

WHEELS INDIA LIMITED



49th ANNUAL REPORT 2007 - 2008



WHEELS INDIA LIMITED

Registered Office : 21, Patullos Road, Chennai - 600 002.

49TH ANNUAL REPORT

FACTORIES

PADI

CHENNAI – 600 050

TAMILNADU

22KM RAMPUR – TANDA ROAD

RAMPUR – 244 925, U.P.

PLOT NO C-1

RANJANGAON GROWTH CENTRE

KAREGAON VILLAGE, SHIRUR TALUK

PUNE DISTRICT – 412 210

MAHARASHTRA

PLOT NO 11-18, SECTOR 7

HSIDC GROWTH CENTER

BAWAL

REWARI DISTRICT - 123 501

HARYANA

SRIPERUMBUDUR

KANCHIPURAM DISTRICT – 602 105

TAMILNADU

PLOT NO.56, SECTOR 11

INTEGRATED INDUSTRIAL ESTATE IIE

PANTNAGAR – UDHAM SINGH NAGAR

UTTARKAND - 263 153

WEBSITE ADDRESS : www.wheelsindia.com

BANKERS

UNITED BANK OF INDIA

STATE BANK OF INDIA

STANDARD CHARTERED BANK

HDFC BANK LIMITED

AUDITORS

M/S SUNDARAM AND SRINIVASAN

CHARTERED ACCOUNTANTS

CHENNAI

STOCK EXCHANGE LISTING

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MUMBAI

BOARD OF DIRECTORS

S RAM – Chairman & Managing Director

S VIJI

T T RANGASWAMY

J M A AKERS

SRIVATS RAM – Managing Director

T K SESHADRI

T S VIJAYARAGHAVAN

S PRASAD

AUDIT COMMITTEE

S PRASAD – Chairman

S VIJI

T T RANGASWAMY

T K SESHADRI

SHARE TRANSFER & INVESTOR RELATIONS COMMITTEE

T T RANGASWAMY – Chairman

S RAM

S VIJI

REMUNERATION COMMITTEE

T T RANGASWAMY – Chairman

T K SESHADRI

S PRASAD

PRESIDENT (FINANCE) & SECRETARY

S SRIVATHSAN

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Notice to the Shareholders

NOTICE is hereby given that the Forty-Ninth Annual General Meeting of the Shareholders of the Company will be held on Thursday, **14th day of August, 2008**, at 11.00 a.m. at **“The Music Academy”**, 168 (Old No.306), T T K Road, Chennai 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statements of accounts for the year ended 31st March, 2008, and the reports of the Directors and Auditors thereon.
2. To record and confirm the interim dividends for the year ended 31st March, 2008.
3. To elect a Director in the place of Mr J M A Akers, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr T K Seshadri, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s Sundaram and Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION** :

RESOLVED that in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof, for the time being in force, the approval of the members be and is hereby accorded to the reappointment of Mr S Ram, as Chairman and Managing Director of the Company, for a period of 2 (Two) years with effect from 01.05.2008, on the terms and conditions including remuneration as set out hereunder:

Salary : Rs.2,25,000 per month in the scale of pay Rs.2,25,000 – Rs.3,50,000 effective 1st May, 2008. Annual increase will be effective 1st May of every year and the quantum of increase will be decided by the Remuneration Committee constituted for this purpose.

Commission : Not exceeding 2% of net profits of the Company for each financial year or part thereof, computed in the manner laid down in the Companies Act, as may be decided by the Remuneration Committee constituted for this purpose.

Perquisites: As detailed in the Annexure I to the Explanatory Statement.

Minimum Remuneration : In the event of any loss or inadequacy of profits, the remuneration payable by way of salary and perquisites to Mr S Ram, Chairman and Managing Director shall be as approved by the Remuneration Committee within the limits laid down in Schedule XIII and subject to compliance of other provisions / procedures prescribed in this regard in the Companies Act, 1956.

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION** :

RESOLVED that, in modification of earlier resolutions passed in this regard and in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions



of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof, for the time being in force, the approval of the members be and is hereby accorded to the appointment of Mr Srivats Ram, as Managing Director of the Company, for a period of 5 (five) years with effect from 01.05.2008, on the terms and conditions including remuneration as set out hereunder:

Salary : Rs.2,25,000/- per month in the scale of pay Rs.2,25,000 – Rs.3,50,000. Annual increase will be effective 1st April every year and the quantum of increase will be decided by the Remuneration Committee constituted for this purpose.

Commission : Not exceeding 2% of net profits of the company for each financial year or part thereof, computed in the manner laid down in the Companies Act, as may be decided by the Remuneration Committee constituted for this purpose.

Perquisites: As detailed in the Annexure II to the Explanatory Statement.

Minimum Remuneration: In the event of loss or inadequacy of profits, the remuneration payable by way of salary and perquisites to Mr Srivats Ram, Managing Director shall be as approved by the Remuneration Committee within the limits laid down in Schedule XIII and subject to compliance of other provisions / procedures prescribed in this regard in the Companies Act, 1956.

Regd. Office:
21, Patullos Road
Chennai - 600 002.
27th June, 2008

By order of the Board
S Srivathsan
President (Finance) & Secretary

Notes:

- 1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote instead of himself and such a proxy need not be a member. For appointment of a proxy to be effective, the proxy form (enclosed) shall be duly filled, stamped, executed and lodged with the Registered Office of the Company at least 48 hours before the time fixed for the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 07.08.2008 to 14.08.2008 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2001 and thereafter, which remain unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2001, or any subsequent financial year are requested to make their claim to the Share Department of the Company at Padi, Chennai - 600 050. It may also be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie against the Fund or the Company in respect of such amount.

Encl : Proxy Form, Explanatory Statements.

49TH ANNUAL REPORT**Annexure to the Notice**

Explanatory Statements under Section 173 of the Companies Act, 1956

SPECIAL BUSINESS :**Item No.6**

The term of office of Mr S Ram as Chairman & Managing Director of the Company expired on 30.04.2008. The Board of Directors, at their meeting held on 17.04.2008 have thought fit to reappoint Mr S Ram as Chairman & Managing Director for a further period of two years with effect from 01.05.2008.

The appointment of Mr S Ram as Chairman & Managing Director of the Company and the payment of remuneration to him as detailed in the resolution as set out under Item No.6 of the notice require the consent of the members.

Interest of Directors

Mr S Ram is interested in this resolution to the extent of the remuneration payable to him.

Mr S Viji, Director and Mr Srivats Ram, Managing Director are also deemed to be interested in the said resolution.

This explanation, together with the accompanying notice, is and should be treated as an abstract of the terms of service of Mr S Ram and memorandum of interest under Section 302 of the Companies Act, 1956.

Item No.7

Mr Srivats Ram was appointed as Joint Managing Director of the Company for a period of five years with effect from 01.05.2005. The Board of Directors, at their meeting held on 17.04.2008 have thought fit to appoint him as Managing Director of the Company for a period of five years with effect from 01.05.2008.

The appointment of Mr Srivats Ram as Managing Director of the Company and the payment of remuneration to him as detailed in the resolution as set out under Item No.7 of the notice require the consent of the members.

Interest of Directors

Mr Srivats Ram is interested in this resolution to the extent of the remuneration payable to him.

Mr S Ram, Chairman & Managing Director is also deemed to be interested in the said resolution.

This explanation, together with the accompanying notice, is and should be treated as an abstract of the terms of service of Mr Srivats Ram and memorandum of interest under Section 302 of the Companies Act, 1956.

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By order of the Board
S Srivathsan
President (Finance) & Secretary



ANNEXURE I

Details of perquisites payable to Mr S Ram, Chairman and Managing Director of the Company, referred to in the resolution No. 6

Company's contribution to Provident Fund and Gratuity Fund as applicable to other Senior Executives of the Company.

Perquisites and allowances like free furnished accommodation or house rent allowance including furniture, furnishings and other utilities, payment / reimbursement of medical expenses (for self and family), telephones, gas, electricity, water, payment of medical and personal accident premium, leave travel assistance, club fees (excluding admission and life membership fee), provision of chauffeur driven cars and such other allowances / perquisites / benefits and amenities as may be provided by the Company to other senior executives from time to time; the annual value of these will be limited to a ceiling of 100% of annual salary.

Provision of chauffeur driven Company car for official purposes shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, the same shall be evaluated at actual cost.

Payment of Company's contributions to Provident Fund / Gratuity Fund and encashment of leave (at the end of the tenure) shall not be included in the computation of remuneration or ceiling on the perquisites. Where payment of special allowance in lieu of contribution to Superannuation Fund is made, as per the rules applicable to other senior executives of the Company, the same will be treated as perquisite, for the purpose of ceiling on perquisites and allowances as aforesaid.

ANNEXURE II

Details of perquisites payable to Mr Srivats Ram, Managing Director of the Company, referred to in the resolution No. 7

Housing, Utilities and Furnishings: Provision of unfurnished residential accommodation, owned or leased by the Company, expenditure on which will be limited to 60% of the salary, or house rent allowance not exceeding 60% of salary. Expenditure incurred by the Company on gas, electricity, water and furnishings shall be evaluated as per the Income tax Rules.

Other Perquisites: Provision of chauffeur driven Company cars, payment / reimbursement of medical expenses (for self and family), telephones, payment of medical and personal accident premium, leave travel assistance, club fees (excluding admission and life membership fee) and such other allowances / perquisites / benefits and amenities.

Company's contribution to Provident Fund, Superannuation Fund and Gratuity Fund as applicable to other Senior Executives of the Company.

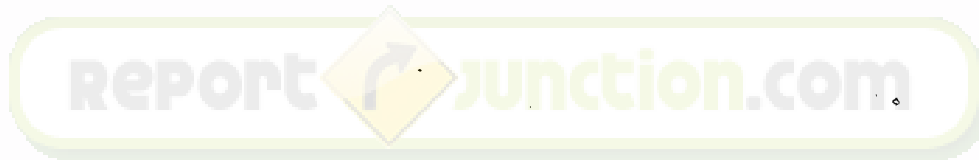
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Provision of chauffeur driven Company car for official purposes shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, the same shall be evaluated at actual cost.

Payment of Company's contributions to Provident Fund / Gratuity Fund and encashment of leave (at the end of the tenure) shall not be included in the computation of remuneration or ceiling on the perquisites.





Directors' Report to the Shareholders

Your Directors present their Forty Ninth Annual Report and the Audited Accounts for the year ended 31st March, 2008.

Financial Results

Sales for the year under review were Rs.1130 crores compared to Rs.1003 crores in the last year. The financial results of your Company for the year under review are as below:

	<u>2007-2008</u>	<u>2006-2007</u>
	(Rs. in Lakhs)	
Gross profit before interest and depreciation	10,170	8,593
Interest	3,069	2,052
Depreciation	3,127	2,672
Profit before tax for the year	3,974	3,869
Profit after tax for the year	2,586	2,603

Dividend

Two interim dividends totaling to 70% amounting to Rs.6,90,86,108/- were paid for the year ended 31st March, 2008. The Directors are not recommending any further dividend for the year ended 31st March, 2008.

Management Discussion and Analysis

In the last year, the Indian economy grew at 9%, slightly lower than the 9.4% growth in GDP in the preceding year. The latter part of the year, saw some slowdown in the momentum of growth, especially in the manufacturing sector which grew at 8.8% as against 12.1% in the previous year. A higher growth of 4.5% in the agriculture sector made up for the lower growth in industry and services.

The latter part of the year and the beginning of this year saw severe global inflationary trends in commodities, resulting in high inflation. The government has tried to restrict money supply to counter inflation. The combination of inflation and tighter money supply is likely to restrict growth in the coming year.

The medium and heavy commercial vehicle segment saw a decline of 2% in 2007-08 as against a growth of 35% in the previous year. Within this, the goods haulage segment saw a steep drop of 16%, which was partially offset by growth in buses and tippers. In light of the environment of economic uncertainty in the current year, we expect no growth in the commercial vehicle market. Similarly, in the light commercial vehicle segment, the last year saw growth slowing down to 10% from 33% in the previous year. We expect only a marginal growth in the coming year.

In the passenger car and utility vehicle segment, growth slowed down to 12% from 22% in the previous year. This growth is likely to further come down to 8% in the current year. The uncertainty caused by inflation and high fuel prices will curtail growth to some extent. The growth in the segment will come primarily from new models and export based programs of car manufacturers.

The agricultural tractor market declined in volume by 5%, after a positive growth of 20% in the previous year. In spite of reasonable growth in the agricultural sector, the tractor market declined partly due to excess capacity that had built in the previous year and partly due to tighter availability of money. While

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the coming year is expected to have a good monsoon, issues of availability of finance is likely to result in only a marginal growth in the tractor market.

The mining and construction equipment industry grew in excess of 30% for the third consecutive year. In the coming year, availability of finance is likely to affect the lower end segments of the industry. At the same time, the commodity markets and export programs of equipment manufacturers will ensure growth at the higher end to maintain the growth in the current year. Your company is a major supplier to the international market in this industry. In the international market, while all customers are looking at double digit growth, Asia-Pacific, where we have a significant share, is likely to grow at 20% in the coming year.

In the last fiscal, the company's performance mirrored the various industry segments. In addition to the segments covered, we did double our sales in air suspension systems as public transport corporations across the country looked at buses with factory fitted air suspension. We expect this trend to continue in the current year.

In the last fiscal, we had successfully filed for anti-dumping duty against Chinese truck wheel imports. This along with cost escalations in China, will stand the company in good stead, as our capacities come on stream later on in the year.

In the current year, the availability and prices of steel are major concerns. The prices have increased by over 30% in the current fiscal. At the same time, availability of steel in the country is tight and our ability to manage the situation will be a critical factor in our growth in the coming year.

Our international business grew by 23% in the year under review and forms 18% of our business. This performance has been during a period in which the Indian Rupee has appreciated by almost 10%. We expect our export business growth trend to continue in the current year.

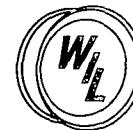
In the last year, your company commenced production at a new plant at Sriperumbudur for manufacture of large earthmover wheels for mining trucks. The plant was commissioned in a record period of 9 months and we expect the plant to break even in the latter part of the coming year. In the coming year, we will commission our plant at Pantnagar in Uttarkhand.

Your company has started a new company, Sundaram Hydraulics Ltd, along with Sundaram Finance Ltd (your company will hold a 49% stake) for manufacture of hydraulic cylinders for the construction equipment industry. We believe that there is a tremendous opportunity to develop, manufacture and market this product to a number of our existing customers.

It has been through the team work and efforts of your Company's employees that we have been able to manage our operations in these difficult times.

Inflation compounded by slow growth is a major challenge that your company has to face in the coming year. In line with this, we are actively looking at cost rationalization exercises at all our plants to improve our competitiveness.

Your company has an adequate system of internal control commensurate with the size and nature of the Company's business. The internal auditors conduct periodical audits to ensure adequacy of internal control systems, adherence to management policies besides ensuring compliance with laws and regulations of the country. We are in the process of implementing the ERP package SAP to improve the internal controls and responsiveness of your organization.



Directors

Under Article 94(3) of the Company, Mr J M A Akers and Mr T K Seshadri, retire from office by rotation, and being eligible, offer themselves for re-appointment.

Corporate Governance

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report is given elsewhere and forms part of this Report.

Directors responsibility statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company as at 31st March, 2008 and of the profit of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv. the annual accounts have been prepared on a going concern basis.

Auditors

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai retire at the conclusion of the Forty Ninth Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

Particulars of Employees

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

General

Particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are enclosed in the annexure and form part of this report.

The Directors wish to thank United Bank of India, State Bank of India, Standard Chartered Bank and HDFC Bank Limited for their continued support.

Your Company continues to enjoy the full co-operation of all its employees. The Directors wish to place on record their appreciation of the good work done by them.

Chennai
27th June, 2008

On behalf of the Board of Directors
S Ram
Chairman & Managing Director