

Corporate Information

Board of Directors

Mr. Siddharth Shriram
Chairman

Dr. D.V. Kapur

Mr. O.P. Khaitan

Mr. Ravi V. Gupta

Mr. K. Kashiwagi
President & Chief Executive Officer

Mr. R.S. Bidesi
Vice-President & Whole-Time Director

Mr. Y. Watanabe
Vice-President & Whole-Time Director

Mr. M. Takedagawa

Mr. Y. Aoshima

Mr. S. Mizusawa

Company Secretary

Mr. Amit Jain

Statutory Auditors

M/s. BSR & Co.
Chartered Accountants
Gurgaon, Haryana

Bankers

The Bank of Tokyo-Mitsubishi UFJ Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.

Technical and Financial Collaborators

Honda Motor Co., Ltd.
1-1, 2 Chome,
Minami-aoyama, Minato-Ku
Tokyo, Japan

Registered and Corporate Office

Plot No. 5, Sector 41 (Kasna),
Greater Noida Industrial Development Area,
Distt. Gautam Budh Nagar, U.P.-201 306

Contents

Page No.:

2	Directors' Report
9	Report on Corporate Governance
17	Management Discussion and Analysis Report
20	Auditors' Report to the Members
24	Balance Sheet
25	Profit and Loss Account
26	Cash Flow Statement
27	Schedules
45	Balance Sheet Abstract and Company's General Business Profile

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2007.

Financial Results and Appropriations

(Rs. in lacs)

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006
Sales	25226.08	21653.89
Job Charges (gross)	90.10	105.12
Other Income	958.21	823.99
Profit before depreciation and finance charges	3505.44	2406.13
Finance Charges	16.27	33.91
Depreciation	786.94	654.63
Profit before tax	2702.23	1717.59
Provision for taxation		
- Current	1075.00	730.00
- Deferred Tax benefit	(151.15)	(107.06)
- Fringe Benefit Tax	40.50	57.34
Profit after Tax	1737.88	1037.31
Balance of profit brought forward	3485.76	3000.00
Investment allowance	0	14.80
reserve written back		
Amount available for appropriation	5223.64	4052.11
Appropriations		
Dividend	405.72	405.72
Dividend Tax on proposed	68.95	56.90
Dividend		
General Reserves	174.00	103.73
Balance carried to Balance Sheet	4574.97	3485.76

DIVIDEND

The Board of Directors recommends dividend @ 40% on the equity shares of Rs. 10 each (previous year 40%) for the year ended 31st March, 2007. The total outgo on this account will be Rs.474.67 lacs including dividend tax.

DOMESTIC MARKETS AND EXPORTS

A detailed report on operations titled "Management Discussion and Analysis Report" is attached to the Directors' Report and forms part thereof.

INDIGENISATION PROGRAMME

The Company has indigenised critical Engine Components i.e. Carburettor Assy, Insulator Carb, all Non-Asbestos types of Gaskets during the year under review. The Import cost as percentage to the material

cost has been reduced from 31%, as on March 31, 2006 to 27% as of March 31, 2007.

For the year 2007-08, the proposal and the plan have been made for indigenising critical engine parts, namely spark plug for four Models, Ring Piston Set, Ring Gear and Connecting Rod Casting. Honda Motor Co., Ltd. Japan accorded its support for indigenization. The import cost as a percentage to net sales is expected to be 25% by March 31, 2008.

ENTERPRISE RESOURCE PLANNING (ERP)

The Company has implemented Oracle ERP across the Business functions and the System is working smoothly. Implementation of ERP has facilitated integration of business processes across departments and locations onto a single Enterprise-wide Information System.

The major benefits of having an ERP system are 'online' tracking of information and transactions such as Inventory, Purchase to pay, Order to cash, Discrete Manufacturing, MRP, Costing, etc. beside consolidation and timely finalization of accounts. Cross functional co-ordination and efficiency of doing business transactions has also improved.

The Company is now upgrading existing ERP version 11.5.4 to version 11.5.10.2 to get online and timely support from Oracle company. Apart from this, it is also intended to use more automated features of business processes, which are available in upgraded version.

Simultaneously, with version upgrade, the Company is also migrating from existing Windows Operating System to Linux to avail benefit such as better security, performance and administration.

The Company has decided to implement this year itself 'I-Suppliers' module of Oracle ERP, which will enable our vendors to be 'online' with the Company. Your Company has also planned dealers to be 'online' in coming year.

ENVIRONMENT PROTECTION & SAFETY

The Company is committed towards the protection of the environment and safety. All the employees make efforts in daily operation in controlling emissions, effluents, waste disposal arising out of manufacturing processes, product and services as per the predefined norms. Environmental improvements were achieved by completing following actions:

- Installed wet type scrubber in Incinerator's stack for preventing Air Pollution.
- Did acoustic treatment for 4 D.G Sets in Power House for reducing noise pollution.
- Multiple location oil storage eliminated by making centralised Oil Yard for improving safety.

The products manufactured by the Company comply with air emission and noise regulation notified by the Ministry of Environment and Forests (MOEF). The confirmation of production (COP) to the air emission and noise regulation is done as laid down by MOEF.

Following energy conservation measures were taken to reduce the CO2 release by:

- installation of wind operated roof exhaust fans
- energy efficient compressor
- Energy efficient lighting system
- Air control system for controlling the unloading / loading time & the flow rates based on actual downstream demand.

Above actions resulted in reduction in CO2 release. The CO2 (kg per unit of production) release for the year 2006-07 is approx. 7% lower than the previous year 2005-06. The focus is continuing and is expected to reduce further in the year 2007-08 by about 10% over the year 2006-07.

During the year, the Company has replaced Asbestos sheets from roof in Pressure Die Casting building with Hi tensile prepainted Galvalume sheets. In future only non asbestos sheets shall be used in new buildings.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company strives to make the plants energy efficient to the extent possible and continually reviews various schemes to conserve energy.

The requisite information with regard to conservation of energy, technology absorption in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in Annexure – A & B attached hereto and forms part thereof.

The foreign exchange outgo was Rs. 4269.97 lacs, on account of imports and payment of royalty, etc. as against foreign exchange inflow was Rs. 4729.27 lacs through exports.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Siddarth Shriram, Mr. S. Mizusawa and Mr. M. Takedagawa shall retire by rotation at the ensuing Annual General meeting (AGM) and are eligible for re-appointment.

During the year under review, your Board of Directors appointed Mr. R.S. Bidesi as Vice President and Whole-time Director effective February 9, 2007 to February 8, 2008.

Your Board of Directors has further recommended the

appointment of Mr. Joji Koyabashi as a Director and President & CEO of the Company effective August 1, 2007 for a period of 5 years.

Necessary resolutions for the appointment/ re-appointment of the aforesaid directors have been included in the notice convening the AGM. None of the Directors of the Company is disqualified for being appointed as director as specified in section 274(1)(g) of the Companies Act, 1956.

AUDITORS

The observations of the Auditors are self-explanatory and/or suitably explained in the notes to the accounts.

M/s BSR & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming AGM and are recommended for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. That the accounting policies selected and applied are consistent and the judgements and estimates made are 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 profit or loss of the Company for that period;
3. That proper and sufficient care has been taken 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;
4. That the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Information in accordance with section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report and is attached hereto as Annexure – C.

CODE OF CONDUCT AND ETHICS

The Board of the Company has adopted a Code of Conduct and Ethics for the Directors and Senior

Executives of the Company. The object of the Code is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code sets out a broad policy for one's conduct in dealing with the Company, fellow Directors and employees and with the environment in which the Company operates. The code is available on the Company's Corporate website (www.hondasielpower.com). A declaration signed by President & CEO of the Company with regard to the compliance with the Code by the members of the Board and Senior Executives is attached at Annexure – D hereto and forms part hereof.

CEO/CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, the Board of Directors has reviewed a certificate submitted by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company certifying various covenants about financial/cash flow statements, internal controls, financial reporting, etc. and is enclosed at Annexure – E hereto and forms part hereof.

CORPORATE GOVERNANCE

A certificate from a practicing Company Secretary on compliance with the conditions of Corporate

Governance and separate reports on Corporate Governance and Management Discussion and Analysis Report are enclosed at Annexure- F, G and H, respectively.

ACKNOWLEDGEMENTS

The Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, State Governments of Uttar Pradesh, Uttarakhand and Pondicherry, Company's Bankers, Shareholders, Dealers, Vendors and Indian and Japanese promoters of the Company, in the management of affairs of the Company.

The Directors also wish to place on record their sincere appreciation of the devotion and commitment of every employee of the Company.

On behalf of the Board

New Delhi
June 30, 2007

Siddharth Shriram
Chairman

Report Junction.com

FORM - A
Disclosure of Particulars with respect to Conservation of Energy

Particulars	Unit	Current Year 2006-07	Previous year 2005-06
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Quantity	Kwh	3618256	3603602
Total amount	Rs./Lacs	127.25	129.97
Rate/Unit	Rs./Kwh	3.52	3.61
(b) Own Generation			
(i) Through diesel generator			
Quantity	Kwh	674917	1129106
Units per ltr of diesel oil	Kwh/ltr	2.12	2.17
Cost/ Unit	Rs./Kwh.	13.99	12.50
2. Coal (specify quantity & where used)		N.A.	N.A.
Quantity (tonnes)			
Total Cost			
Average Rate			
3. Furnace Oil		N.A.	N.A.
Quantity (k.ltrs.)			
Total Amount			
Average Rate			
4. Others/ internal generation		N.A.	N.A.
Quantity			
Total Cost			
Rate/ Unit			
B. Consumption per units of Production			
Production unit	No.	153464	151983
Electricity	Kwh/Unit	27.98	31.13
Furnace Oil		Nil	Nil
Coal		Nil	Nil
Other HSD Boiler/Furnance/Burner	Ltr/Unit	3.07	2.98

FORM - B**Disclosure of particulars with respect to Technology Absorption****Research and Development (R&D)**

1. Specific areas in which R & D carried out by the Company

The Company has carried out work in the following areas :

- Technology to run Genset on LPG
- Execution of indigenization of critical engine components through the process of data base generation.

2. Benefits derived as a result of the above R & D

- Environment friendly products
- Compliance to Air, Noise Regulations
- Clean Air Fuels such as LPG
- Cost competitiveness through localization
- Increase in foreign exchange earnings by meeting specific requirements of various countries

3. Future plans of action

- Continue the process of data generation for indigenization of critical engine components.
- Develop safe technology for use of LPG for full range of Engines that are required for Gensets, Water pumps, Sprayers, etc.

4. Expenditure on R & D

- | | | |
|--|---|----------------|
| a) Capital | : | Nil |
| b) Recurring | : | Rs. 18.67 Lacs |
| c) Total | : | Rs. 18.67 Lacs |
| d) Total R & D expenditure as a percentage of total turnover | : | 0.07% |

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

The Company has employed technical specialists from the foreign collaborator who impart on the job training and guidance to the Company's engineers and technicians.

For giving guidance on specific matters related to indigenization, improvement of manufacturing method and quality, expert from Honda R & D, Japan are frequently visiting the Company.

As a result of above efforts, the Company has been able to develop

- Noise Absorption technology
- Engine Technology for use of LPG
- Development of genset model EB 2000 GP

2. Benefits derived as a result of the above efforts

The benefits derived relate to

- Availability of super silent gensets meeting the noise regulations.
- Clean air fuels such as LPG for gensets.

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished

- a) Technology imported
Manufacture of Portable Gensets, General Purpose Engines and Water Pumping Sets.
Technology to manufacture Pressure – Die – Casting parts of high quality.
- b) Year of import
Technical Collaboration Agreement dated 18.10.1985 as renewed dated March 19, 2007 valid for a period of 5 years till March 31, 2012.
- c) Has technology been fully absorbed ?
No, this is in the process of being absorbed gradually.
- d) If not fully absorbed areas where this has not taken place, reasons thereof and further plan of action
The technology absorption of manufacture of I.C. engine and engine based and products such as Gensets, Water Pumping Sets and Sprayers has started about 17 years back. Technology is further to be absorbed for high technology Engine components for indigenization and in producing the country specific products/ models for international markets.

Annexure – D to Directors' Report

CERTIFICATE AND DECLARATION

I, K. Kashiwagi, in my capacity as President & CEO of Honda Siel Power Products Limited do hereby confirm and declare to the best of my knowledge and belief that the Company has complied with the provisions of Code of Conduct of the Company, for the year ended March 31, 2007, as stipulated under Clause 49 of the Listing Agreement.

This declaration has been issued on the basis of acknowledgement and confirmation, with respect to the compliance with the provisions of Code of Conduct of the Company, received from respective members of Board of Directors, Senior Management including functional Heads of the Company.

For Honda Siel Power Products Limited

K Kashiwagi
President & CEO

Annexure-E to Directors' Report**CERTIFICATE**

We, K. Kashiwagi, President & CEO and Vinay Mittal, Chief Financial Officer of Honda Siel Power Products Limited hereby declare, confirm and certify as under:

- (a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and shall disclose to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps to be taken rectify these deficiencies.
- (d) We indicated to the Auditors and the Audit Committee
- i) Significant changes in internal control, if any over financial reporting, during the year.
 - ii) Significant changes in accounting policies, if any, during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

This certificate has been issued in compliance with the provisions of Clause 49 of the Listing Agreement.

For Honda Siel Power Products Limited

Vinay Mittal
Chief Financial Officer

K Kashiwagi
President & CEO

Annexure - F to Directors' Report

T.V. NARAYANASWAMY
Company Secretary

B2/121 Janak Puri, New Delhi 110058
Phones : 25597065, 25542489 (F)

CERTIFICATE

To the Members of Honda Siel Power Products Ltd.

I have examined the compliance of conditions of Corporate Governance by Honda Siel Power Products Limited for the year ended March 31, 2007 as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedure and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements. I state that no investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Relations Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

New Delhi
May 19, 2007

T. V. Narayanaswamy
Company Secretary
Membership No. CP-203

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

Corporate Governance is a mechanism by which values, principles, management policies and procedures of a Company are made manifest in the real world. It involves a cohesive set of relationships among an organization's Board of Directors, its management, its shareholders and other stakeholders. In fact, good governance refers to the entire system by which a company is managed and monitored, its corporate principles and guidelines and the system of internal and external controls.

Honda Siel Power Products believes that governance principles is a state of mind, a self disciplining force and a set of principles to assure its owners that there is a well-performing management in place and that the Company's assets are being put to proper use. In order to formalize and adopt the key factors of corporate governance, namely fairness, transparency, integrity, accountability and responsibility, your Company has established a set of internal policies, control and regulations, broadly described as corporate culture.

Your Company consistently endeavours to attain the highest standards of Corporate Governance by ensuring transparency in all its operations, disclosures and to maximize shareholders' value and places emphasis on business ethics. The Directors fully endorse and supports the essentials of corporate governance and accordingly hereby gives a report on Corporate Governance.

2. Board of Directors

The Board of Directors is at the core of Corporate Governance practices. Your Company believes that an active, independent & participative Board is a pre-requisite to achieve and maintain the desired level of Corporate Governance.

The Board of your Company is broad-based, consisting of 10 members. The Board has the ideal composition. It consists of three Executive Directors and seven Non- Executive Directors. Four Non-Executive Directors are independent i.e. they do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, which in the judgement of the Board may affect the independence of judgement of the director. The Board members possess the skills, experience and expertise necessary to guide the Company.

Brief particulars of the Directors who are being appointed/ re-appointed at the ensuing AGM, nature of their expertise in specific functional areas and names of Companies in which they hold directorship and membership/ chairmanship of the Board Committees are provided in the notice convening AGM.

Board Meetings

During the year under review, four Board Meetings were held on May 17, July 27, October 31, 2006 and January 22, 2007. All statutory and other important items/ information are placed before the Board for approval/review.

The composition of the Board of Directors, attendance of the Directors at the Board Meetings and Annual General Meeting as also number of directorship in other Indian public limited companies and membership of the committee (Audit & Shareholders Grievance Committee) of the Board of such companies are as follows :

Name of the Director	Category	Attendance at the last AGM	No. of Board Meetings attended	No. of Directorship in other Companies	Number of Committee Membership held	
					As Chairman	As Member
Mr. Siddharth Shriram	ID/ NED	Yes	4	8	2	3
Mr. K. Kashiwagi	Non ID/ ED	Yes	4	NIL	NIL	NIL
Dr. D. V. Kapur	ID/ NED	Yes	4	7	2	2
Mr. O. P. Khaitan	ID/ NED	Yes	4	7	2	4
Mr. R. V. Gupta	ID/ NED	Yes	4	6	4	3
Mr. R. S. Bidesi	Non ID/ ED	Yes	4	NIL	NIL	NIL
Mr. Y. Watanabe	Non ID/ ED	Yes	4	NIL	NIL	NIL
Mr. M. Takedagawa	Non ID/ NED	Yes	2	2	NIL	NIL
Mr. Y. Aoshima	Non ID/ NED	No	NIL	1	1	1
Mr. S. Mizusawa	Non ID/ NED	No	NIL	NIL	NIL	NIL

ID - Independent Director

NED- Non- Executive Director

ED - Executive Director

The Company does not pay any remuneration to its Non-Executive/ Independent Directors except sitting fees for attending meetings of the Board and its Committees @ Rs. 20,000 per meeting. No commission on the net profit of the Company is paid to any Director. There are no pecuniary relationships or transaction of the Non- Executive Directors vis-à-vis the Company.

As prescribed by the Companies Act, 1956 and Articles of Association of the Company, two third of the Directors of the Company are retiring Directors, of which one third retire every year and if eligible, qualify for re-appointment. The tenure of whole-time Directors is governed by their respective terms of appointment.

3. Committees of the Board

The Board has constituted four Committees of the Directors, namely:

- Audit Committee ;
- Shareholders/Investors Relations Committee;
- Remuneration Committee; and
- Board Committee on Financial Matters

Each of these Committees functions within the defined terms of reference and the minutes of the Committee meetings are put up to the Board for confirmation at the subsequent meeting. The details of Audit Committee, Shareholders/Investors Relations Committee and Remuneration Committee are as follows:

i. Audit Committee

Majority of the members of Audit Committee comprises of Independent Directors. Chairman of the Committee is an Independent Director. The members have financial background and accounting knowledge. The powers and role of the Company's Audit Committee as stipulated by the Board are in accordance with the items listed in Clause 49 of the Listing Agreement and as per Section 292A of the Companies Act, 1956. The Committee is also responsible for reviewing the adequacy of internal control system and to ensure compliance thereof & adequate follow up actions are taken.

The Head of Finance & Accounts, Statutory Auditors and Internal Auditor attend the meetings of Audit Committee. Company Secretary acts as the Secretary to the Committee. During the financial year 2006-07, Audit Committee met 4 times on May 17, July 27, October 31, 2006 and January 22, 2007. Constitution of the Committee and attendance of the members at the meeting are as under:

Name of the Member	Status	No. of meetings attended
Dr. D. V. Kapur	Chairman	4
Mr. R. V. Gupta	Member	4
Mr. O. P. Khaitan	Member	4
Mr. M. Takedagawa	Member	2

ii. Shareholders/Investors Relations Committee

The Board has constituted Shareholders/Investors Relations Committee to approve the matters relating to transfer of shares, change in address, non-receipt of dividend, issue of duplicate share certificate and review and redressal of investor grievances. Sufficient powers have been delegated to this Committee. The power of approving transfer of securities has been delegated to the President & Company Secretary. The Committee regularly seeks confirmation of its minutes from the Board of Directors in the ensuing Board Meeting.

The Committee met six times during the year on May 05, July 10, August 12, September 14 and December 20, 2006 and February 15, 2007. Attendance of the members at the meetings was as follows:

Name of the Member	Status	No. of meetings attended
Dr. D. V. Kapur	Chairman	5
Mr. Siddharth Shriram	Member	4
Mr. K. Kashiwagi	Member	6
Mr. R. S. Bidesi	Member	6