

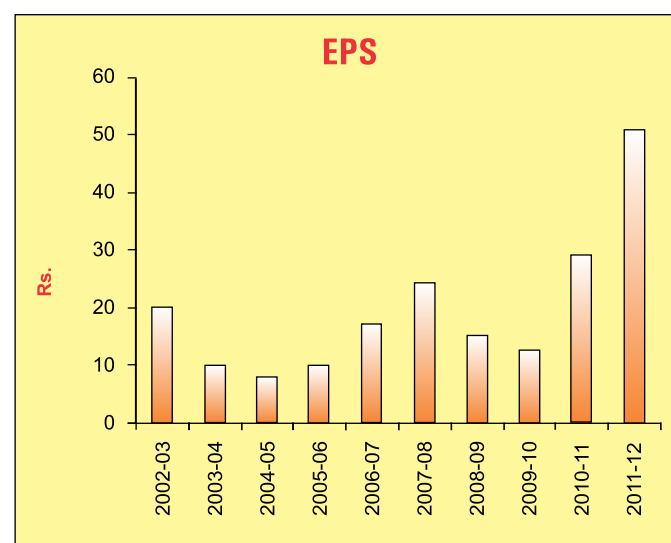
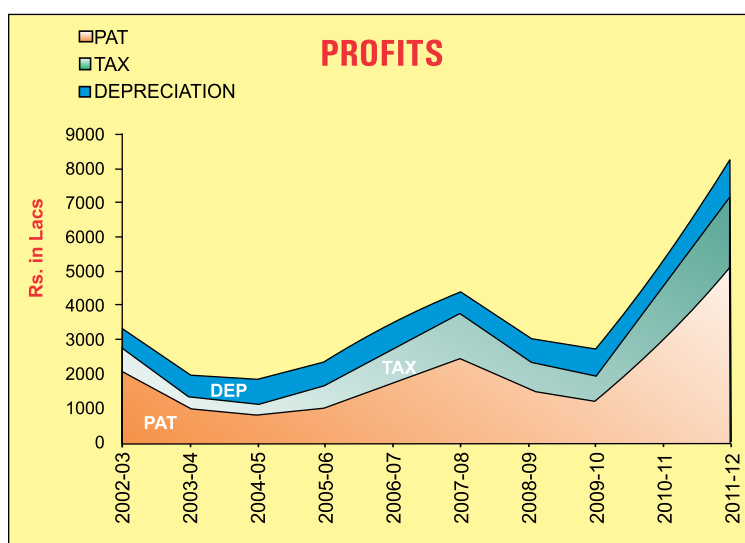
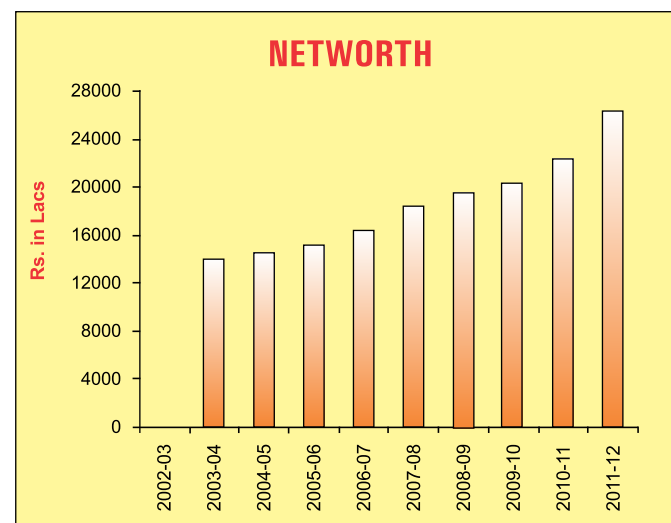
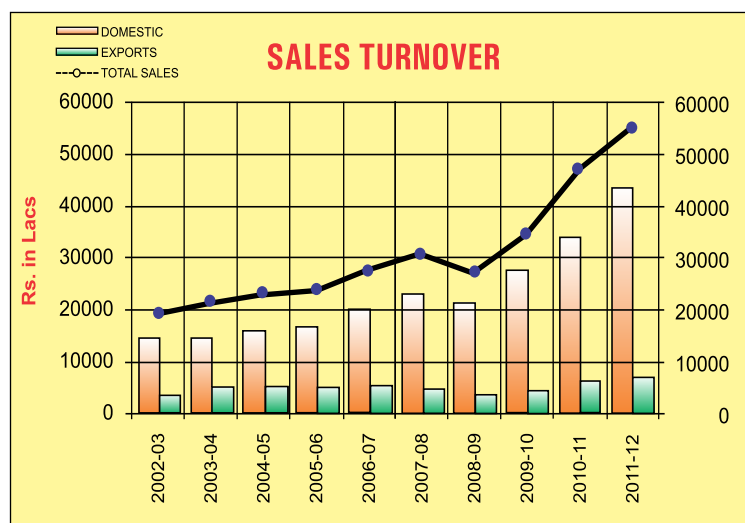


BLUE SKIES FOR
OUR CHILDREN

27TH ANNUAL REPORT | 2011-2012

Honda Siel Power Products Ltd.

Ten Years Financial Performance



SALES TURNOVER (Rs. in Lacs)				PROFIT (Rs. in Lacs)					EPS (Rs.)	NETWORTH (Rs. in Lacs)
YEAR	DOMESTIC	EXPORTS	TOTAL SALES	PBDT	DEPRE- CIATION	PBT	TAX	PAT		
2002-03	14475	3421	17896	3298	496	2802	758	2044	20.15	13513
2003-04	14360	5255	19615	1943	595	1348	317	1031	10.17	14087
2004-05	15969	5073	21042	1815	654	1161	363	798	7.87	14538
2005-06	16416	5238	21654	2372	655	1717	680	1037	10.23	15113
2006-07	19897	5329	25226	3489	787	2702	964	1738	17.13	16376
2007-08	23057	4725	27782	4364	537	3827	1354	2473	24.38	18351
2008-09	21159	3684	24843	3007	579	2428	864	1564	15.42	19441
2009-10	27719	4294	32013	2699	743	1956	687	1269	12.51	20235
2010-11	33823	6488	40311	5265	820	4445	1479	2966	29.24	22315
2011-12	43100	7033	50133	8304	1030	7274	2106	5168	50.95	26423

Corporate Information

Board of Directors

Mr. Siddharth Shriram
Chairman

Dr. D.V. Kapur

Mr. O.P. Khaitan

Mr. Ravi V. Gupta

Mr. T. Hamasaki
President & CEO

Mr. S. Yotsumoto
Whole Time Director

Mr. H. Kanayama

Mr. Vinay Mittal
Whole Time Director

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. B S R & Co.
Chartered Accountants
Building No. 10, 8th Floor, Tower-B,
DLF Cyber City, Phase-II, Gurgaon-122 002

Bankers

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

Registered Office

3&4/48, 2nd Floor, Enkay House,
Malcha Marg Shopping Complex,
Chanakyapuri, New Delhi-110 021

Head Office

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

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DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty Seventh Annual Report together with Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS AND APPROPRIATIONS

Particulars	(Rs. in lacs)	
	Year Ended March 31, 2012	Year Ended March 31, 2011
Revenue from Operations	50,483	40,565
Other Income	962	779
Profit before depreciation and exceptional items	6,270	5,266
Depreciation	1,030	821
Exceptional items	2,034	-
Profit before tax	7,274	4,445
Provision for taxation		
- Current	1,970	1,273
- Deferred Tax charge/(benefit)	136	206
Profit after Tax	5,168	2,966
Balance of profit brought forward	9,706	7,924
Amount available for appropriation	14,874	10,890

APPROPRIATIONS

Dividend	913	761
Tax on Dividend	148	126
General Reserves	520	297
Balance carried to Balance Sheet	13,293	9,706

DIVIDEND

Your Directors recommend a dividend of Rs. 9 per equity share of Rs. 10 each (90%) for the year ended 31st March 2012 (previous year 75%). The total outgo on this account (including dividend tax) will be Rs. 1,061 lacs.

APPROPRIATIONS

It is proposed to transfer Rs. 520 lacs to General Reserve and retain the balance in Profit and Loss Account.

DOMESTIC MARKETS AND EXPORTS

Your company achieved a record sales of Rs. 53,678 lacs in 2011-12 (as against Rs. 42,788 lacs in 2010-11) in domestic and exports markets thereby realizing a growth of 25% over previous year.

The overall growth was led by record sales in the generator segment and good volumes in the engines and water pump segment setting new records in all segments during the year. This year also saw introduction of new revolutionary products such as 3.0 KVA -EU series of Generators - made in India, as well as small 5.5 hp Tiller cum power weeder for the domestic market.

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

INDIGENISATION PROGRAMME

Your Company is continuously working on cost reduction by localization of critical parts with the help of Honda Motor Co. Ltd., Japan.

The Company has successfully localized 80 parts of Generator Model

EU65is Model and achieved planned cost saving during the year.

The Company is in the process of further localising 10 more parts during the year 2012-13 and is hopeful of realization of savings thereon.

The Company shall continue localization of balance parts with support from Honda Motor Co. Ltd., Japan.

ENVIRONMENT PROTECTION & SAFETY

Your Company is committed towards the protection and safety of the environment. All employees make 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 the following actions:

- Commencement of power Cogeneration i.e. Gas based power generation alongwith Exhaust Flue Gas based waste heat recovery Boiler due to which instead of running a Gas fired boiler for supplying steam to Paint Shop, the entire steam is now being generated by the exhaust flue gases heat recovery system.
- Conversion of LPG fired burners into Natural Gas fired burners in Paint shop ovens and Aluminium melting furnaces thus leading to reduction of CO₂ and resulting in cleaner environment.
- Placed order for new energy efficient latest state of art technology compressors which are expected to be installed within the year 2012, thereby reducing energy consumption of Compressors.

Your Company is further planning to install hot water fired VAM (Vapour Absorption Machine) to utilize the heat of Engine jacket water and steam fired VAM to utilise the excess steam from 'Waste Heat Recovery Boiler' for Air conditioning of office space.

The products manufactured by your Company comply with the air emission and noise regulation norms notified by the Ministry of Environment and Forests (MOEF), Government of India. The 'Confirmation of Production' (COP) to the air emission and noise regulation is done as laid down by the 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 disclosed 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-B** and forms part thereof.

DIRECTORS

During the year under review, Mr. T. Nagai and Mr. M. Saito ceased to be Directors of the Company with effect from the close of the working hours of March 31, 2012. Your Board places on record its deep appreciation for the services rendered by Mr. T. Nagai and Mr. M. Saito during their tenure with the Company.

Mr. H. Kanayama was appointed as Director and Mr. Vinay Mittal as Whole Time Director of the Company effective April 1, 2012.

Your Board recommends the appointments of Mr. H. Kanayama as Director and of Mr. Vinay Mittal as Director and as Whole Time Director of the Company. Proposal for appointment of Mr. H. Kanayama and Mr. Vinay Mittal is being put up for your approval.

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

Brief resume of the above Directors, nature of their expertise in specific functional areas and the name of the Companies in which they hold the Directorship and the Chairmanship/Membership of the Committees of the Board, as stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges, is given in the Notice convening the Annual General Meeting.

Necessary resolutions for the appointment / re-appointment of the aforesaid Directors have been included in the Notice convening the Annual General Meeting.

As per the confirmations received, none of the Directors of the Company are disqualified for being appointed as Director as specified in Section 274(1)(g) of the Companies Act, 1956.

AUDITORS

Statutory Auditors

The observations of Statutory Auditors in the report, read with the relevant Notes to Accounts are self explanatory and therefore, do not require further explanation.

M/s. B S R & Co., Chartered Accountants, Statutory 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.

The Auditors have represented that they have been subjected to the 'Peer Review Process' of The Institute of Chartered Accountants of India and hold a valid Certificate.

Cost Auditors

As per the provisions of Section 233B(1) of the Companies Act, 1956 and in accordance with the circular issued by the Ministry of Corporate Affairs, audit of the Company's Cost Accounts for the year ended March 31, 2013 has been made compulsory.

In pursuance to this, M/s Rakesh Singh & Co., Cost Accountants will be appointed as Cost Auditors of the Company for the financial year 2012 - 13 subject to approval of the Central Government.

The Cost Auditors have certified that they are not disqualified under any of the provisions of Section 224 (1B) read with Section 226 of the Companies Act, 1956 and that the appointment made is within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. A declaration to this effect has been submitted by the Auditors to the Audit Committee. A certification from the Cost Auditors of their being an independent firm of Cost Accountants and at arm's length relationship with the Company has also been submitted to the Audit Committee.

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 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

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, the particulars of employees are required to be furnished in statement to be annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the Shareholders excluding the aforesaid Annexure. The complete Annual Report including this statement shall be made available for inspection by any shareholder during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining the copy of the statement may write to the Company Secretary at the Registered Office of the Company.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is annexed to this report as **Annexure- C**.

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- F**.

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 as **Annexure - D** and forms part hereof.

SALE OF LAND AND BUILDING THEREON SITUATED AT RUDRAPUR

Subsequent to shifting of manufacturing facility from Rudrapur to Greater Noida, your Company disposed off the land and building constructed thereon, situated at Rudrapur, Uttarakhand, during the year under review.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis Report is annexed as **Annexure- A**.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY AFTER 31ST MARCH 2012

There were no material changes and commitments affecting the financial position of the company after 31st March 2012.

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 of the contribution made by every employee of the Company.

On behalf of the Board,

New Delhi
May 23, 2012

Siddharth Shriram
Chairman

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

- Your company launched a new 3.0 KVA 'Inverter Generator' - which is made in India to fill the product gap between the existing 2.1 KVA and 5.5 KVA offering. This model is expected to offer best in class features as required by the customers at affordable prices taking full advantage of localization. This model and its variants have found good acceptance in the marketplace and we have seen the advantages reflected in the overall sales addition.
- As per the available data, India faced an overall 10% shortfall in energy demand against supply. This helped us get better than expected results especially in the second half of the year. We were also able to leverage our market presence and dominance in this market by procuring and implementing many important orders from the Postal Department and other Government and Institutional customers. These orders combined with increased demand of Generators resulted in 25% increase in generator sales over last year, to achieve the highest ever sales.
- The increase in the fuel prices during the year made customers explore better technology products to keep their running expenses under control. This further motivated us to offer improved features such as 'Eco Throttle', which helps in saving fuel, in our EU Generators. Our communication of such features and benefits as a means of reducing and controlling costs had helped us in reaching out to many new customers.

Opportunities

- Government of India is poised to expand and integrate many social initiatives. Many of these are related to IT, Computerization and Education. The success of all these are expected to require investments in power back up as well. Your company has been making renewed efforts to reach out to all such potential buyers to help them carry on their businesses consistently and sustainably.
- The increasing income levels of Indians together with increased need of comfort and convenience is expected to continue to help sustain and improve demand for these products. We are also poised to utilize our technical advantage and brand to improve this segment in the rural areas as well.

Concerns

- The main fuels used in our generators being Kerosene and Petrol, are likely to impact the customer demand owing to increasing cost of petrol and limited availability of kerosene. We are striving to utilize and promote more efficient generators run by petrol to help reduce running costs and LPG based generators to improve business.
- Inflationary pressures on the raw materials costs leading to overall increase in input costs are likely to result in increased prices of the products. It is expected that this may affect customer demand.

Outlook

- The Indian economy continues to grow though the rate of growth has declined from 9% per annum to about 6.5% per annum. Continuous Power being a crucial requirement in every day life and this being available through the grid is likely to stimulate and continue the demand for generators.

GENERAL PURPOSE ENGINES AND WATER PUMPING SETS

- The increasing prices of food products and the need to utilize all available resources continued the increased demand of Engines and Pumps in this year as well. Your company recorded the highest ever combined sales of engines and water pumps by growing over 20% as compared to the previous year which in itself was the highest ever sale of engines and water pumping sets in any year.
- Your company's effort in increasing the presence of retailers and last mile contact points near to the farmers and customers paid rich

dividends. The proximity to the actual users helped us to convert many prospects in favour of Company. The direction of the company to use and promote 'portable concept' helped to compete further.

- Northern areas continued to support the business of engines, being required in sprayers. Such business again highlights the advantage of 'Portable Engine' that we have established.
- Many areas and territories continue to be improved to cater to ever increasing demand from customers to offer door step and quick service. This will further help in increasing the business. Your Company has successfully established a sales network in the central and eastern areas where demand is growing. This led to increased and additional business.

Opportunities

- Various applications are developing in the rural areas that use the portable feature of our engine. Farm mechanization led by increasing farm incomes and shortage of labour are expected to increase demand for our engines and its applications for agri use.
- Many new areas are developing for farming of vegetables and cash crop as farmers are looking at more revenue resources. Your company's carefully designed specifications of water pumps continue to provide ease and comfort to provide water as and where it is needed, thus helping the farmers seek and demand areas that are new to cultivation thereby further increasing volumes for your Company as well.
- Support schemes and subsidies continue to help us leverage our presence in these segments.

Concerns

- Increasing prices of fuels used in our products and difficulty in finding adequate quantity in rural areas is effecting sentiments and demand in some areas.
- Inflationary trends in raw materials and pressure on margins are likely to effect increase in prices to customers affecting some demand.

Outlook

- Farmers continue to get support from the retail market through better prices of farm products as well as from the Government in the form of subsidies in input material. The demand based on the above parameters is expected to grow.
- Construction and OEM (Original Equipment Manufacturer) market is also developing in India utilizing better cost structure in India compared to many other Nations. Your company is looking at increasing its presence in these segments by working closely with small companies and manufacturers. Our GX Engines series will further boost this arrangement in the years to come.
- Applications such as sprayers and back pack sprayers are gaining and your company is working very closely with select good quality assemblers to counter the low cost inflow of Chinese made imported products.

BRUSH CUTTERS

- The southern market continues to be a major market for these machines.
- Increased support from the Government in areas such as plantations and horticulture are providing the required impetus to this product
- Your Company's continued after sales support to this product and also introduction of new variants is expected to further strengthen its position in the areas of weed cutting and maintenance of lawns and gardens.

TILLERS

- Tillers, especially small tillers that can be used in small vegetable gardens as well as plantations for initial land preparation and dweeding are slowly being demanded by such farmers. Your company launched one of the most popular Mini Tiller, from its long range of tillers

available worldwide, in India last year and the initial response it got in the first year of launch of the compact Power Weeder cum Tiller in the 5.5 hp category is promising.

MARINE SEGMENT

- To leverage the extended growth in tourism and development of water ways, the Company has launched Out Board Engines and LTOBs (Long Tail Out Board Engines) to cater to Marine Segment. Even though the beginning is small we do expect a big response from this segment.

EXPORTS

- Total Sales during the year were 95% of the previous year's performance. The decline was from the engine and water pump category while generators registered a growth.

Sales of the better realization generator category were the highest ever and constituted over 56% of the total sales.

- As in the previous year, the Middle East region generated maximum business for the Company.

Concerns

- The competitive market scenario limits the scope for price increments.

Outlook

- Supported by the impending launch of a new generator model during the next fiscal, the company will persist with its strategy to explore new markets amongst the emerging countries.
- The exchange rate of the Indian Rupee versus the US Dollar will make products more competitive worldwide.

THREATS, RISKS AND CONCERNS

The Company has adequate risk management systems in place. This is achieved by:

- Strict adherence to statutory requirements. This is adequately ensured at regular intervals by way of internal meetings and is further reconfirmed by status reports prepared by all departments of the organization for onward submission of consolidated status of compliance to the Board every quarter.
- Correct and Comprehensive recording of all assets of the company in the books of accounts, physical verification process, 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/ secured VPN (Virtual Private Network) and is under constant observation and upgradation. This includes outsourcing of some of the critical activities to specialized and reputed third parties. To further strengthen the IT system, during the year company had devised and implemented a Security Policy covering all aspects of IT resources and advising all associates of the Company the proper way of dealing with IT resources.

INTERNAL CONTROLS AND SYSTEMS

Your Company maintains an adequate and effective internal control system keeping in view its size and complexity. Properly documented policies, rules and circulars have been put in place, to ensure speedy and effective Management. These policies and rules have been further communicated to the lowest level of organization by way of formal and informal communication systems. This has been further supplemented by delegation of authorities at appropriate levels. The Internal Control System also ensures that financial statements are being prepared in conformity with established accounting principles and practices. The assets of your Company are adequately safeguarded against significant misuse or loss. An independent internal audit function is an important element of your Company's Internal Control system. The internal control systems are supplemented through an extensive internal audit program duly approved by the Audit Committee. This is further subject to a periodic review by the Management and Audit Committee in its Meeting attended by Statutory as well as Internal Auditors of the Company. To further appraise the internal control function, your Company has appointed a reputed firm to conduct internal audit / control verification for the Company

under the direct supervision and control of Audit Committee.

Additionally, Business Ethics Proposal Line (BEPL) system is implemented in the Company, which ensures reporting by any associate, dealer or vendor of the Company of any Act being considered as not in line with policy, rules or code of conduct of the company or if not found to be in line with prudent commercial practice, to the appropriate levels as detailed in the system document itself.

FINANCIAL PERFORMANCE

During the year 2011-12 the net sale was Rs. 501.33 Cr. as against Rs. 403.11 Cr. in the previous year. This represents an impressive increase of 24% in terms of value over previous year. In terms of volume, the increase as compared to previous year was about 17%.

Profit Before Tax and Exceptional Items for the year was Rs. 52.40 Cr. as against Rs. 44.45 Cr. in 2010-11. This is an increase of 18% over the previous year.

HUMAN RESOURCES

Human Resources (HR) play an important role in your Company. During the year, HR had taken a number of new initiatives to support the successful execution of business plans along with refining the existing HR practices.

During this year the organization focused on building leadership capabilities in order to strengthen leadership to take upcoming business challenges. Training plan was designed for the leaders against identified set of competencies wherein leaders were enrolled at leading business schools to take up the courses.

A Development Centre which was initiated in the year 2010 was percolated down to the Managerial level wherein the Managers were assessed on given set of competencies as per the Company's competency model. The development centre initiative for Managers will benefit the Individual along with the organization.

To measure the employee engagement level, an independent survey had been conducted by the HR department. The survey focused on the HR practices that could be further improved upon in order to bring transparency and cohesiveness in the organization.

To create harmonious relations at the shop floor, a communication forum 'Manthan' was formed by HR. The purpose of the forum was to provide a platform to the line associates to capture their issues and grievances and also to resolve them timely, through a two way channel. Monthly meetings were organized at shop levels where the voices were captured and resolved by the shop floor Incharge and in certain cases by the Divisional Head level and at Management Level before they became issues.

The organization focused on reviving the Total Quality Management (TQM) culture and sessions were organized to understand the basic philosophy of TQM and its linkages were drawn with the Performance Management system.

By keeping the philosophy of "Safety comes first at Honda" intact, September 2011 was celebrated as Safety Month in your Company. During this period a number of initiatives were taken at the factory to keep the employees involved and aware of safety at the workplace.

The Annual Day was celebrated as a Sports day where employees participated in various sports activities with full enthusiasm and zeal.

The Company as on 31st March 2012 had One thousand and one associates.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report 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 and key markets abroad, tax laws, litigation, labour relations and interest costs.

ANNEXURE- B 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 areas to conserve energy.

(a) Energy conservation measures taken:

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:

- Commencement of power Cogeneration i.e. Gas based power generation alongwith Exhaust Flue Gas based waste heat recovery Boiler leading to reduction of CO₂ and clean environment.
- 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 is done as laid down by MOEF.

Following energy conservation measure were taken to reduce the energy consumption by:

- Commencement of power Cogeneration i.e. Gas based power generation alongwith Exhaust Flue Gas based waste heat recovery Boiler due to which instead of running a Gas fired boiler for supplying steam to Paint Shop, the entire steam is now being generated by the exhaust flue gases heat recovery system.

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

Following actions are proposed to be taken for energy conservation in the year 2012-13:

- Installation of Hot water/ Steam fired VAM to utilize the Engine jacket water heat and excess steam of waste heat recovery Boiler for Air conditioning of the building.
- Conducting Energy Audit through external agency and implementation of actions based on audit findings.
- Placing order of new energy efficient latest state of art technology compressors which are expected to be installed within the year 2012 thereby reducing energy consumption of Compressors.

(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 energy consumption. The electrical energy consumption per unit production is 9.6% lower than the immediate previous year and the thermal energy of fuel consumed in burners per unit production for the year 2011-12 is 34% lower than the immediate previous year due to conversion of LPG fired systems into PNG fired energy efficient systems and Cogeneration application for utilizing waste heat of flue gases in Boiler. The focus is continuing and is expected to reduce in the year 2012-13 by about 5% over the year 2011-12.

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

Particulars	Unit	Current Year 2011-12	Previous Year 2010-11
A. Power and Fuel Consumption			
1. Electricity			
(a) <u>Purchased</u>			
Quantity	kwh	18,07,850	45,08,466
Total Amount	Rs. (Lacs)	95.38	211.68
Rate / Unit	Rs./kwh	5.28	4.70
(b) <u>Own Generation</u>			
(i) Through Diesel Generator			
Quantity	kwh	6,90,128	8,76,530
HSD Qty	ltr	2,57,680	3,18,170
Unit per ltr of diesel oil	kwh/ltr	2.70	2.75
Cost / Unit	Rs./kwh	13.41	12.34
(ii) Through Gas Generator			
Quantity	kwh	28,56,778	N.A.
LNG Qty	SCM	8,68,088	N.A.
Unit per SCM of LNG	kwh/SCM	3.30	N.A.
Cost / Unit	Rs./kwh	7.61	N.A.
2. Coal			
Quantity (tonnes)		N.A.	N.A.
Total Amount		N.A.	N.A.
Average Rate		N.A.	N.A.
3. Furnace Oil			
(a) <u>Furnace HSD</u>			
Quantity (k.ltr)	k.ltr	N.A.	95.40
Total Amount	Rs.	N.A.	33,81,673
Average Rate	Rs./k.ltr	N.A.	33,450
(b) <u>Furnace LPG</u>			
Quantity (kg)	kg	8,418	3,18,928
Total Amount	Rs.	4,65,015	1,52,81,179
Average Rate	Rs./kg	55.24	47.91
(c) <u>Furnace Natural Gas (R-LNG)</u>			
Quantity (SCM)	SCM	4,41,355	5,394
Total Amount	Rs.	1,32,43,548	1,41,986
Average Rate	Rs./SCM	30.01	26.32
4. Others / internal generation			
Quantity		N.A.	N.A.
Total Cost		N.A.	N.A.
Rate / Unit		N.A.	N.A.
B. Consumption per unit of Production			
Production unit	No.	2,58,901	2,35,371
Electricity	kwh/Unit	20.68	22.88
Coal		N.A.	N.A.
Furnace oil		N.A.	N.A.
- HSD used in Burners of furnace	ltr/Unit	N.A.	0.41
- LPG used in Burners of Boiler / furnace	kg/Unit	0.03	1.36
- Natural Gas (R-LNG) used in Burners of furnace	SCM/Unit	1.70	N.A.

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 Water Pump set on LPG fuel.
- Execution of indigenization of critical engine components through the process of data base generation.
- Substantial reduction in hazardous substances in products and processes.
- Development of following more efficient and technologically advanced Inverter Generator Models:

- Recoil start - EU30i
- Self start - E30is / EU65is

- Started development of GX160/200 (OHV Engines) for domestic market
- Development of 1 KVA model for developing countries and domestic market.
- Planning for development of new model for developed/advance countries.

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

- Clean Air Fuels such as LPG
- Environment friendly products / processes
- 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.

4. Expenditure on R & D

- | | | |
|--|---|------|
| a) Capital | : | Nil |
| b) Recurring | : | Nil |
| c) Total | : | Nil |
| d) Total R & D expenditure as a percentage of total turnover | : | N.A. |

Technology absorption, adaptation and innovation

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

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

For development of new technology model and to improve the manufacturing quality of inplant / outplant parts, new manufacturing facility has been added in the following areas:

- Installation of new Paint Shop for liquid painting of Genset, Engine and Pump Parts.
- Replacement/ Reconditioning of old machine in the Crankshaft Line, Con Rod Line, Alternator and Weld Shop.
- Implementation of fuel efficient furnace in Paint Shop and Pressure Die Casting.
- Implementation of low cost fuel i.e. piped natural gas in furnaces of Paint Shop and Pressure Die Casting.
- Expansion of Dry off Oven in Paint Shop for painting of GX160/200 (OHV) Engine Fuel Tank.

- Expansion of Pressure Die Casting Shop to accommodate GX/1KVA new model pressure die casting parts.

For giving guidance on specific matters related to indigenization, improvement of manufacturing method and quality, experts 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 new genset model of EU series.

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 in manufacturing processes.
- Better fuel efficiency
- Elimination of Hazardous fumes by introduction of new machine in Alternator Shop.
- Automation of manual operations.
- Increase in production capacity.

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/ revamped from time to time and valid for a period of 5 years till March 31, 2017.

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 22 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 :

1. Developed business from new markets in North West Africa, namely Algeria and Benin.
2. Maximized sales from the high volume Saudi Arabian market.

(b) Total foreign exchange used and earned:

The foreign exchange outgo was Rs. 15,122.35 lacs on account of imports and payment of royalty etc. as against foreign exchange inflow of Rs. 6,739.02 lacs through exports.