



Honda Siel Power Products Limited

Regd. Office : Plot No. 5, Sector - 41 (Kasna), Greater Noida Industrial Development Area. Distt. Gautam Budh Nagar (U.P.)
Tel. : 91-120-2341050-59 Fax : 91-120- 2341078-79 E-mail : ho.mktg@hspp.com Visit us at : www.hondasielpower.com



23rd ANNUAL REPORT 2007 | 2008

Honda Siel Power Products Ltd

Corporate Information**Board of Directors****Mr. Siddharth Shriram**

Chairman

Dr. D. V. Kapur**Mr. O. P. Khaitan****Mr. Ravi V. Gupta****Mr. J. Kobayashi**

President & CEO

Mr. R. S. Bidesi

Vice-President & Whole-Time Director

Mr. Y. Watanabe

Vice-President & Whole-Time Director

Mr. M. Takedagawa**Mr. S. Mizusawa****Company Secretary****Ms. Payal Chaddha****Technical and Financial Collaborators**

Honda Motor Co., Ltd.

1-1, 2 Chome,

Minami-aoyama, Minato-Ku,

Tokyo, Japan

Statutory Auditors

M/s. BSR & Co.

Chartered Accountants

Gurgaon, Haryana

Bankers

The Bank of Tokyo-Mitsubishi UFJ Ltd.

HDFC Bank Ltd.

ICICI Bank Ltd.

Registered and Corporate Office

Plot No. 5, Sector-41 (Kasna),

Greater Noida Industrial Development Area,

Distt. Gautam Budh Nagar-201 306 (U.P.)

Page No.	CONTENTS
2	DIRECTORS' REPORT
7	MANAGEMENT DISCUSSION & ANALYSIS REPORT
9	REPORT ON CORPORATE GOVERNANCE
18	AUDITORS' REPORT TO THE MEMBERS
21	BALANCE SHEET
22	PROFIT AND LOSS ACCOUNT
23	CASH FLOW STATEMENT
24	SCHEDULES
44	BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty Third Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS AND APPROPRIATIONS

(Rs. in Lacs)		
Particulars	Year Ended March 31, 2008	Year Ended March 31, 2007
Sales	27,782.17	25,226.08
Job Charges (gross)	130.04	90.10
Other Income	1,554.90	958.21
Profit before depreciation and finance charges	4,382.56	3,505.44
Finance Charges	18.46	16.27
Depreciation	536.94	786.94
Profit before tax	3,827.16	2,702.23
Provision for taxation		
- Current	1,261.00	1,075.00
- Deferred Tax	49.33	(151.15)
charge/(benefit)		
- Fringe Benefit Tax	43.50	40.50
Profit after Tax	2,473.33	1,737.88
Balance of profit brought forward	4,574.97	3,485.76
Amount available for appropriation	7,048.30	5,223.64
Appropriations		
Dividend	405.72	405.72
Dividend Tax on proposed Dividend	68.95	68.95
General Reserves	250.00	174.00
Balance carried to Balance Sheet	6,323.63	4,574.97

DIVIDEND

Your Directors recommend a dividend of 40% on the equity shares of Rs. 10 each (previous year 40%) for the year ended 31st March, 2008. The total outgo on this account will be Rs. 474.67 Lacs including dividend tax.

APPROPRIATIONS

It is proposed to transfer Rs. 250 Lacs to General Reserve and retain the balance in Profit and Loss Account.

DOMESTIC MARKETS AND EXPORTS

Your Company for the first time has achieved the Sales volume of over 1,00,000 Units (1,12,517 units) in domestic markets for the financial year 2007-08. This represents 17% growth over the last financial year, 2006-07.

The sales volume in Export Market were 4.7% below the last financial year, 2006-07.

A detailed report on operations titled 'Management Discussion and Analysis Report' is annexed to the Directors' Report at **Annexure C** and forms part thereof.

INDIGENISATION PROGRAMME

Your Company has indigenised critical parts of Engine. Thus the import content has been reduced to 18.93% by March 2008 as compared to 21.87% at the end of March 2007.

Your Company has made plans to continue further indigenisation for the balance critical engine parts and the import content is expected to further reduce by March 2009.

ENTERPRISE RESOURCE PLANNING ('ERP')

Your Company has implemented the ERP across all Business functions and the System is working smoothly.

In order to leverage the full potential of the ERP, Company has taken decision to upgrade the latest version of Oracle Software with matching change of operating system to Linux.

The upgrade project implementation is expected to complete by the end of first quarter of the financial year 2008-09 and the Company will then be able to bring dealer network and supplier network on 'Online' working.

ENVIRONMENT PROTECTION & SAFETY

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

- Installation of rain water harvesting system.
- Automation of R.O. system to reduce the consumption of water.
- Modified the ETP Chemical dosing system.

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

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

The requisite information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required to be made pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 is set out in a separate statement annexed to this report as **Annexure A** and forms part of it.

DIRECTORS

During the year under review Mr. Y. Aoshima and Mr. K. Kashiwagi, resigned as Directors of the Company effective June 1, 2007 and August 1, 2007 respectively. Your Board of Directors appointed Mr. J. Koyabashi as President & CEO of the Company effective August 1, 2007 for a period of 5 years.

Your Board of Directors have further recommended the appointment of Mr. R.S. Bidesi as Vice President & Whole-time Director, effective February 9, 2008 to March 31, 2009.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr. D. V. Kapur and Mr. O. P. Khaitan retire by rotation at the forthcoming Annual General Meeting ('AGM') and being eligible, offer themselves for re-appointment.

Brief resume of the Directors seeking appointment / re-appointment at the forthcoming AGM, alongwith their nature of expertise in specific functional areas and the name of the public companies in which they hold Directorship(s) and the Chairmanship(s) / Membership(s) of the Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is given in the Notice convening the AGM.

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 are disqualified for being appointed as Directors 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 annexed as **Annexure B**.

CORPORATE GOVERNANCE

A separate Section on Corporate Governance is annexed to this Report as **Annexure D**.

A certificate from a Practicing Company Secretary on compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchanges is annexed as **Annexure G**.

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 annexed at **Annexure E** and forms part hereof.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis Report is annexed at **Annexure C**.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY AFTER 31ST MARCH, 2008

There were no material changes and commitments affecting the financial position of the company after 31st March, 2008.

ACKNOWLEDGEMENTS

Your Directors wish to thank and acknowledge with gratitude the co-operation, assistance and support received from the Central Government, State Governments of Uttar Pradesh, Uttarakhand and Puducherry, Company's Bankers, Shareholders, Dealers, Vendors, Indian and Japanese Promoters of the Company and other business associates in the Management of affairs of the Company.

The Directors also wish to place on record their sincere appreciation for the contribution made by every employee of the Company.

On behalf of the Board

New Delhi
May 17, 2008

Siddharth Shriram
Chairman

ANNEXURE- A TO DIRECTORS' REPORT
DISCLOSURE UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988
A. CONSERVATION OF ENERGY

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

(a) energy conservation measures taken;

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

- Installation of Energy efficient lighting system.
- Installation of wind operated roof exhaust fans in place of existing electrical fans.
- Replacement of Aluminium fan with Fibre Reinforced Plastic (FRP) fans in cooling towers.
- Automation of Boiler operation.

(b) additional investments and proposals, if any, being implemented for reduction of consumption of energy;

Following proposals are under implementation for further reduction of consumption of energy.

- Installation of Liquified Petroleum Gas (LPG) based direct heating system in Paint shop ovens instead of existing High Speed Diesel (HSD) fired indirect heating system.
- Installation of energy efficient lighting system in phased manner
- Installation of wind operated exhaust fans in phased manner in place of existing electrical fans.
- Installation of FRP fans in cooling towers in place of existing Aluminium fans.
- Installation of new boilers of LPG fired type burners instead of existing HSD fired type burners.

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

Above actions resulted in reduction in electricity consumption. The electricity consumption for the year 2007-08 was approximately 9.5% lower than the previous year 2006-07 and the fuel consumption in burners was 16.9% lower than the previous year. The focus is continuing and is expected to reduce further in the year 2008-09 by about 2% over the year 2007-08.

(d) total energy consumption and energy consumption per unit of production
FORM - A
Disclosure of particulars with respect to Conservation of Energy

Particulars	Unit	Current Year 2007-08	Previous Year 2006-07
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Quantity	Kwh	4085373	3618256
Total Amount	Rs. (Lacs)	147.62	127.25
Rate / Unit	Rs./Kwh	3.61	3.52
(b) Own Generation			
(i) Through diesel generator			
Quantity	Kwh	513496	674917
HSD Qty	Ltr	254870	318357
Unit per ltr of diesel oil	Kwh/Ltr	2.01	2.12
Cost / Unit	Rs./Kwh	14.06	13.99
(ii) Through steam turbine generator			
Units	-	-	-
Units per ltr. of fuel oil / gas	-	-	-
Cost / Unit	-	-	-
(c) Furnace HSD consumption	Ltr	462705	471134.5
2. Coal (specify quantity & where used)		N.A.	N.A.
Quantity (tonnes)			
Total Amount			
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.	181622	153464
Electricity	Kwh/Unit	25.32	27.98
Furnace oil		Nil	Nil
Coal		Nil	Nil
Other HSD Boiler / furnace / Burner	Ltr/Unit	2.55	3.07

B. TECHNOLOGY ABSORPTION
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.
- Reduction in hazardous substances in product and process.
- Safety enhancement in Alternator Technology by separation of AC/DC winding in Genset Models.
- Inverter Generator Model suitable to Domestic Market to fulfill longstanding demand of 5KVA

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

- Environment friendly products / processes
- 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. 15.59 Lacs
- c) Total : Rs. 15.59 Lacs
- d) Total R & D expenditure as a percentage of total turnover : 0.06 %

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 EU65is.
- G200 Engine for Boat Application of Export Market.

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.
- Better fuel efficiency.

3. 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 products such as Gensets, Water Pumping Sets and Sprayers has started about 18 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.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans ;

- Explored Scope for LPG Generator Business in Jordan and Bolivia.
- The Company will persist with its strategy to promote the better realizing generator business in the Middle East & Africa.
- Sustained Genset Business in Middle East Markets.

(b) Total foreign exchange used and earned

The foreign exchange outgo was Rs. 5,591.05 Lacs, on account of imports and payment of royalty, etc. as against foreign exchange inflow was Rs. 4,255.23 Lacs through exports.



Annexure - B to the Directors' Report
Statement of Particulars, under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Name	Designation	Qualifications	Age (Years)	Experience (Years)	Date of Commencement of employment	Remuneration received (Rs.)	Particulars of Last Employment
Employees who were employed throughout the year and were in receipt of remuneration of not less than Rs.24,00,000 for 12 months							
R. S. Bidesi	Vice-President & Whole-Time Director	L.M.E., AMIE (Mech Engg.) - Advance Management Programme at Michigan Business School, USA	62	44	01.05.1986	52,78,210	Shriram Refrigeration Industries Ltd. Manager-Production
Y. Watanabe	Vice-President & Whole-Time Director	Graduate	51	33	01.12.2005	60,91,682	Honda Motor Co. Ltd., Japan Manager
Ravi Prakash Mehrotra	Senior General Manager	B.E. (Elect.), PGDM - Marketing	57	35	01.09.1993	30,73,929	M/s. Ashok Leyland Regional Manager - North
Makoto Asami	General Manager - Materials	Graduate	51	32	01.02.2006	59,97,132	Honda Motor Co. Ltd., Japan Staff Engineer
Etsuro Goto	Advisor - Quality Control	Mechanical Engineering	56	38	01.10.2005	54,15,701	Honda Motor Co. Ltd., Japan Staff Engineer
Toshio Ebiwara	Advisor - Quality Control	Machinery Course	53	34	01.08.2006	52,29,032	Honda Motor Co. Ltd., Japan Staff Engineer
A. Sekihara	General Manager - SEDB	Graduate	49	26	01.04.2007	56,11,807	Honda Motor Co. Ltd., Japan Manager - Product Planning
Employees who were employed for a part of the year and were in receipt of remuneration in aggregate of not less than Rs.2,00,000 per month							
J. Kobayashi	President & CEO	Graduate	50	28	10.04.2007	69,40,773	Asian Honda Motor (Thailand) General Manager
K. Kashiwagi	President & CEO	Law Graduate	60	38	27.03.2005	24,59,936	Honda Motor Co. Ltd., Japan General Manager

Notes :

- In accordance with the clarification given by the Ministry of Corporate Affairs, remuneration has been computed on the basis of actual expenditure incurred by the Company.
- Remuneration includes salary, allowances, value of perquisites and Company's contribution to retiral Fund.
- All appointments are contractual in nature.
- None of the employee is relative of any Director of the Company.
- None of the above employee himself or alongwith his spouse and dependent children hold 2% or more equity shares of the Company.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**DOMESTIC BUSINESS****GENSETS**

- The sales volume for 2007-08 as compared to 2006-07 increased by 8%. This was mainly due to increased sale of higher end models.
- The Company continues its efforts to offer alternate fuel options to the customers. Towards this end, 1.5 KVA LPG genset launched last year, has shown reasonable growth.
- To strengthen its retailing efforts, the Company has established its own showroom in Gurgaon in 2006-07. This helped the Company to understand the customer requirement better and has served as a model show room. The sales from this outlet have shown encouraging progress.

Opportunities

- The Government focus on Computerisation, Community Service Centres and Training is opening up new opportunities to provide power back-up solutions, such as Gensets.

Concern

- Gensets non-compliant to air-emission and noise regulation (both imported and locally manufactured) continued to be available at lower prices. This affected the sales of the Company. The Company is taking up this issue with the concerned authorities from time to time.
- The availability of kerosene is becoming difficult in some parts of the country. The Company is working on alternate fuel products to give viable alternate power solutions to the customers.

Outlook

- The demand-supply gap of power requirement continues in many states. Thus the Company expects a growth in genset business in future.

GENERAL PURPOSE ENGINES AND WATER PUMPING SETS

The Company has registered 16% volume growth over 2006-07 in water pumps and engines business.

Opportunities

- The Company continues to make full efforts to reach all potential areas by expanding the network extensively in the rural areas.
- The shift to light weight portable pumps by the farmers is an opportunity to the Company to leverage the potential.
- With significant investments being made in infrastructure development projects, demand for engine based construction equipment is likely to go up considerably.

Concern

- The import of lightweight diesel engine and petrol / kerosene engines from China has gone up

significantly during the year. These engines do not comply with the 'BIS' standards, and hence do not meet criteria for Government subsidy sale (or) Bank Loans. However, the Chinese products are dumped at very low prices.

- Availability of kerosene in some markets of rural areas is a cause of concern for the farmers and the Company.

Outlook

- The market is expected to expand significantly because of increased government support to agriculture / floriculture / horticulture sectors of the economy. Your Company has a strong presence in these areas and is well poised to leverage this opportunity.
- With investments for farm mechanization and infrastructure development expected to rise significantly, demand for engine based OEM (Original Equipment Manufacturer) appliances will increase considerably. Your Company has created a new department to cater to this segment which is expected to help the Company grow in the future. The performance of this department in 2007-08 has been very encouraging.

BRUSH CUTTERS

- Your Company has launched Brush Cutter during the year 2006-07. This product, which is useful for weed cutting, has been very well received in the Southern and Western markets.
- Your Company has aggressive plans for this product during 2008-09 by establishing it in Northern and Eastern markets as well.

EXPORTS

- Sales during 2007-08 were 4.7% below the previous year 2006-07. While generators registered a growth, engines & water pump business declined.
- Engine business was sustained despite lack of price competitiveness.

Concerns

- Many markets are witnessing a shift to the technically advanced overhead valve engine based power products. Besides, key kerosene fuel markets have been affected due to withdrawal of subsidies by their governments.
- The strong Rupee continues to impact realizations adversely.

Outlook

- The Company will persist with its strategy to promote the better realizing generator business in the Middle East & Africa.

THREATS, RISKS AND CONCERNS

The Company has an adequate risk management system in force. It includes:

- Ensuring statutory compliance. This is monitored periodically by way of internal monthly meetings and status report submission at every Audit Committee Meeting and Board Meeting.
- Strategic and considerate planning for harmonious Industrial Relations.
- Comprehensive securitization of all assets, adequate insurance coverage for all probable losses and for all concerned parties.
- IT data security and information pilferage have been secured vide adequate back up systems and is under constant observation and up-gradation. This includes outsourcing of some of the critical activities to specialized and reputed third parties.

INTERNAL CONTROLS AND SYSTEMS

The Company has adequate internal control systems and procedures to ensure that the best possible practices as stipulated by management are applied and that assets and interests of the company are safeguarded. Audits are conducted by the Internal Audit department as well as outside Auditors to review the adequacy and effectiveness of internal controls systems and adherence to the Management policies and improvements, if any, are suggested. Audit Committee approves Annual Audit Plan of the Internal Auditors at the beginning of the year and it's reports are reviewed periodically.

Internal Auditor's reports are put up to the Company's Audit Committee. The Audit Committee also invites and interacts with the Statutory Auditors to seek their observations on Internal Audit Reports, Financial Reports and Controls.

FINANCIAL PERFORMANCE :

The sales volume increased by 8% over 2006-07 while sales turnover increased by 10% during the same period. This was due to higher sale of high end models of company's products. Profit Before Tax went up substantially by nearly 42%. The increase in profit was mainly due to:

- Increase in operating efficiencies combined with marketing strategy of concentrated focus on sale of products having higher margins and intense development of local markets.
- Management's strategy to reduce the manufacturing cost, specially input costs.
- Substantial reduction in Depreciation cost in current year compared to the year 2006-07. This was on account of change in depreciation policy in 2006-07.
- Higher income realization on investments due to judicious deployment of short-term surplus funds.
- Write back of provisions created in previous years for disputed tax matter which is now not payable.
- Strict Control over administrative and non-productive expenditure.

HUMAN RESOURCES

As a change agent and to meet the overall organization goal, the Human Resource Management contributed in framing the fundamental approach for achieving the Organization Operating Strategies and implementing the strategies of the organization.

The permanent employees on the rolls of the Company as on 31st March, 2008 were six hundred and nineteen.

During the year under review, the main initiatives taken were:

Consolidation of Manufacturing Facilities

The company is currently a multi location company and in the existing structure, components and sub-assemblies move great distances spanning different states before they are assembled and delivered to customers. The current process results in inefficiencies on account of higher costs on men and material movement, higher involvement of working capital, and present challenges on the quality, delivery and management fronts. Accordingly management evaluated various options to restructure the operations of the company and was of the opinion that consolidating the manufacturing facilities at Greater Noida would entail substantial reduction in costs, improve the quality, delivery and management control and would ultimately improve the competitiveness.

It was decided that the manufacturing facilities are shifted from Rudrapur to Greater Noida and it was announced to all employees and employee Union on 1st August 2007 that the Company needed entire work force of Rudrapur factory to be at the Greater Noida facility. The company will ensure that the same emoluments and benefits with the continuity of service will be provided at Greater Noida and no condition of service will be adversely affected. The management in the same meeting announced the formation of a Steering Committee to look into the individual / group problems of the work force relocation at Greater Noida.

The steering committee with the Employee Union is in regular meeting in order to discuss issues related with transfer of Employees.

Honda Corporate Governance

Self verification and self-audit exercise for all departments under Honda Corporate Governance was carried out in the four broad fields of Governance, Compliance, Business Ethics and Risk Management to ensure that organization is complying with all stipulated rules and regulations and statutory requirements. A business ethics channel is also established to evaluate organizational practices by calling upon moral standards.

Performance Appraisals

To motivate the company employees and retain the talent pool and to enhance job satisfaction, re-structuring the salary components across the level and introducing the variable increment plans based on Production volumes and profits at the time of Performance Appraisal.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could effect the Company's operations include significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations and interest costs.