



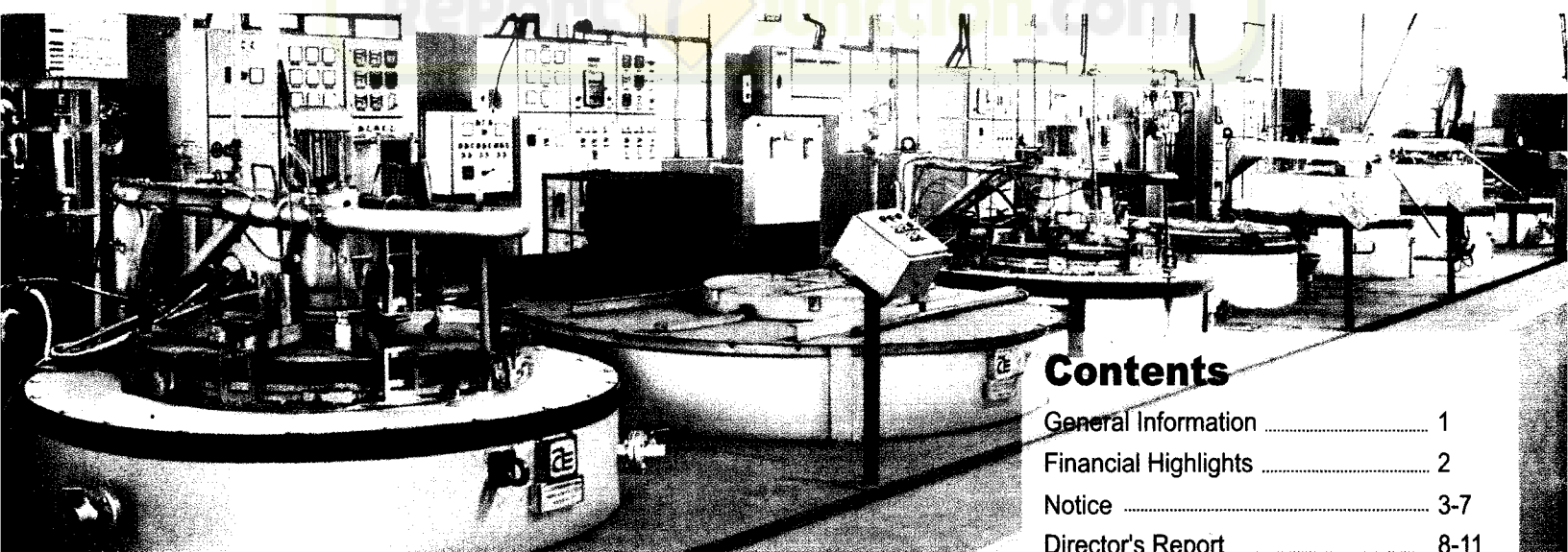
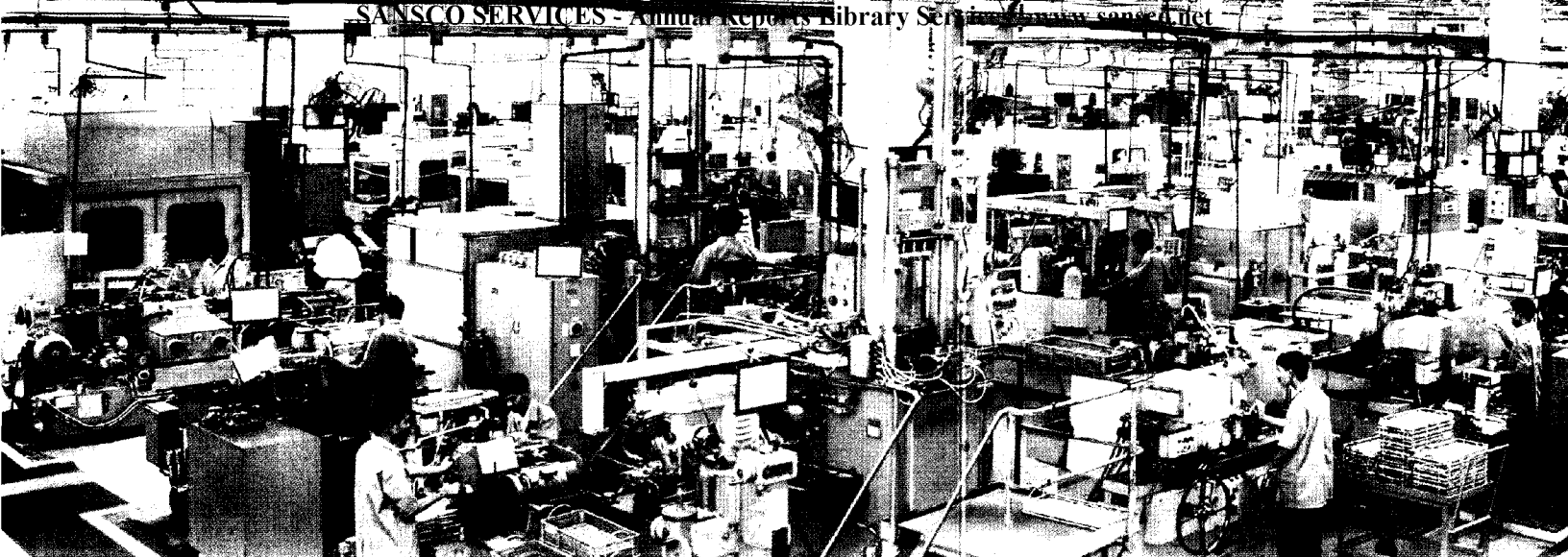
*Steering Success With Safety*

**ZF STEERING GEAR (INDIA) LIMITED**

**27<sup>th</sup>**  
**annual report**  

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2006-07



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## **BOARD OF DIRECTORS**

### **Chairman**

A. H. Firodia

### **Managing Director**

Dinesh Munot

### **Jt. Managing Director**

Jinendra Munot

### **Executive Director**

Utkarsh Munot (From 1-11-2006)

### **Non-Executive Directors**

B. N. Deshmukh

D. S. Bomrah

Dr. Wolfgang Zeitz

Abhay Firodia

Manish Motwani

Dr. Dinesh Bothra

Walter Salvasohn

Ludwig Rapp

Sushen Gupta (Up to 31-10-2006)

### **AUDIT COMMITTEE**

Manish Motwani (Chairman)

D. S. Bomrah

Dr. Dinesh Bothra

### **SHAREHOLDERS' GRIEVANCE COMMITTEE**

Dr. Dinesh Bothra

### **REMUNERATION COMMITTEE**

D. S. Bomrah (Chairman)

Manish Motwani

### **AUDITORS**

M/s N. F. Karnavat & Co.

Chartered Accountants

Pune.

### **BANKERS**

Bank of Maharashtra

Canara Bank

HDFC Bank Ltd.

ABN-Amro Bank N. V.

### **REGISTERED OFFICE & WORKS**

Gat Nos. 1242 & 1244

Village Vadu Budruk,

Taluka Shirur, Dist. Pune-412 216

Maharashtra.

### **CORPORATE OFFICE**

601-602, MCCIA Trade Tower,

International Convention Centre, 'A' Wing

403-A, Senapati Bapat Road,

Pune - 411 016.

Telephones: 020-30211600

Fax : 020 - 30211699

e-mail : satish.mehta@zfindia.com

### **SHARE TRANSFER AGENTS**

M/s. Intime Spectrum Registry Ltd.,

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (West)

Mumbai- 400 078

Telephone: 022-25963838

Fax: 022- 25946979

e-mail: isrl@vsnl.com

### **COMPANY SECRETARY & DGM - FINANCE**

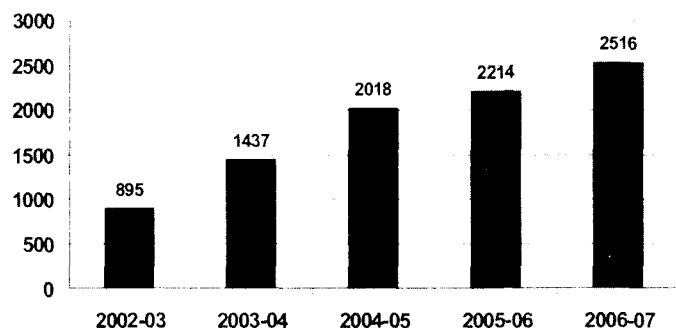
Satish Mehta



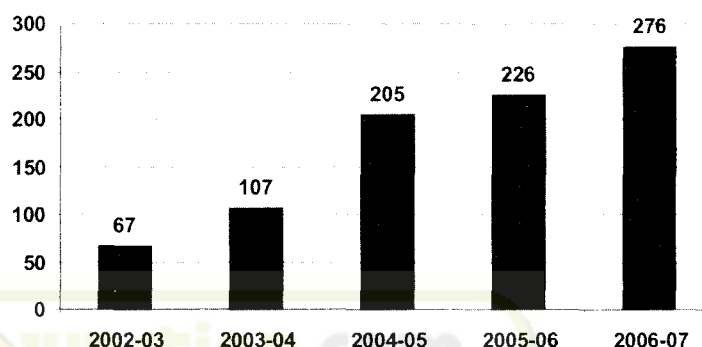
## 5 Year Highlights



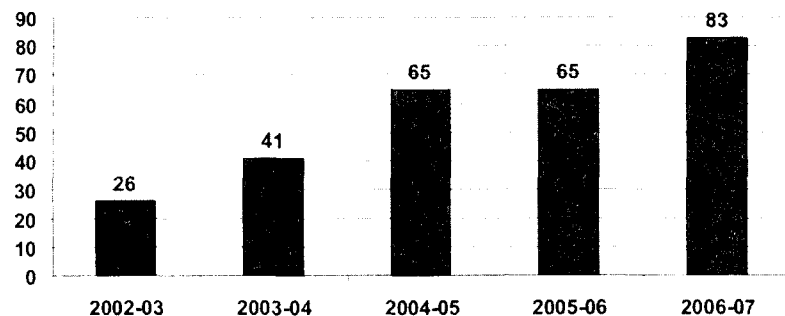
TURNOVER (Rs.in Million)



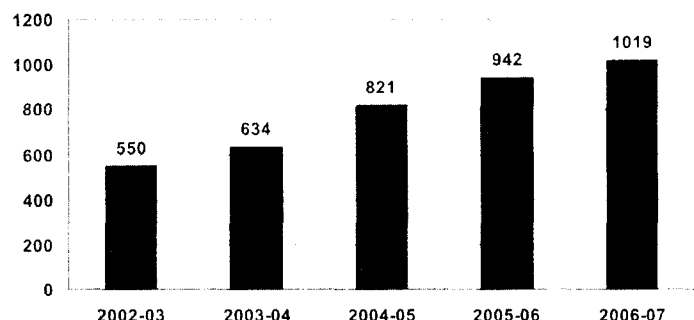
NET PROFIT (Rs.in Million)



DIVIDEND PAY-OUT (Rs.in Million)



FIXED ASSETS - GROSS BLOCK (Rs. in Million)





## NOTICE

Notice is hereby given that the **Twenty-Seventh Annual General Meeting** of the Members of **ZF STEERING GEAR (INDIA) LIMITED** will be held as scheduled below:

Day : Tuesday

Date : July 31, 2007

Time : 4.30 p.m.

Place : Registered Office of the Company  
Gat Nos. 1242/44, Village Vadu Budruk,  
Tal. Shirur, Dist. Pune- 412 216.

The Agenda for the Meeting will be as under:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Audited Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To note and confirm the payment of interim dividend.
3. To appoint a Director in place of Dr. Dinesh Bothra, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Wolfgang Zeitz, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. H. Firodia, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

## SPECIAL BUSINESS:

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

**“RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), read with Schedule XIII thereto, and subject to such sanctions as may be necessary, the Company hereby accords its approval to the re-appointment of Mr. Dinesh Munot as a Managing Director of the Company for a further period of five years w.e.f. from December 14, 2006, on the terms and conditions, including those relating to remuneration, as set out under Item No. 7 of the Explanatory Statement annexed to this Notice.”

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

**“RESOLVED THAT** Mr. Utkarsh Munot, who was appointed by the Board of Directors of the Company, as a Director to fill in the casual vacancy on the Board, caused by the resignation of Mr. Sushen Gupta and, who holds office up to the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 (the Act), but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

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

**“RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), read with Schedule XIII thereto, and subject to such sanctions as may be necessary, the Company hereby accords its approval to the appointment of Mr. Utkarsh Munot as an Executive Director of the Company for a period of five years w.e.f. from November 1, 2006, on the terms and conditions, including those relating to remuneration, as set out under Item No. 9 of the Explanatory Statement annexed to this Notice.”

By Order of the Board of Directors  
For ZF Steering Gear (India) Ltd.

Pune  
May 22, 2007

**Satish Mehta**  
Company Secretary  
& DGM Finance

**Notes:**

- 1) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of special business under item Nos. 7 to 9 is annexed hereto.
- 2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**  
Proxies, in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the Annual General Meeting.
- 3) Profiles of the Directors being appointed/ re-appointed, as required by the Corporate Governance Code (Clause 49 VI A of the Listing Agreements entered into with the Stock Exchange), are annexed to the Notice.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from July 24, 2007 to July 31, 2007 (both days inclusive).
- 5) The Board of Directors at their Meeting held on March 13, 2007 had declared payment of interim dividend of Rs. 8/- per share for the year 2006-07. At the Board Meeting held on May 22, 2007, the Board has decided to treat the interim dividend as final dividend. Accordingly, the members are requested to confirm the payment of interim dividend made on the shares of the Company (Kindly refer to item No. 2 of the Notice).
- 6) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company so as to reach it at least ten days before the date of the Meeting, so that information can be made available at the Meeting.
- 7) Members holding shares in physical form are requested to intimate the changes, if any, in their registered addresses, to the Company's Registrar & Share Transfer Agents M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai- 400 078.
- 8) Members are advised that respective bank details and addresses as furnished by them or by NSDL/ CDSL to the Company, for shares held in physical form and in the dematerialized form respectively, will be printed on their dividend warrants so as to protect against fraudulent encashment.
- 9) Pursuant to provisions of Section 205 of the Companies Act, 1956, all unclaimed/ unpaid dividends up to and including the financial year 1994-95, have been transferred to the General Revenue

Account of the Central Government. Members who have not yet en-cashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form II of the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 to Registrar of Companies, Maharashtra, PMT Building, Deccan Gymkhana, Pune- 411 004.

- 10) Pursuant to provisions of Section 205A and 205 C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund of the Central Government. Accordingly, unclaimed dividends for the financial years 1995-96 to 1999-2000 have been transferred to the Investor Education and Protection Fund of the Central Government. Unclaimed dividend for financial years 2000-01 and thereafter is still lying with the Company. Shareholders who have not yet en-cashed the dividend warrants for financial years 2000-01 and thereafter are requested to contact the Company at the earliest since no claim shall lie against the Company or the Investor Education and Protection Fund after transfer as

**Explanatory Statement**

As required by Section 173 of the Companies Act, 1956, in respect of the Items of Special Business in this Notice.

**Item No. 7 :** The Board of Directors of the Company at their meeting held on October 31, 2006, re-appointed Mr. Dinesh Munot as Managing Director of the Company for a further period of 5 years with effect from December 14, 2006.

A brief-profile of Mr. Dinesh Munot has been given separately as part of the Notice.

The terms and conditions of his appointment, including those relating to remuneration, are as given hereunder:

**Tenure :** For a period of five years with effect from December 14, 2006.

**Remuneration:**

- (a) **Salary:** Rs. 3,00,000/- (Rupees Three lakh ) per month, with annual increment of 10%, effective April 1 each year.
- (b) **Commission:** Mr. Dinesh Munot shall be entitled to an annual performance related commission, as may be determined by the Board/ Remuneration Committee of Directors.
- (c) **Perquisites:** In addition to salary and commission, Mr. Dinesh Munot will also be entitled to the following perquisites.



- i) **Housing:** 60% of the Salary will be paid to Mr. Dinesh Munot as Housing Allowance per month.
- ii) **Stock option :** Participation to employee stock option scheme, as may be evolved by the Company from time to time.
- iii) **Medical Reimbursement :** Reimbursement of medical expenses including hospitalization and surgical charges incurred in India and abroad for Mr. Dinesh Munot and his family, as may be approved by the Board of Directors or as per the rules of the Company.
- iv) **Leave Travel Concession :** Leave travel concession for Mr. Dinesh Munot and family once in a year incurred, in accordance with the rules specified by the Company.
- v) **Club Fees :** Reimbursement of membership fee up to 2 (two) clubs, including admission and life membership fee.
- vi) **Personal Accident Insurance :** Personal Accident Insurance Policy as per the rules of the Company.
- vii) **Hospitalisation Insurance :** Hospitalisation Insurance for self and family as per actual.
- viii) **Provident Fund :** Company's Contribution to Provident Fund/ Special Salary in lieu thereof, in accordance with the rules of the Company.
- ix) **Gratuity :** Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- x) **Leave :** Leave with full pay or encashment, as per the rules of the Company.
- xi) **Other Perquisites:** Subject to overall ceiling on remuneration mentioned herein below, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may from time to time decide.
- (d) **Amenities :** Provision of Car: The Company shall provide car/s with chauffeur for official as well as personal purposes.  
**Communication facilities:** Telephone/ Telefax and other suitable communication facilities at the residence.
- (e) **Overall Remuneration :** The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act.
- (f) **Minimum Remuneration :** In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Companies Act, 1956.

#### Other Terms & Conditions :

- 1) As long as Mr. Dinesh Munot functions as Managing Director of the Company, no sitting fee will be paid to him for attending the Meetings of the Board of Directors or Committee thereof.
- 2) Notwithstanding anything to the contrary herein contained, either party shall be entitled to terminate the Agreement at any time by giving to the other party 180 days notice in writing in that behalf or salary in lieu thereof.

Approval of the Members under Section 269 read with Schedule XIII to the Companies Act, 1956, is required for appointment/ re-appointment of Managing Director and for payment of remuneration to him. Hence, the Board of Directors commends Resolution No. 7 for your approval.

None of the Directors of the Company except Mr. Dinesh Munot, Mr. Jinendra Munot, Mr. Utkarsh Munot and Dr. Dinesh Bothra, is in any way, concerned or interested in this Resolution.

#### Item Nos. 8 and 9

At the Meeting held on October 31, 2007, the Board of Directors had appointed Mr. Utkarsh Munot as a Director to fill the casual vacancy, caused due to resignation of Mr. Sushen Gupta, pursuant to Section 262 of the Companies Act, 1956. At the same Board Meeting, the Board also approved the appointment and remuneration of Mr. Utkarsh Munot as an Executive Director from November 1, 2006.

A brief-profile of Mr. Utkarsh Munot has been given separately as part of the Notice.

The terms and conditions of his appointment, including those relating to remuneration, are as given hereunder:

**Tenure :** For a period of five years with effect from November 1, 2006.

#### Remuneration:

- (a) **Salary:** Rs. 70,000/- ( Rupees Seventy Thousand) per month, with annual increment of 10% effective April 1 each year.
- (b) **Commission:** Mr. Utkarsh Munot shall be entitled to an annual performance related commission, as may be determined by the Board/ Remuneration Committee of Directros..
- (c) **Perquisites:** In addition to salary and commission, Mr. Utkarsh Munot will also be entitled to the following perquisites.
  - i) **Housing:** 60% of the Salary will be paid to Mr. Utkarsh Munot as Housing Allowance per month.





- ii) **Stock option:** Participation to employee stock option scheme, as may be evolved by the Company from time to time.
- iii) **Medical Reimbursement:** Reimbursement of medical expenses including hospitalization and surgical Charges incurred in India and abroad for Mr. Utkarsh Munot and his family, as may be approved by the Board of Directors or as per the rules of the Company.
- iv) **Leave Travel Concession:** Leave travel concession for Mr. Utkarsh Munot and family once in a year incurred in accordance with the rules specified by the Company.
- v) **Club Fees:** Reimbursement of membership fee up to 2 (two) clubs, including admission and life membership fee.
- vi) **Personal Accident Insurance:** Personal Accident Insurance Policy as per the rules of the Company.
- vii) **Hospitalization Insurance :** Hospitalization Insurance for self and family as per actuals.
- viii) **Provident Fund:** Company's Contribution to Provident Fund/ Special salary in lieu thereof, in accordance with the rules of the Company.
- (ix) **Gratuity:** Gratuity payable at the rate not exceeding half a month's salary for each completed year of service
- (x) **Leave:** Leave with full pay or encashment, as per the rules of the Company.
- (xi) **Other Perquisites:** Subject to overall ceiling on remuneration mentioned herein below, the Executive Director may be given other allowances, benefits and perquisites as the Board of Directors may from time to time decide.
- (d) **Amenities:**  
Provision of Car: The Company shall provide car/s with chauffeur for official as well as personal purposes.  
**Communication facilities:** Telephone/ Telefax and other suitable communication facilities at the residence.
- (e) **Overall Remuneration :** The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being be in force.
- (f) **Minimum Remuneration :** In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment

of salary and perquisites and other allowances shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII of the Companies Act, 1956

#### OTHER TERMS AND CONDITIONS

- 1) As long as Mr. Utkarsh Munot functions as Executive Director of the Company, no sitting fee will be paid to him for attending the Meetings of the Board of Directors or Committee thereof.
- 2) Notwithstanding anything to the contrary herein contained either party shall be entitled to terminate the Agreement at anytime by giving to the other party 180 days notice in writing in that behalf or salary in lieu thereof.

Pursuant to Section 262 of the Companies Act, 1956, Mr. Utkarsh Munot will hold office only up to the date of ensuing Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the appointment of Mr. Utkarsh Munot as Director.

Approval of the Members under Section 269 and 309 read with Schedule XIII to the Companies Act, 1956, is required for appointment of Executive Director and for payment of remuneration to him. Hence, the Board of Directors commends Resolutions No.8 and 9 for your approval.

None of the Directors of the Company except Mr. Utkarsh Munot, Mr. Dinesh Munot and Dr. Dinesh Bothra is in any way, concerned or interested in these Resolutions.

By Order of the Board of Directors  
**For ZF Steering Gear (India) Ltd.**

Pune  
May 22, 2007

**Satish Mehta**  
Company Secretary  
& DGM Finance

■ ■ ■

#### INFORMATION REQUIRED TO BE FURNISHED UNDER THE CORPORATE GOVERNANCE CODE

##### Appointment/ Re-appointment of Directors

At the ensuing Annual General Meeting, Dr. Dinesh Bothra, Dr. Wolfgang Zeitz, and Mr. A H. Firodia, retire by rotation and are eligible for re-appointment. Mr. Dinesh Munot is being re-appointed as Managing Director of the Company for further 5 years with effect from December 14, 2006. Mr. Utkarsh Munot is being appointed as Executive Director of the Company for 5 years with effect from November 1, 2006. The information/ details to be provided for the aforesaid Directors under the Corporate Governance Code are as under:





(a) **Dr. Dinesh Bothra**, aged 40, is B. Tech from IIT, Delhi. He has also done his M.S and Ph.D. from U.S.A. in Chemical and Biochemical Engineering. Dr. Bothra is having rich experience in the area of Pharmaceutical Bio-technology and Speciality Materials. He has worked as a Biopharmaceutical and Process Consultant in U.S.A. He is associated with ZF India since July 2000.

**Directorship held in other companies are:**

ABR Organics Ltd.	Director
Bio Katalysis (India) Pvt. Ltd.	Director
Indo Bio Active Labs Pvt. Ltd.	Director
Xtree Pharmaceuticals Pvt. Ltd.	Director
Serval India Pvt. Ltd.	Director
Aromatic Polyimides Pvt. Ltd.	Director

(b) **Dr. Wolfgang Zeitz**, aged 58, is a nominee-Director from ZF Lenksysteme GmbH. Dr. Zeitz is a graduate in Mechanical Engineering and holds Doctorate degree in Tools Engineering. Dr. Zeitz has held senior positions in many companies including ZSK and Union Special. Dr. Zeitz joined ZF Germany as Vice President Truck Division in 1994. Since April 1, 2001 he is Executive Officer Steering Columns, Pumps, Commercial Vehicles Steering Gear Division of ZF Lenksysteme GmbH. Dr. Zeitz is Director in ZF India since November 1995.

**Chairmanship/ Directorship held in other companies are:**

ZF Heavy Duty Steering Inc.(Canada)	Chairman
ZF Sistemas de Direcao Ltda. (Brazil)	Director
ZF Steering Jincheng (Nanjing)	Director
Commercial Vehicle Steering Co. Ltd. (Jinan)	Director

(c) **Mr. A. H. Firodia**, aged 64, is B-Tech with distinction in Electrical Engineering from IIT, Mumbai. He is also MS in Electrical Engineering from Massachusetts Institute of Technology and MS in Management from Sloan School of Management, USA. He had a bright academic career. He has rich experience of over 36 years in Automobile Industry. He is the Chairman of Kinetic Group, one of India's leading manufacturers and exporters of two wheelers. He is the Past-President of Mahratta Chamber of Commerce, Industries and Agriculture, Pune. Presently, he is a Member of Executive Committee/ Governing body of:

- Association of Indian Automobiles Manufacturers
- Mahratta Chamber of Commerce, Industries and Agriculture, Pune
- Society of Indian Automobile Manufacturers

Mr. Firodia is recipient of several honours and awards. Some of them are:

- 'Lifetime Achievement Award' instituted jointly by SIAM, ACMA, ICICI and Overdrive

- 'Pune 2006 Super Achievers Award' instituted by ASMs IBMR and IIBR jointly with Vision India.
- 'FICCI Annual Award (2003)' for outstanding achievement in Employment of Physically Challenged people

Mr. A. H. Firodia has been associated with the Company since March 1996. The Company has grown from strength to strength under his direction.

**Chairmanship held in other companies are:**

- Kinetic Motor Company Ltd.
- Kinetic Engineering Ltd.
- Jaya Hind Sciaky Ltd.
- Kinetic Communications Ltd.
- Kinetic Marketing & Services Ltd.
- Ajinkya Holdings Pvt. Ltd.
- Kinetic Escalator & Elevators Ltd.
- JHS Taigene Electrical Co. Pvt. Ltd.
- Kaygee Auto Products Pvt. Ltd.
- Kinetic Hankuk Electricals & Electronics Pvt. Ltd.

**Directorship held in other company is:**

- Ducati Energia (India) Pvt. Ltd.

(d) **Mr. Dinesh Munot**, aged 59, is BE (MIE). He has more than 32 years of experience in the automobile industry. In the year 1985, Mr. Dinesh Munot was awarded as 'Outstanding Young Person of the year' by Indian Jaycees. He was elected as the President of ACMA (Automotive Components Manufacturers Association of India), the apex body representing automotive component manufacturers from all over India.

He is functioning as Managing Director of the Company since 1984. The Company has benefited from his rich experience and expertise.

**Directorship held in other companies are:**

- Kinetic Motor Company Ltd
- The Modern Foundry & Machine works Ltd.
- Emtech Solutions Pvt. Ltd.
- Indo Bio Active Labs Pvt. Ltd.

He is also a Committee Member in the Remuneration Committee of Kinetic Motor Company Ltd.

(e) **Mr. Utkarsh Munot**, aged 26, is qualified as Bachelor in Mechanical Engineering and Manufacturing Engineering from the North Eastern University, Boston, USA. He also holds Diploma in Business Administration from the same University.

Mr. Utkarsh Munot was working as 'Manager-Works' in the Company since May 14, 2004. He has been appointed as Executive Director of the Company from November 1, 2006.

He has been taking keen interest in various activities of the Company and his efforts/ contribution has been appreciated by the senior management.

Mr. Utkarsh Munot is also a Director in Emtech Solutions Pvt. Ltd.



## Directors' Report

To the Members,

The Directors are pleased to present the Twenty Seventh Annual Report and Audited Accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

(Rs. in Million)

	2006-2007	2005-2006
<b>Sales (net) and other Income</b>	<b>2234.1</b>	1,965.9
Profit before depreciation and tax	<b>507.4</b>	432.2
Depreciation	<b>97.0</b>	99.4
Provision for tax	<b>134.8</b>	106.8
Net Profit	<b>275.6</b>	226.0
Balance Brought Forward from Previous year	<b>18.2</b>	16.8
Amount available for appropriation	<b>293.8</b>	242.8
<b>APPROPRIATIONS</b>		
General Reserve	<b>180.0</b>	160.0
Interim Dividend and Tax thereon	<b>82.8</b>	--
Proposed Dividend and Tax thereon	<b>--</b>	64.6
Balance Carried Forward	<b>31.0</b>	18.2
	<b>293.8</b>	242.8

### Dividend

The Board of Directors had declared Interim Dividend @Rs. 8/- per share (80%) for the year ended March 31, 2007, which has been paid in March 2007.

The Directors recommend that the Interim Dividend paid be taken as Final Dividend for 2006-07. The Dividend paid for previous year was Rs. 6.25 per share (62.50%).

### Management Discussion and Analysis Report

India has drawn the world's attention as an emerging economy with a promising future. India is on high growth trajectory clocking in 8.6 % average-growth in the past 3 years. The manufacturing sector is being viewed at par with the services sector for high growth and India can become a manufacturing hub coupled with designing capabilities for global companies.

The Indian Automotive market had another good year driven by the growth in economy and by the positive effects of government policies and the infrastructure projects. Sales of commercial vehicles were positively influenced by the improvement in road-infrastructure and also the ruling of Supreme Court to ban overloading of commercial vehicles. The Commercial Vehicles industry recorded a growth of 33%, producing 520,000 vehicles during

2006-07 compared to 391,083 vehicles in the previous year. The tractor segment has also shown an impressive growth due to the increased focus of the government in providing subsidies. Sales of Tractors recorded 386,640 numbers during 2006-07 against 322,246 in 2005-06, a 20% increase. Your Company is into the manufacture and marketing of steering gears for commercial vehicles and tractor industry. The Company has recently entered Passenger-Car segment by supplying Rack & Pinion Power Steering Gears for Indica Car.

### Review of Operations

#### Competition and Challenges

The Indian industry has entered into a phase of higher competition in this era of globalization. As apprised in our last Report, the Company's business in Power Steering Gears faces severe competition from Chinese manufacturers. The products from China continue to impact the market,

Quick and cost-effective adaptation of new products as per Indian market, continuously improving upon the quality/delivery standards and attracting, training and retaining talent are some of the challenges, the Company has to meet in the coming years.

### Operating Results of the Company

#### Sales

During the year under the review, your Company sold 124,811 **Power Steering Gears** (PSG) and 92,155 **Mechanical Steering Gears** (MSG) compared to 102,019 PSG and 79,876 MSG in the previous year.

The total sales (including Excise) amounted to Rs. 2,516 million as against Rs. 2,214 million in the previous year. The Company registered a growth of 13.6% in Sales.

#### Other Income

Other Income registered a rise of 40 % to Rs. 68 million from Rs. 49 million thanks to higher dividends received during the year.

#### Profitability

Profit Before Tax for the year improved to Rs. 410.4 million from Rs. 332.8 million in the previous year. It may be noted that the higher profit was achieved despite continuous price-reduction-compulsions from OEMs but the Company successfully worked on cost-reductions and import-substitution. A slightly lower depreciation-charge, healthy other-income and strong rupee were other contributory.