributors, Authorised Dealers and all other business constituents for the valued co-operation and support extended by them to the Company during the year under review. Your company is very grateful to M/s. Hella KGaA Hueck & Co. for their continuous support.

Your Directors sincerely wish to thank the workers, staff and executives of the Company for the continuous hard work put in by them.

FIXED DEPOSITS

Your Company has not accepted or renewed any deposits under section 58A of the Companies Act, 1956, during the year under review.

For and on behalf of the Board

Place: New Delhi
Date: 27th August, 2007

Sd/-
(Stephanie Tang)
Director

Sd/-
(R S Sharma)
Managing Director

HELLA INDIA LIGHTING LIMITED

ANNEXURES TO THE DIRECTORS' REPORT ANNEXURE-I

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and developments.

The Company is engaged in the business of automotive lighting and signalling equipment. The automobile sector has grown over a period of time. The market of lighting has gone a sea change in the last few years.

The Company complies with various standards of lighting. In addition to the business in domestic market, the Company is further looking for the business in exports. Hella being a reputed trade name in the automotive lighting, the import trading area is organised. The Company is looking for additional original equipment manufacturers (OEMs) and dealers to sell its new generation lighting and signalling equipment.

2. Opportunities and Threats.

There is a growth in the automotive sector in the last year. New model in various segment have been introduced in the last few years. The Company has a strong "Hella" brand with high quality products to offer to the growing market. Strong parental support from Hella KGaA Hueck & Co. both financially and technically, international brand, innovative and environment friendly products continue to remain the main strengths of the Company.

The stiff competition in the domestic as well as international market, rigid norms and the competition from various copy product manufacturers may pose a short term threat to the Company.

However, intense competition from existing as well as new players with consistent pressure on realization, need for continued investment in product upgradation, new product introduction and delayed entry in plastic moulded lighting products are the main areas of concern for the management.

3. Segment wise performance.

The Company operates in a single business segment. Within this segment there has been an increase in the sales of head lamps and sundry lamps.

4. Outlook.

The company plans to put substantial investments in the plant and machinery to provide latest technology in the automotive lighting of world standard to cater to the need of growing market of automobile.

The Company has plans to increase the range of its products after the construction of its new plant at Faridabad. The new plant will bring new technology in the automotive segment for the new vehicles.

5. Internal Control Systems & their adequacy.

The Company has an effective Internal Control System in place. The Company has an Internal Auditors who undertake routine checking of various procedures, vouching etc. The observations of Internal Auditors are reviewed by the management and placed before the Audit Committee wherein key findings are discussed for implementation and/ or correction, as the case may be. This is subject to inherent limitations in any system and procedure and coverage thereof, provide management with reasonable assurance that the established policies and the procedures of the Company have been followed, its assets safeguarded and any form of fraud and other irregularities prevented from occurring.

6. Financial performance of the Company with respect to Operational Performance.

The operational and financial performance of the Company has been explained separately in the Director's Report.

7. Material Developments in Human Resources, Industrial Relations.

The Company continues to lay emphasis on qualitative growth of its human resources by providing congenial and constructive work environment.

Relations with the work force at both the Units remained cordial through out the year.

The Management is conducting productivity improvement studies to improve efficiency levels at its manufacturing facilities to bring them at par with other comparable facilities in the Industry.

HELLA INDIA LIGHTING LIMITED

8. Risk and Concern

There is a continuous stiff competition and entry by competitors at very low price. There is Increase in demand for new technology at faster rate. The competition has made the customer more demanding in terms of improvement in logistic services.

Our concentration is only on commercial vehicle segment which is a major concern for the business expansion.

For and on behalf of the Board

Place: New Delhi
Date: 27th August, 2007

Sd/-
(Stephanie Tang) Sd/-
Director Managing Director
(R. S. Sharma)

ANNEXURE II

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The manufacturing processes in our plant vary widely and cover processes such as Electroplating, Painting, Die Casting, Bakelite Moulding, Sheet Metal Working and Plastic Injection Moulding.

In almost all these processes, the introduction of temperature controller and their regular proper operational maintenance has ensured, for the conservation of energy.

b) Additional Investments and proposals if any, being implemented for reduction in consumption of energy:

The investments involved will be to introduce above mentioned schemes.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of the goods:

It is hoped that with the proposed implementation of the above, there would be a decrease in energy consumption.

Energy conservation has been made an integral part of the induction training programme for new employees. In addition, regular training sessions are held where employees are educated in the need to reduce energy consumption to the minimum.

d) Total energy consumption and energy consumption per unit of production :

The Company is having 2 DG Sets of 110KVA & 380 KVA. During the year the Company has consumed units of energy as detailed below:-

Electric Energy

a) 632,352 Units, unit cost Rs.34,46,346/- (Previous year 849496 Units, unit cost Rs.38,14,759/-) supplied by DHBVN Limited and Punjab State Electricity Board.

b) DG Sets : Diesel Consumed 39,775 Litres (Previous year 102,932 Litres)

Form B

A RESEARCH & DEVELOPMENT (R&D) :

- | | | |
|---|--|--|
| 1 | Specific Areas in which R&D carried out by the company | In-house R&D has been carried out in the fields of lighting and signaling and also in production technology with the intent of producing better quality products. |
| 2 | Benefits derived as a result of the above R&D | We have been able to successfully develop several headlamps for domestic & export market, tail lamps, blinker lamps and switches for the Indian vehicle manufacturers and for export to foreign customers. |
| 3 | Future plan of action Our | Our R&D effort will be aimed at developing products in line with international quality standards so that we can provide better quality products to our reputed automobile manufacturers / customers |
| 4 | Expenditure on R&D | (Rs. In Lacs) |
| | Recurring expenses | 2.41 |
| | R&D expenditure as a % of total turnover | 0.10 % |