

## Corporate Information

### Board of Directors

**Mr. Siddharth Shriram**  
*Chairman*

**Dr. D.V. Kapur**

**Mr. O.P. Khaitan**

**Mr. Ravi V. Gupta**

**Mr. K. Kashiwagi**  
*President & Chief Executive Officer*

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

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

**Mr. M. Takedagawa**

**Mr. Y. Aoshima**

**Mr. S. Mizusawa**

### Company Secretary

**Mr. Amit Jain**

### Statutory Auditors

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

### Bankers

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

### Technical and Financial Collaborators

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

### Registered and Corporate Office

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

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## DIRECTORS' REPORT

### Dear Members,

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

### Financial Results and Appropriations

(Rs. in lacs)

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

### DIVIDEND

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

### DOMESTIC MARKETS AND EXPORTS

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

### INDIGENISATION PROGRAMME

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

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

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

### ENTERPRISE RESOURCE PLANNING (ERP)

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

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

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

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

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

### ENVIRONMENT PROTECTION & SAFETY

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

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

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

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

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

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

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

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

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

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

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

#### **DIRECTORS**

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

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

Your Board of Directors has further recommended the

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

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

#### **AUDITORS**

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

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

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. That the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the annual accounts have been prepared on a going concern basis.

#### **PARTICULARS OF EMPLOYEES**

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

#### **CODE OF CONDUCT AND ETHICS**

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

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

#### **CEO/CFO CERTIFICATION**

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

#### **CORPORATE GOVERNANCE**

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

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

#### **ACKNOWLEDGEMENTS**

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

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

On behalf of the Board

New Delhi  
June 30, 2007

**Siddharth Shriram**  
**Chairman**

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

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

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

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

The Company has carried out work in the following areas :

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

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

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

## 3. Future plans of action

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

## 4. Expenditure on R &amp; D

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

**Technology absorption, adaptation and innovation**

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

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

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

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

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

## 2. Benefits derived as a result of the above efforts

The benefits derived relate to

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

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

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

**Annexure – D to Directors' Report**

**CERTIFICATE AND DECLARATION**

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

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

For **Honda Siel Power Products Limited**

**K Kashiwagi**  
**President & CEO**

**CERTIFICATE**

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

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

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

For **Honda Siel Power Products Limited**

**Vinay Mittal**  
Chief Financial Officer

**K Kashiwagi**  
President & CEO

**Annexure - F to Directors' Report**

**T.V. NARAYANASWAMY**  
Company Secretary

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

**CERTIFICATE**

To the Members of Honda Siel Power Products Ltd.

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

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

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

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

New Delhi  
May 19, 2007

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



## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

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

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

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

### 2. Board of Directors

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

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

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

#### Board Meetings

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

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

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

ID - Independent Director

NED- Non- Executive Director

ED - Executive Director

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

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

### 3. Committees of the Board

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

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

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

#### i. Audit Committee

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

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

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

#### ii. Shareholders/Investors Relations Committee

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

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

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

**Compliance Officer**

Mr Amit Jain, Secretary is Compliance Officer of the Company for complying with the requirements of Securities & Exchange Board of India (Prohibition of Insider Trading) Regulation, 1992 and the Listing Agreement entered into with the Stock Exchanges in India.

**Investor Grievance Redressal**

Your Company has about 10000 investors. During the year under review, the status of complaints was as follows:

Particulars	Received	Redressed	Balance
Non-receipt of shares sent for Transfer/ Demat	1	1	NIL
Non – receipt/ Revalidation of Dividend warrants	5	5	NIL
Others/Miscellaneous	3	3	NIL

**iii. Remuneration Committee**

The Committee comprises of three non-executive independent Directors namely:

Dr. D.V. Kapur – Chairman,  
Mr. Siddharth Shriram – Member, and  
Mr. O. P. Khaitan – Member

During the year, the Committee met once on May 17, 2006 and the meeting was attended by all the members. The Company Secretary acts as the Secretary of the Committee.

The Committee was formed to review and approve the compensation payable to the Whole-Time Directors of the Company. While approving the remuneration, increment etc., it takes into account the financial position of the Company, industry trend, appointee’s qualification, experience, past performance, remuneration, etc.

**Remuneration Policy**

The remuneration payable to the Whole-Time Directors are decided by the Remuneration Committee. However, such remuneration is subject to the approval by the shareholders at the General Meeting and also subject to the approval of other authorities, as the case may be.

The remuneration is fixed considering various factors such as qualification, experience, expertise of the appointee and the prevailing remuneration in the corporate world, financial position of the Company etc. The remuneration structure of the Whole-Time Directors comprises of Basic Salary, Perquisites and Allowances, Contribution to Provident Fund and other funds in accordance with Section 198 of the Companies Act, 1956.

**Details of remuneration paid to Directors for the year 2006-07**

**1. Executive Directors**

The details of the remuneration paid to the Whole-Time Director(s) during the year 2006 ~ 2007 are as under:

(Amount in Rs. Lacs)

Name	Salary	Perquisites/ Retiral benefits	Service Contract
Mr. K Kashiwagi	55.80	13.92	27.03.2005 to 26.03.2010
Mr. R S Bidesi	35.52	5.70	01.04.2006 to 08.02.2007*
Mr. Y Watanabe	46.20	9.73	01.01.2006 to 31.12.2011

\* Reappointed for one year effective 09.02.2007 to 08.02.2008

No notice period and severance fee is applicable for the above mentioned Whole-Time Directors. The Company does not pay any performance linked incentive to its Whole-Time Directors. The Company has not offered any Stock Option Scheme so far.

## 2. Non-Executive Directors

Details of the sitting fees paid during the year 2005-06 for attending the meetings of Board of Directors and its Committees are as under:

(Amount in Rs.)

Name of the Director	Board	Audit Committee	Shareholders/ Investors Relations Committee	Board Committee on Financial Matters	Remuneration Committee	Total
Mr. Siddharth Shriram	80,000	-	80,000	40,000	20,000	220,000
Dr. D. V. Kapur	80,000	80,000	100,000	-	20,000	280,000
Mr. O. P. Khaitan	80,000	80,000	-	-	20,000	180,000
Mr. R. V. Gupta	80,000	80,000	-	-	-	160,000

- Mr. Y Aoshima, Mr. M Takedagawa, Director(s) nominated by Honda Motor Co., Ltd., Japan submitted a letter of waiver for sitting fee of the Board & Committee thereof. No Sitting fees was paid to Mr. S. Mizusawa, Director.

### Equity shares of the Company held by the Non-Executive Directors

Mr. Siddharth Shriram, Chairman and Non-Executive Director hold 50 equity shares of the Company in his name. No other Non-Executive Director holds any equity shares of the Company.

## 4. General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Financial Year	Date	Time	Location
2005-06	July 27, 2006	1130 hours	Registered Office- Plot No.5, Sector 41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar, (UP)
2004-05	July 26, 2005	1130 hours	
2003-04	September 29, 2004	1130 hours	

No resolution was passed through postal ballot during the past three years.

During the years 2003-04 and 2004-05, no approval of the shareholders was obtained through special resolution. During the year under review, three special resolutions were passed. One was pertaining to the increase in the remuneration of President & CEO and other two were relating to appointment & payment of remuneration of Vice President & Whole-time Directors of the Company.

## 5. Subsidiary Companies

The Company does not have any subsidiary Company.

## 6. Disclosures

- Related parties and transactions with them as required under Accounting Standard 18 (AS –18) are furnished under paragraph 14 of the Notes to the Accounts attached with the financial statement for the year ended March 31, 2007.
- The above transactions have no potential conflict with the interest of the Company.
- Risk Management – The Board has laid down and approved adequate procedures for management and minimization of risk.
- The financial statements are made in accordance with the standards issued by the Institute of Chartered Accountants of India.
- There has not been any non-compliance, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any other authorities, on any matters relating to capital markets during the last three years.
- The Company has not adopted any of the non-mandatory requirements, except the Remuneration Committee as mentioned in annexure 3 of Clause 49 of the Listing Agreement.

## 7. Means of Communication

1. The Company has published the annual results (year ended March 31, 2006), quarterly results (quarter ended June 30, 2006 and December 31, 2006) and the half yearly results (period ended September 30, 2006) in English and Hindi language newspapers.
2. The results of the Company are also displayed on the Company's website [www.hondasielpower.com](http://www.hondasielpower.com). The Company's website also displays the official news releases.
3. No presentations were made by the Company to the Analysts during the year.
4. Annual Report containing *inter-alia*, audited Annual Accounts, Directors' Report, Auditors' Report and other important information is circulated to Members and other entitled thereto. The Management Discussion & Analysis Report forms a part of this Annual Report and is provided elsewhere in this Report.

## 8. General Shareholders information

### i. 22<sup>nd</sup> Annual General Meeting

Day, Date & Time	: Thursday, July 26, 2007 at 11.30 AM
Venue	: Regd. Office at Plot No. 5, Sector 41 (Kasna), Greater Noida, Distt. Gautam Budh Nagar, UP-201306.
Financial Year	: Year ended March 31, 2007
Book Closure	: July 20, 2007 to July 26, 2007 (both days inclusive)
Dividend Payment Date	: August 1, 2007

### ii. Dividend Details

Unclaimed dividends upto financial year 1994-95 have been transferred to the General Revenue Account of the Central Government and for the financial years 1995-96 to 1999-2000 to Investor Education and Protection Fund constituted by the Central Govt. Details of unclaimed dividend as on March 31, 2007 are given hereunder:

Period	Rate (%)	Date of declaration	Date of payment	Unclaimed dividend (Rs.)
2000-2001	40	21.09.2001	26.10.2001	319,402.21
2001-2002(I)*	40	28.01.2002	11.02.2002	322,496.00
2001-2002 (F)	40	17.09.2002	05.10.2002	309,631.00
2002-2003 (I)*	40	13.03.2003	27.03.2003	344,279.76
2002-2003 (F)	40	13.08.2003	02.09.2003	285,186.00
2003-2004	40	29.09.2004	12.10.2004	347,948.00
2004-2005	30	26.07.2005	16.08.2005	268,886.00
2005-2006	40	27.07.2006	05.08.2006	376,180.00

\* Interim Dividend (I) was confirmed as Final Dividend (F).

**iii. Listing on Stock Exchanges and Stock Codes**

The names and addresses of the Stock Exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

<b>Name &amp; Address of the Stock Exchange</b>	<b>Stock Code</b>
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001.	522064
The National Stock Exchange of India Ltd. (NSE) 5 <sup>th</sup> Floor, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051	HONDAPOWER
The Calcutta Stock Exchange Association Ltd.*, 7, Lyons Range, Kolkata – 700 001.	29024

\* The application for voluntary de-listing has been pending with The Calcutta Stock Exchange Association Ltd. since September 2003 and is awaiting confirmation.

Listing fees for the year 2007 ~ 2008 has since been paid to BSE & NSE.

**iv. Stock Market Data**

Monthly high and low quotations as well as the volume of shares traded at BSE and NSE were as under:

(Amount in Rs./share)

<b>Month (s)</b>	<b>BSE</b>			<b>NSE</b>		
	<b>High</b>	<b>Low (Nos.)</b>	<b>Volume</b>	<b>High</b>	<b>Low (Nos.)</b>	<b>Volume</b>
April' 2006	156.75	141.25	357137	156.00	121.00	42167
May ' 2006	174.90	135.00	420576	174.90	130.00	192571
June' 2006	143.70	100.20	77175	148.75	102.05	52560
July' 2006	139.80	118.80	46180	140.90	117.70	29429
August' 2006	148.65	127.00	125873	148.75	127.00	56577
September' 2006	153.50	131.10	64902	152.10	133.25	35648
October' 2006	163.30	141.20	78260	162.40	134.55	22504
November' 2006	197.50	149.00	2069143	197.00	143.05	1037690
December' 2006	187.80	154.00	428163	186.50	155.00	192080
January' 2007	194.00	172.00	569670	193.00	150.05	342641
February' 2007	199.30	170.00	514541	197.95	155.25	216288
March' 2007	182.00	160.10	220046	182.80	155.05	63948

**v. Sensex Vs. Honda Siel Power Products's Share Price****vi. Registrar and Share Transfer Agents**

The Company has appointed M/s. Mas Services Ltd., as its Registrar and Share Transfer Agents (RTA). Share transfer in physical form and other communications regarding shares, dividends, change in address, etc. may be addressed to

Mr. Narender Rastogi  
Mas Services Limited  
Unit: Honda Siel Power Products Limited  
AB - 4, Safdarjung Enclave, New Delhi – 110029  
Phone: 011-26104142, 26104326, Email - mas\_serv@yahoo.com

**vii. Investors' Service & Share Transfer System**

The Company has a system of attending and redressing all investors' related grievances/correspondence within a period of 7 to 15 days from the date of receipt of the same. The investors can personally contact or send their correspondence either to RTA or at the Secretarial Deptt. of the Company at the following address:

**Honda Siel Power Products Limited**

Secretarial Deptt.

Plot No. 5, Sector 41, (Kasna), Greater Noida Industrial Development Area

Distt. Gautam Budh Nagar, UP -201306.

Phone Nos. 0120-2341055-59; Email – ho.legal@hspp.com

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously, provided the documents are complete and shares under transfer are not under dispute. The share certificates duly endorsed are being returned immediately. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories, NSDL/CDSL within 15 days. The Company obtains a certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement on half yearly basis from a Company Secretary in practice and filed a copy of the certificate with the Stock Exchanges.

**viii. Distribution of shareholding as on March 31, 2007**

No. of Equity Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Upto to 5000	10876	94.27	1146286	11.30
5001-10000	355	3.08	283032	2.79
10001-20000	152	1.32	228623	2.26
20001-30000	58	0.50	149404	1.47
30001-40000	21	0.18	75269	0.74
40001-50000	18	0.15	82334	0.81
50001-100000	26	0.23	202835	2.00
100001 and above	31	0.27	7975288	78.63
Total	11537	100.00	10143071	100.00

**ix. Pattern of shareholding as on March 31, 2007**

Categories	No. of Shares	Shareholding (%)
Promoters/Persons acting in concert	6863433	67.67
Companies	735550	7.25
NRI's, FII's, OCBs etc.	133238	1.31
Mutual Funds, Banks, FIs	44286	0.44
Individuals and HUF, etc.	2366564	23.33
Total	10143071	100.00

**x. Dematerialization of shares and liquidity**

29.90% of total equity capital is held in dematerialised form with NSDL and CDSL as on March 31, 2007. During the year, 959 share certificates involving 33257 shares were dematerialized by the shareholders representing 0.33% (last year 0.62%) of the total share capital of the Company.

Demat ISIN in NSDL and CDSL : INE634A01018

**xi.** The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

**xii. Plant locations**

- 1) Village and Post Office Bhigwara,  
Rudrapur, Distt. Udham Singh Nagar - 263148, Uttaranchal.
- 2) Plot Nos. B-16 and B-30 & B-31,  
PIPDIC Industrial Estate, Sedarapet, Pondicherry - 605101.
- 3) Plot No. 5, Sector 41 (Kasna),  
Greater Noida Industrial Development Area, Distt. G.B. Nagar, UP -201306.

**9. Quarterly Compliance Report**

The Company has been submitting the Compliance Report on corporate governance on quarterly basis to the Stock Exchanges within 15 days from the close of the relevant quarter.



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

- The sales volume for 2006 ~ 07 as compared to 2005 ~ 06 increased by 11%. 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 was launched during the year. The model has been well received by the market.
- To strengthen its retailing efforts, the Company has established its own showroom in Gurgaon. This would help the Company to understand the customer requirements better and on real time basis. It will also serve as a model showroom for our dealers to emulate.

**Opportunities**

- The Government focus on Computerisation 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 a viable alternate power solutions to the customers.

**Outlook**

- The demand-supply gap of power requirement continuous 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 18% volume growth over 2005~06 in sale of water pumps and 10% growth in sale of engines.

**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. These engines do not comply with the 'BIS' standards, and hence does 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 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.

**BRUSH CUTTERS**

- Your Company has launched Brush Cutter during the year. This product which is useful for weed cutting has been very well received in the Southern markets & Maharashtra for Horticulture crops.
- Your Company has aggressive plans for this product during 07~08 by establishing it in Northern & Eastern markets as well.

**Exports**

Sales during 2006~07 were almost same as in the previous year 2005-06. However, water pump business registered a three fold increment due to revival of demand from Indonesia.

Key markets for generators included Saudi Arabia, UAE, South Africa & Kenya.

Engine business was sustained despite lack of price competitiveness.

**Concerns**

The appreciating Rupee is impacting realizations adversely.

**Outlook**

The company will persist with its strategy to promote the better realizing generator business. The endeavor will be to maximize business from Middle East & African markets where customer acceptance for HSPP products continues to be high.

**THREATS, RISKS AND CONCERNS**

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

- Ensuring statutory compliance. This is monitored periodically including status report submission at every Board meeting.
- Strategic planning for harmonious Industrial Relations.
- Comprehensive securitization of all assets.
- IT data security and information pilferage have been secured vide adequate back up and systems.

**INTERNAL CONTROLS AND SYSTEMS**

The Company has adequate internal control systems and procedures to ensure that assets and interests are safeguarded. Audits are conducted by the Internal Auditors to review the adequacy and effectiveness of internal controls and suggest improvements. Audit Committee approves annual Audit plan of the Internal Auditors and reports are reviewed periodically.

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

**FINANCIAL PERFORMANCE:**

The sales volume increased by 9% over 2005~06 while sales turnover increased by 16.5% during the same period. This was due to sale of higher end models of Company's products. Profit before tax went up substantially by nearly 57%. The increase in profit is mainly due to:

- Increase in operating efficiencies combined with marketing strategy of concentrated focus on sale of products having higher margins.
- Overall thrust on reduction of manufacturing cost, specially input costs.
- Efficient & effective working capital management, leading to almost 50% reduction in working capital compared to last year.

- Higher income realization on investments due to rise in interest rates and judicious deployment of short- term surpluses.
- Control over administrative and non-productive expenditure.

**HUMAN RESOURCES**

As a strategic partner in the attainment of overall corporate objectives HR major focus was on building the organization flexibility, geared more towards organizational goal, up keeping individual aspirations, be a cross- functional sensitive organization and making it learning and knowledge centre align with corporate vision. During the year under review, following were initiated:

- To foster a climate of open communication and transparency, Management initiated a drive for 'Cost effective suggestions for improvement' involving everyone organization wide wherein Management shared with all its associates about the Company's current and market situation, the need to be cost and quality conscious in order to maintain the market supremacy. The purpose was to infuse a sense of responsibility, participation among all employees to think and make suggestions for improvement in areas of our operation. Management also strives to elicit response from associates for improving price/ cost competitiveness and enhance overall efficiency through cutting operational and logistics cost. Employees participated very actively and we received overwhelming response from them. Based on the variety of suggestions received, many committees were set-up for evaluation and implementation of suggestions.
  - The long-term agreement is due at one of our manufacturing unit, and the bilateral discussions are going on for fresh wage agreement. The Management is adopting a very constructive & participative approach where Management educates workers union about Company growth, production volume, productivity, market share, and linkage of wage increment with increase in productivity, so the cost of product remains cost effective and performance-driven culture can prevail. Also, Management emphasized on employee skill up- gradation, optimum utilization of machinery to enhance manpower efficiency and cost-saving.
- All discussions pertaining to the said agreement are taking place in a disciplined and peaceful environment.
- Self verification and self-audit exercise for all departments under Honda Corporate Governance

(HCG) 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 & regulations and statutory requirements. Additional checkpoints were also added to make HCG checklist more comprehensive. A business ethics channel/committee is also being viewed to evaluate organizational practices by calling upon moral standards.

- The organization advocates the lean organization structure. Culture of continuous skill up gradation, multi-skilling, job rotation are propelled, so that all are equipped to take on any task and new challenges to face the modern technological advancement, thereby improving the performance and acceptability within the organization. Also, provided great promotional avenues for the associates to rise in their career. Emphasis has been put on infusing fresh blood at base level for innovative ideas and to have more vibrant and modern perspectives.
- Recognizing the importance of training in attainment of overall corporate objectives, HR introduced a three tier training concept focusing on overall development of an individual wherein equal emphasis is given to the basic, technical and soft skills training enabling our employees to adapt, adjust and deliver the best in any situation. Basic training consisting of organization philosophy, organization vision, mission, corporate code of conduct helps employees to imbibe organizational

culture; Soft skills training improves their behavioral pattern and technical skills training introduce them to newer management techniques and modern technology and enhance their technical competencies to take on the challenges. The training strategy on the one hand aims at individual development and on the other attainment of corporate objective of customer delight through product and service quality improvement and achieving corporate sustainable growth.

- The essence of Safety Policy of the Company is that its people work with smiling face in the accident free workspace. In the accordance with this, the existing safety organization structure has been revised. The purpose was to make a robust system to cut response time in handling any sort of eventuality, where every one has clear cut role & responsibilities and keep promoting safety awareness at different levels in the organization.

#### **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 affect the Company's operations include a both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations and interest costs.

## AUDITORS' REPORT

### TO THE MEMBERS OF HONDA SIEL POWER PRODUCTS LIMITED

We have audited the attached Balance Sheet of Honda Siel Power Products Limited ('the Company') as at 31 March 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) on the basis of written representations received from the Directors of the Company as on 31 March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 March 2007;
  - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

*For BSR & Co.*  
*Chartered Accountants*

Place: New Delhi  
Date: June 30, 2007

**Vikram Aggarwal**  
*Partner*  
Membership No. 089826

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) During the current year the management has physically verified a substantial part of its fixed assets. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its fixed assets. Management is in the process of reconciling physically verified assets with the book records, and as informed to us, management does not expect any material discrepancies.  
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
2. (a) Inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.  
(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and, according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchase of certain goods and services which are for the Company's specialised requirements and similarly for sale of certain services for the specialised requirements of the buyer and for which suitable alternative sources are not available to obtain comparable quotations.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues have been regularly deposited with the appropriate authorities. Sales tax, professional tax and excise duty has generally been regularly deposited with the appropriate authorities though there has been slight delay in a few cases.

The rules relating to the amount of cess to be deposited by the Company for rehabilitation or revival or protection of assets of sick industrial companies, payable under section 441A of the Companies Act, 1956, have not yet been notified by the Central Government, therefore we are unable to comment on regularity of its deposit.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2007 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Wealth Tax and Cess which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Income-Tax, Sales Tax, Service Tax, Excise duty and Customs Duty have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of dues	Amount * (Rs. in lacs)	Period to which amount relates	Forum where dispute is pending / Remarks
Income Tax Act, 1961	Penalty	36.89	1995-96	Commissioner of Income tax (Appeals)
	Various disallowances	125.94	1998-99	Income Tax Appellate Tribunal
	Various disallowances	68.23	2002-03	Income Tax Appellate Tribunal
	Various disallowances	259.53	2003-04	Commissioner of Income tax (Appeals)
	Various disallowances	30.90	2004-05	Commissioner of Income Tax (Appeals)
Various Sales Tax Acts	Disputes in sales tax rates	2.66	1999-2000	High Court
	Sales Tax	7.56	1988-89 2002-03	High Court, Sales Tax Authorities have filed the appeal.
	Dispute on enhancement of sales	3.00	2002-03	Sales Tax Tribunal
	Various disallowances	28.89	1987-89, 1990-91 1999-2002 2004-05 2005-06	Joint Commissioner (Appeals)
	Submission of sales tax forms and sales tax rates	29.67	1999-2000, 2002-04	Dy Commissioner (Appeals)
	Dispute due to enhancement of turnover and sales tax rates	62.99	2000-01	Asstt. Commissioner (Assessment)
	Submission of sales tax forms	33.22	2002-04	Additional Commissioner
Central Excise Act, 1944	Various Disallowances	1274.08	1997-99 2000-2003	Custom Excise Service Tax Appellate Tribunal. Includes Rs 1272.90 lacs for which the Company has got stay from the Appellate Authority
	Various Disallowances	4.36	1997-98	Asstt. Commissioner
	Disputes on differential duty	211.67	2002-06	Supreme Court – Department in Appeal
Service Tax	Service Tax on technical guidance fee	1.23	1999-2004	Assistant Commissioner
	Service Tax on technical guidance fee	37.70	1999-2004	Commissioner
Customs Duty	Dispute on additional duty	1.61	2006-07	Commissioner

\*Amount as per demand orders, including interest and penalty, wherever indicated in the order.

10. The Company does not have any accumulated losses and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding debentures or any outstanding loans from any financial institution during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, no term loan has been taken by the Company during the year.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year
20. The Company has not raised any money by way of public issue during the year
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

*For BSR & Co.*  
*Chartered Accountants*

Place: New Delhi  
Date: June 30, 2007

**Vikram Aggarwal**  
*Partner*  
Membership No. 089826

**BALANCE SHEET AS AT 31st MARCH, 2007**

(Rs. Lacs)

Particulars	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	1,014.31	1,014.31
Reserves and surplus	2	15,361.88	14,098.67
		<b>16,376.19</b>	15,112.98
<b>Deferred tax liability (Net)</b>		<b>136.84</b>	287.99
(Refer to Note 13 of Schedule 11)		<b>16,513.03</b>	15,400.97
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	3	11,186.63	10,972.00
Less: Depreciation		7,469.29	7,001.89
Net block		3,717.34	3,970.11
Add : Capital work in progress		52.05	144.69
		<b>3,769.39</b>	4,114.80
<b>Current assets, loans and advances</b>			
Inventories	4	3,040.24	3,875.69
Sundry debtors		2,264.92	2,505.25
Cash and bank balances		10,833.60	7,716.20
Other current assets		155.91	113.07
Loans and advances		857.98	1,066.57
		<b>17,152.65</b>	15,276.78
<b>Less: Current liabilities and provisions</b>	5	<b>3,714.95</b>	3,181.99
Current liabilities		694.06	808.62
Provisions		<b>4,409.01</b>	3,990.61
<b>Net current assets</b>		<b>12,743.64</b>	11,286.17
		<b>16,513.03</b>	15,400.97
<b>Significant accounting policies and Notes to accounts</b>	11		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date.

For BSR & Co.  
Chartered Accountants

Vikram Aggarwal  
Partner  
Membership No.: 089826

Place: New Delhi  
Date: June 30, 2007

For and on behalf of the Board

Siddharth Shriram Chairman  
D.V. Kapur Director  
O.P. Khaitan Director  
Ravi Vira Gupta Director  
M. Takedagawa Director  
K. Kashiwagi President & CEO  
Y. Watanabe Vice President & Whole Time Director  
R.S. Bidesi Vice President & Whole Time Director

Vinay Mittal  
Chief Financial Officer

Amit Jain  
Company Secretary



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007**

(Rs. Lacs)

Particulars	Schedule No.	Year Ended 31st March, 2007	Year Ended 31st March, 2006
<b>INCOME</b>			
Gross sales		25,226.08	21,653.89
Less : Excise duty		2,393.73	2,037.70
Net Sales		22,832.35	19,616.19
Job work charges (Gross)*		90.10	105.12
Other income	6	958.21	823.99
		<b>23,880.66</b>	<b>20,545.30</b>
* Income tax deducted at source Rs 2.12 lacs (Previous year Rs 2.85 lacs)			
<b>EXPENDITURE</b>			
Material cost	7	13,802.79	11,901.47
Personnel cost	8	2,080.06	1,960.63
Other expenses	9	4,492.37	4,277.07
Depreciation	3	786.94	654.63
Interest	10	16.27	33.91
		<b>21,178.43</b>	<b>18,827.71</b>
<b>Profit before tax</b>		<b>2,702.23</b>	<b>1,717.59</b>
Less: Provision for taxation			
- Current tax		1,075.00	730.00
- Deferred tax liability released		(151.15)	(107.06)
- Fringe benefit tax		40.50	57.34
		<b>1,737.88</b>	<b>1,037.31</b>
<b>Profit after tax</b>		<b>1,737.88</b>	<b>1,037.31</b>
Investment allowance reserve written back		-	14.80
Balance brought forward	2	3,485.76	3,000.00
Amount available for appropriation		<b>5,223.64</b>	<b>4,052.11</b>
<b>Appropriations</b>			
Proposed dividend		405.72	405.72
Corporate dividend tax		68.95	56.90
General reserve	2	174.00	103.73
<b>Balance carried to balance sheet</b>		<b>4,574.94</b>	<b>3,485.76</b>
Basic and diluted earnings per share (face value Rs.10 each) in Rupees		17.13	10.23
<b>Significant accounting policies and Notes to accounts</b>	11		

The schedules referred to above form an integral part of the Profit and Loss account.

As per our report of even date.

For **BSR & Co.**  
Chartered Accountants

**Vikram Aggarwal**  
Partner  
Membership No.: 089826

Place: New Delhi  
Date: June 30, 2007

**For and on behalf of the Board**

**Siddharth Shriram** Chairman  
**D.V. Kapur** Director  
**O.P. Khaitan** Director  
**Ravi Vira Gupta** Director  
**M. Takedagawa** Director  
**K. Kashiwagi** President & CEO  
**Y. Watanabe** Vice President & Whole Time Director  
**R.S. Bidesi** Vice President & Whole Time Director

**Vinay Mittal**  
Chief Financial Officer

**Amit Jain**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007**

( Rs. Lacs)

Particulars	Year Ended 31st March, 2007	Year Ended 31st March, 2006
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>NET PROFIT BEFORE TAX</b>	<b>2,702.23</b>	1,717.59
<b>ADJUSTMENTS FOR :</b>		
Depreciation	786.94	654.63
Interest expense on loans	-	18.30
Interest income	(633.43)	(422.10)
Profit on sale of fixed assets	(14.89)	(1.01)
Loss on sale of fixed assets	19.30	23.20
Profit on sale of long term non-trade investments	-	(27.19)
Bad Debts	2.45	-
Provision for doubtful debt / advances	32.27	13.16
Provision for leave encashment	17.10	12.68
Unrealised Exchange difference	15.96	-
Inventory written off	11.52	-
Provision for slow moving inventory	27.65	22.18
Liabilities no longer required written back	(216.83)	(102.55)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2,750.27</b>	1,908.89
<b>ADJUSTMENTS FOR :</b>		
Decrease/(Increase) in inventories	796.28	390.79
Decrease/(Increase) in trade / other receivables	489.05	566.28
(Decrease)/Increase in trade / other payables	758.99	(936.19)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>4,794.59</b>	1,929.77
Direct taxes paid	(1,359.08)	(593.23)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>3,435.51</b>	1,336.54
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(485.72)	(244.45)
Sale of fixed assets	39.77	20.20
Sale of investments	-	527.19
Interest received	590.59	383.66
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>144.64</b>	686.60
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Movement in Cash Credit	-	(4.51)
(Repayment) / proceeds from short term borrowings	-	(1,000.00)
Interest paid on loans	-	(20.13)
Dividend paid	(405.85)	(305.68)
Corporate dividend tax paid	(56.90)	(42.68)
<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>	<b>(462.75)</b>	(1,373.00)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>3,117.40</b>	650.14
<b>Closing cash and cash equivalents:</b>		
Cash and bank balances (Refer to Schedule 4)	<b>10,833.60</b>	7,716.20
<b>Opening cash and cash equivalents:</b>		
Cash and bank balances	<b>7,716.20</b>	7,066.06
<b>Increase in the cash and cash equivalents</b>	<b>3,117.40</b>	650.14

**Notes:**

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents include pledged fixed deposits, unclaimed dividends and margin money Rs. 92.48 lacs (Previous year Rs. 29.68 lacs) which are not available for use by the Company.

As per our report of even date.

**For BSR & Co.**  
*Chartered Accountants*
**Vikram Aggarwal**  
*Partner*  
 Membership No.: 089826

 Place: New Delhi  
 Date: June 30, 2007

**For and on behalf of the Board**

<b>Siddharth Shriram</b>	Chairman
<b>D.V. Kapur</b>	Director
<b>O.P. Khaitan</b>	Director
<b>Ravi Vira Gupta</b>	Director
<b>M. Takedagawa</b>	Director
<b>K. Kashiwagi</b>	President & CEO
<b>Y. Watanabe</b>	Vice President & Whole Time Director
<b>R.S. Bidesi</b>	Vice President & Whole Time Director

**Vinay Mittal**  
*Chief Financial Officer*
**Amit Jain**  
*Company Secretary*

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs. Lacs)

Particulars	As at 31st March, 2007	As at 31st March, 2006
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
1,50,00,000 (Previous year 1,50,00,000) equity shares of Rs.10 each	<b>1,500.00</b>	1,500.00
<b>Issued</b>		
1,01,44,000 (Previous year 1,01,44,000) equity shares of Rs.10 each	<b>1,014.40</b>	1,014.40
<b>Subscribed and paid up</b>		
1,01,43,071* (Previous year 1,01,43,071*) equity shares of Rs.10 each	<b>1,014.31</b>	1,014.31
	<b>1,014.31</b>	1,014.31

\* Of the above, 67,62,000 (Previous year 67,62,000) equity shares of Rs.10 each are held by Honda Motor Co., Ltd., Japan, the holding company and the ultimate holding company.

(Rs. Lacs)

Particulars	As at 31st March, 2006	Additions	Deductions	As at 31st March, 2007
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
<b>Capital reserve</b>				
- Capital investment subsidy	25.00	-	-	25.00
<b>Share premium account</b>	396.46	-	-	396.46
<b>General reserve</b>	10,191.45	174.00	-	10,365.45
<b>Surplus in profit and loss account</b>	3,485.76	1089.21	-	4,574.97
	<b>14,098.67</b>	<b>1263.21</b>	-	<b>15,361.88</b>

**SCHEDULE 3 : FIXED ASSETS**

(Rs. Lacs)

Description	Gross Block (At cost)			Depreciation				Net Block		
	As at 1st April, 2006	Additions during the year	Deductions during the year	As at 31st March 2007	As at 1st April, 2006	For the year	Deductions	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
<b>Tangible assets</b>										
Land - freehold	19.80	-	-	<b>19.80</b>	-	-	-	-	<b>19.80</b>	19.80
- leasehold	400.47	-	-	<b>400.47</b>	41.94	4.94	-	<b>46.88</b>	<b>353.59</b>	358.53
Buildings	1,709.57	148.40	-	<b>1,857.97</b>	454.31	55.22	-	<b>509.53</b>	<b>1,348.44</b>	1,255.26
Plant and machinery #	7,560.99	212.93	234.46	<b>7,539.46</b>	5,704.84	358.93	228.98	<b>5,834.79</b>	<b>1,704.67</b>	1,856.15
Furniture, fixtures and office equipment	621.98	28.52	22.62	<b>627.88</b>	367.68	188.33	16.48	<b>539.53</b>	<b>88.35</b>	254.30
Vehicles	219.32	129.57	106.64	<b>242.25</b>	88.27	77.74	74.08	<b>91.93</b>	<b>150.32</b>	131.05
(A)	10,532.13	519.42	363.72	<b>10,687.83</b>	6,657.04	685.16	319.54	<b>7,022.66</b>	<b>3,665.17</b>	3,875.09
<b>Intangible assets</b>										
Technical know how	65.18	-	-	<b>65.18</b>	65.18	-	-	<b>65.18</b>	-	-
Model fee	227.04	45.48	-	<b>272.52</b>	206.04	25.53	-	<b>231.57</b>	<b>40.95</b>	21.00
Software	147.65	13.45	-	<b>161.10</b>	73.63	76.25	-	<b>149.88</b>	<b>11.22</b>	74.02
(B)	439.87	58.93	-	<b>498.80</b>	344.85	101.78	-	<b>446.63</b>	<b>52.17</b>	95.02
<b>(A) + (B)</b>	<b>10,972.00</b>	<b>578.35</b>	<b>363.72</b>	<b>11,186.63</b>	<b>7,001.89</b>	<b>786.94</b>	<b>319.54</b>	<b>7,469.29</b>	<b>3,717.34</b>	3,970.11
Previous year	10,854.43	201.83	84.26	10,972.00	6,389.13	654.63	41.87	7,001.89	3,970.11	-
Capital work in progress [including capital advances to suppliers Rs. 48.02 lacs (Previous year Rs. 16.50 lacs)]									<b>52.05</b>	144.69

# Plant & Machinery includes items retired from active use and held for disposal valued at their net book value of Rs. 0.44 lacs (original cost Rs. 463.17 lacs and accumulated depreciation thereon Rs. 462.73 lacs.)

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs. Lacs)

As at  
31st March, 2007

As at  
31st March, 2006

**SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES**

**Current assets**

**Inventories**

(At cost or net realisable value, whichever is lower)

Stores, spares and loose tools	71.38	74.44
Raw materials and components	1,739.76	2,061.68
Process stock	182.37	174.46
Finished goods	1,074.38	1,565.11
	<b>3,067.89</b>	<b>3,875.69</b>
Less : Provision for slow moving inventory	27.65	-
	<b>3,040.24</b>	<b>3,875.69</b>

**Sundry debtors**

Debts outstanding for a period exceeding six months

- considered good		
- secured	0.58	1.49
- unsecured	61.94	152.03
- considered doubtful		
- unsecured	63.01	57.76
	<b>125.53</b>	<b>211.28</b>
Other debts - considered good		
- secured	15.85	11.96
- unsecured #	2,186.55	2,339.77
	<b>2,202.40</b>	<b>2,351.73</b>
	<b>2,327.93</b>	<b>2,563.01</b>
Less : Provision for doubtful debts	63.01	57.76
	<b>2,264.92</b>	<b>2,505.25</b>

# Includes amount due from Honda Motorcycle & Scooter India Pvt. Ltd., a company having a common director, Rs.30.07 Lacs (Previous year Rs.7.70 Lacs)

# Refer to Note 20 of Schedule 11

**Cash and bank balances**

Cash in hand	4.58	4.38
Cheques and drafts in hand	-	238.35
With scheduled banks		
- on current accounts	1,474.69	846.60
- on deposit accounts *	9324.79	6,597.19
- on dividend accounts	28.35	28.49
- on margin accounts	1.19	1.19
	<b>10,833.60</b>	<b>7,716.20</b>

\* Includes Rs. 62.94 lacs (Previous year Rs.5.81 lacs ) pledged as security deposit with banks and Government authorities.

**Other current assets**

Interest accrued and not due on fixed deposits	155.91	113.07
	<b>155.91</b>	<b>113.07</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs. Lacs)

	As at 31st March, 2007	As at 31st March, 2006
<b>SCHEDULE 4 : Contd.</b>		
<b>Loans and advances</b>		
Advances recoverable in cash or in kind or for value to be received - unsecured		
- considered good	243.66	331.62
- considered doubtful	27.02	-
	<u>270.68</u>	<u>331.62</u>
Less : Provision for doubtful debts	27.02	-
	<u>243.66</u>	<u>331.62</u>
Advance income tax and taxes deducted at source (Net of provision for income tax Rs. 7,497 lacs)	90.81	-
Balances with customs and excise authorities	381.82	493.89
Export benefits recoverable (Refer to Note 1 (ix) of Schedule 11)	54.88	158.30
Other deposits - unsecured #		
- considered good	86.81	82.76
	<u>857.98</u>	<u>1,066.57</u>
# Includes National Saving Certificates for Rs. 0.35 lacs (Previous year Rs.0.35 lacs ) pledged as security deposit with Government authorities.		
	<u>17,152.65</u>	<u>15,276.78</u>

**SCHEDULE 5 : CURRENT LIABILITIES AND PROVISIONS**

**Current liabilities #**

Sundry Creditors		
- Total outstanding dues of small scale industrial undertakings	197.85	128.07
- Total outstanding dues of creditors other than small scale industrial undertakings	2,440.84	2,117.32
Unclaimed dividends	28.35	28.49
Security deposits from dealers (including interest thereon)	154.42	151.62
Advance from customers	171.13	113.23
Other liabilities	722.36	643.26
	<u>3,714.95</u>	<u>3,181.99</u>

# Current liabilities do not include any amount outstanding which are required to be credited to the Investor Education and Protection Fund.

**Provisions**

Proposed dividend	405.72	405.72
Corporate dividend tax	68.95	56.90
Warranties (Refer to Note 17 of Schedule 11)	5.09	5.23
Service Coupons (Refer to Note 18 of Schedule 11)	115.98	106.78
Leave encashment	96.08	78.98
Income tax (Net of Advance income tax & taxes deducted at source) (Previous year Rs. 6,267.23 lacs)	-	154.77
Fringe benefit tax (Net of Advance fringe benefit tax Rs. 95.60 lacs) (Previous year Rs. 57.10 lacs)	2.24	0.24
	<u>694.06</u>	<u>808.62</u>
	<u>4,409.01</u>	<u>3,990.61</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Rs. Lacs)

	Year ended 31st March, 2007	Year ended 31st March, 2006
<b>SCHEDULE 6 : OTHER INCOME</b>		
Profit on sale of non-trade investments		
- Long term	-	27.19
Interest (gross)*		
- On deposits	633.43	422.10
- Others	3.47	16.90
Profit on sale of fixed assets	14.89	1.01
Export benefits (Refer Note 1(ix) of Schedule 11)	32.13	144.77
Liabilities no longer required written back (Refer to Note 4 of Schedule 11)	216.83	102.55
Miscellaneous Income	57.46	109.47
	<u>958.21</u>	<u>823.99</u>

\* Income tax deducted at source is Rs 141.34 lacs ( Previous year Rs.94.26 lacs )

**SCHEDULE 7 : MATERIALS COST**

Consumption of raw material and components	12,484.36	11,371.76
Stores, spares and loose tools consumed (excluding Rs. 69.94.lacs (Previous year Rs. 48.96 lacs) charged to other revenue heads )	348.79	333.54
Purchase of finished goods for resale	383.25	149.93
Purchase of spares and tools for resale	225.69	74.16
	<u>13,442.09</u>	<u>11,929.39</u>
(Increase) / decrease in stocks		
Opening stock		
- Process stock	174.46	273.58
- Finished goods	1,565.11	1,369.17
	<u>1,739.57</u>	<u>1,642.75</u>
Less : Closing stock		
- Process stock	182.37	174.46
- Finished goods	1,074.38	1,565.11
	<u>1,256.75</u>	<u>1,739.57</u>
Increase / (Decrease) in excise duty on stock	482.82 (122.12)	(96.82) 68.90
	<u>13,802.79</u>	<u>11,901.47</u>

**SCHEDULE 8 : PERSONNEL COST**

Salaries, wages and bonus	1,740.36	1,538.60
Contribution to provident and other funds	139.44	177.49
Staff welfare	200.26	244.54
	<u>2,080.06</u>	<u>1,960.63</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Rs. Lacs)

	Year ended 31st March, 2007	Year ended 31st March, 2006
<b>SCHEDULE 9 : OTHER EXPENSES</b>		
Power and fuel	366.82	407.98
Rent	125.16	113.54
Repairs - Building	42.42	26.31
- Plant and machinery	118.90	107.13
- Others	55.35	51.22
Insurance	68.39	61.95
Rates and taxes	47.63	50.78
Royalty	483.87	405.18
Technical guidance fees	153.20	134.33
Freight outward	526.89	483.11
Commission on Sales	543.16	499.82
Sales promotion	283.47	214.94
Sales discount	72.58	73.95
Advertisement & publicity	541.87	536.70
Service expenses	111.10	81.20
Travelling and conveyance	195.29	246.99
Printing and stationery	30.46	39.07
Telephone, postage and telegram	75.37	86.62
Professional charges	74.14	123.75
Vehicle running expenses	134.78	140.25
Donations	5.00	-
Loss on sale of fixed assets	19.30	23.20
Inventory written off	11.52	22.18
Bad debts	2.45	-
Provision for doubtful debts / advances	32.27	13.16
Provision for slow moving inventory	27.65	-
Bank charges	27.09	30.19
Miscellaneous	316.24	303.52
	<b>4,492.37</b>	<b>4,277.07</b>

**SCHEDULE 10 : INTEREST**

Interest on cash credit/short term loans	-	18.30
Interest on dealer deposits	8.68	8.51
Other interest	7.59	7.10
	<b>16.27</b>	<b>33.91</b>

**NOTES TO THE ACCOUNTS****SCHEDULE 11****1. SIGNIFICANT ACCOUNTING POLICIES :****i) Accounting convention**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956, to the extent applicable.

**ii) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**iii) Fixed assets and depreciation****Fixed assets**

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. Cost comprises the purchase price and any directly attributable costs of bringing the asset to its working condition for the intended use. The cost of fixed assets also includes the exchange differences (favourable as well as unfavourable) arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition or construction.

Items of fixed assets retired from active use and held for disposal are valued at the lower of their net book value and net resalable value.

Fixed assets are reviewed for impairment on each Balance Sheet date, in accordance with AS 28 issued by the ICAI.

**Depreciation**

- a) Depreciation on fixed assets is provided on a pro-rata basis using straight line method.
- b) The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life. Pursuant to this policy, depreciation on certain assets has been provided at the following rates which are higher than the corresponding rates prescribed in Schedule XIV:
  - Dies
    - Press dies - 14.28% per annum
    - Die castings/lamination dies - 20.00% per annum
  - Jigs and fixtures - 20.00% per annum
  - Computers - 33.33% per annum
  - Office Equipment, Air Conditioners, Fans and Heaters - 20.00% per annum
  - Furniture and Fixtures - 12.50% per annum
  - Cars and Jeeps - 20.00% per annum
- c) Leasehold land is amortised over the period of the lease.
- d) Assets costing individually Rs.5,000 or less are depreciated fully in the year of purchase.

**Intangible assets**

- Model fee is amortised over a period of three years/five years. Unamortised model fee in respect of models discontinued during the year is fully charged to the profit and loss account.

During the current year the Company in view of the technological changes has decided to amortise the model fees in respect of new models introduced, over a period of five years as against the earlier policy of three years. As a result, the depreciation charge and the deferred tax release for the year is lower by Rs.3.03 lacs and Rs.1.03 lacs respectively and the profit after tax is higher by Rs. 4.06 lacs.



- Technical know how is amortised over a period of six years.
- Software is amortised over a period of three years.

**iv) Investments**

Long term investments are stated at cost less permanent diminution in value, if any.

**v) Inventories**

Stores, raw materials and components, process stock and finished goods are valued at weighted average cost and net realisable value, whichever is lower.

In determining cost of process stock and finished goods, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Stores, raw materials and components held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

**vi) Revenue recognition**

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the customer, which generally coincides with despatch against orders from customers in accordance with the contract terms.

Revenue from services is recognised on rendering of services to customers.

**vii) Research and development expenditure**

The revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.

**viii) Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised on the profit and loss account for the year, except that exchange differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except those related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

The premium or discount on forward exchange contracts is recognised over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognised in the profit and loss account.

**ix) Export benefits**

Export benefit representing customs duty rebate entitlement against exports made on advance licences, under Duty Exemption Scheme and duty credit entitlement for achieving incremental export growth under Duty Free Credit Entitlement of the Government of India, is accounted for on an accrual basis in accordance with the criteria under AS 9 "Revenue Recognition" issued by the ICAI.

**x) Retirement benefits**

Gratuity and leave encashment costs are defined benefits. The Company contributes to a trust, which has taken group policy with Life Insurance Corporation of India towards employees' gratuity. Leave encashment is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.

Provident and superannuation funds are defined contribution schemes. The Company contributes to a trust, which has taken group policy with Life Insurance Corporation of India to cover its liabilities towards superannuation. Contributions payable to the provident fund are charged to the profit and loss account.

The provident, superannuation and gratuity funds are recognised by the income-tax authorities.

**xi) Warranty and Service coupons costs**

Warranty and Service coupons costs are estimated by the management based on past experience of claims and provided on an accrual basis on the sales made during the year.

**xii) Provisions and contingencies**

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**xiii) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

2. In view of the fact that the Institute of Chartered Accountants of India has deferred the date of mandatory applicability of AS 15 (revised), Employee benefits, to accounting periods commencing on or after 7 December 2006, the Company has decided to defer the adoption of the same. Consequently, the amount debited to general reserves Rs 7.35 lacs (net of the deferred tax benefit of Rs 3.73 lacs) during the first quarter of the current year, as per the transitional provisions of the revised standard, has now been reversed and credited back to general reserves.
3. With effect from 1 April 2006, the Company has revised the estimated useful lives of the following classes of its fixed assets:

<b>Class of Fixed Asset</b>	<b>Existing estimated useful life of fixed assets (in years)</b>	<b>Revised estimated useful life of fixed assets (in years)</b>
<b>Furniture, fixtures and office equipment:</b>		
- Computers	6	3
- Office Equipment, Air Conditioners, Fans & Heaters	21	5
- Furniture & Fixtures	16	8
<b>Vehicles:</b>		
- Cars	10	5
- Jeeps	9	5
<b>Software</b>	6	3

The revision of the useful lives was considered appropriate by the Company in view of ongoing changes in technology and considering the expected period of utilisation of these fixed assets. Accordingly, as per the Accounting Standard 6, 'Depreciation Accounting' issued by the Institute of Chartered Accountants of India, depreciation charge for the current year has been computed by amortising the unamortised depreciable amount of the above classes of fixed assets as at 1 April 2006 over their revised remaining useful lives.

As a result of this change in accounting estimate, the depreciation charge and deferred tax release for the year is higher by Rs.265.58 lakhs and Rs.90.27 lakhs respectively, and the profit after tax is lower by Rs.175.31 lakhs.

4. During the current year, the Company has carried out a reassessment of its liability for outstanding expenses. Pursuant to this, the Company has written back Rs.216.83 lacs of its liability for expenses as the same are no longer payable. This has been included as part of other income in the financial statements.

5. **Contingent liabilities :**

	Current year	(Rs. lacs) Previous year
a) Claims against the Company not acknowledged as debts *		
- Income-tax matters	<b>714.16</b>	207.61
- Excise & Service tax matters	<b>2,511.97</b>	1851.25
- Sales tax matters	<b>181.93</b>	773.09
- Others	<b>42.83</b>	41.87

\* excluding matters decided in favour of the Company.

- b) The Employee Provident Fund Organisation (EPFO) has on September 9, 2005 issued a clarification as per which provident fund contribution should be deducted on leave encashment paid from May 1, 2005 onwards. It has also been stated that the claims between October 1, 1994 and April 30, 2005 should be kept in abeyance till this issue is decided by the Central Board of Trustees. In another clarification issued on November 24, 2005 the EPFO has stated that presently deduction of provident fund on leave encashment at the time of superannuation may not be insisted upon presently. This matter is also to be decided by the Central Board of Trustees. In accordance to this, the Company has made provident fund contribution on leave encashment paid to employees during term of service with effect from May 1, 2005.

Pending decision by the Central Board of Trustees, a contingent liability, the amount of which presently is not reasonably ascertainable, exists for provident fund on leave encashment on claims between October 1, 1994 and April 30, 2005 and on provident fund on leave encashment at the time of superannuation.

6. Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances, Rs.68.37 lacs (Previous year Rs. 128.48 lacs).
7. Out of the total leasehold land measuring 19.48 acres at Rudrapur, a lease deed had already been executed for 17.92 acres. In respect of the balance leasehold land of 1.56 acres, requisite documents are yet to be executed.
8. a) The name of Small Scale Industrial Undertakings to whom the Company owes any sum outstanding for more than thirty days, as at the Balance Sheet date are as under:

M/s D.M. Enterprises	M/s Rajhans Pressings (P)Ltd.
M/s Hitech Machine Tools	M/s Rajshree Industries
M/s Ideal Components Pvt.Limited	M/s Star Engineers & Traders
M/s Matman Plastics	M/s Steel Engineering Company
M/s Micro Engineering Corporation	M/s Steel Engineers
M/s Micro Toolsindia (P)Ltd.	M/s Steel Point
M/s Rajhans Industries	

The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.

- b) Based on the available information, there are no dues payable to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

9. **Managerial remuneration**

	Current year	(Rs. lacs) Previous year
Salaries and allowances	139.53	45.95
Contribution to funds *	3.60	3.60
Monetary value of benefits (at cost) **	27.81	26.33
	<b>170.94</b>	<b>75.88</b>
Directors' sitting fees	8.40	7.60

\* excludes contribution to the gratuity fund and provision for leave entitlement determined on an actuarial basis, as these are determined for the Company as a whole.

\*\* excludes fringe benefit tax payable by the Company as a whole on specified expenses.

10. **Auditors' remuneration #**

	Current year	(Rs. lacs) Previous year
As statutory auditors-Audit fee	12.00	13.10
In other capacity :		
- for limited reviews	6.00	10.00
- for other certification	-	-
- for tax audit	2.00	1.40

# excludes service tax and out of pocket expenses

11. The net exchange difference amounting to a net loss of Rs. 5.13 lacs has been included in miscellaneous expenses (Previous year net gain of Rs.56.26 lacs included in miscellaneous income).

12. **Segment information**

**Primary segment:**

The primary reportable segment for the Company is geographical segment by location of customers. The Company's geographical segment comprises domestic customers and overseas customers.

The primary segments have been identified in line with the AS 17 issued by the ICAI, taking into account the risks and return, organisation structure and internal reporting system.

Income and direct expenses in relation to segments is categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised to the segment on a reasonable basis. Certain expenses such as administrative expenses which form a significant component of total expenses are not specifically allocable to specific segments. Accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets include operating assets used by a segment that are directly identifiable to that segment and consist principally of debtors and inventory. Segment liabilities include operating liabilities that are directly identifiable to that segment and consist principally of accrued liabilities and advances from customers. Assets and liabilities of the Company which cannot be identified to any of the reportable segments have not been allocated as the same are used for both segments.

Information about primary segments - geographical segments by customer

(Rs. Lacs)

Particulars	Current year			Previous year		
	Domestic	Exports	Total	Domestic	Exports	Total
<b>Segment revenue</b> (net of excise duty on goods sold)	<b>17,593.80</b>	<b>5,328.65</b>	<b>22,922.45</b>	14,441.90	5,279.41	19,721.31
<b>Segment result</b>	<b>3,565.61</b>	<b>(124.86)</b>	<b>3,440.75</b>	2,722.88	(75.90)	2,646.98
Less: unallocated expense			<b>1,680.46</b>			1,719.47
<b>Operating profit</b>			<b>1,760.29</b>			927.51
Add: interest income			<b>633.43</b>			439.00
Add: other non-operating income			<b>324.78</b>			384.99
Less: interest expense			<b>16.27</b>			33.91
Less: taxes (current and deferred)			<b>964.35</b>			680.28
<b>Net profit after taxes</b>			<b>1,737.88</b>			1,037.31
<b>Other information</b>						
Segment assets	<b>2,784.75</b>	<b>837.37</b>	<b>3,622.12</b>	1,335.42	1,227.59	2,563.01
Unallocated corporate assets			<b>17,299.92</b>			16,828.57
<b>Total assets</b>			<b>20,922.04</b>			19,391.58
Segment liabilities	<b>1,466.38</b>	<b>346.24</b>	<b>1,812.62</b>	425.81	234.88	660.69
Unallocated corporate liabilities			<b>2,733.23</b>			3,617.91
<b>Total liabilities</b>			<b>4,545.85</b>			4,278.60
Capital expenditure	<b>46.69</b>	-	<b>46.69</b>	-	-	Nil
Unallocated capital expenditure			<b>531.66</b>			201.83
<b>Total capital expenditure</b>			<b>578.35</b>			201.83
Depreciation	<b>279.70</b>	<b>141.73</b>	<b>421.43</b>	278.12	104.84	382.96
Unallocated depreciation			<b>365.51</b>			271.67
<b>Total depreciation</b>			<b>786.94</b>			654.63

Reconciliation of segment revenue reported in financials for the year ended 31 March 2007:

Particulars	(Rs. lacs)	
	Current year	Previous year
Total revenue of the segments	<b>22,922.45</b>	19,721.31
Add: Non operating income as reported in Profit and Loss Account, not forming part of segment revenue:		
- Interest income	<b>633.43</b>	439.00
- Other non-operating income	<b>324.78</b>	384.99
Total revenue as reported in the Profit and Loss Account	<b>23,880.66</b>	20,545.30

**Secondary segment:**

As the Company's business activity falls within a single business segment viz. "power products and related parts", the secondary business segment disclosure requirements of AS 17 issued by the ICAI are not applicable to the Company.

13. **Deferred tax**

Deferred tax liability (Net), included in the balance sheet comprises the following:

	Current year	(Rs. lacs) Previous year
<b>Deferred tax liability on</b>		
Difference between Written down value of fixed assets as per Income Tax Act and as per Companies Act	306.22	426.66
	306.22	426.66
<b>Deferred tax assets on</b>		
Expenditure under section 43B of Income Tax Act, 1961	138.77	119.23
Provision for doubtful debts / advances	30.61	19.44
	169.38	138.67
<b>Deferred tax liability (Net)</b>	136.84	287.99

14. Disclosures as per Accounting Standard (AS) - 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India:

a) **Holding company: Honda Motor Co. Ltd., Japan**

**Transactions with the holding company:**

	Current year	(Rs. lacs) Previous year
<b>Income</b>		
Sale of finished goods and spares	11.09	154.74
<b>Expenditure</b>		
Purchases of raw materials, components, spare parts and finished goods	1,555.24	1,455.38
Technical guidance fee	153.20	134.33
Royalty	483.87	405.18
Export commission (Included under Commission on sales)	378.41	378.11
Model fee	43.73	-
Expenses reimbursed	29.09	41.41
Training Fees	-	0.24
<b>Remittance of dividend</b>	270.48	202.86
<b>Expenses recovered</b>	-	186.98
<b>Balance outstanding at year end</b>		
Payables	71.51	441.50
Receivables	3.09	2.18

b) **Fellow subsidiaries with whom there have been transactions during the year:**

Honda South Africa PTY. Ltd.  
Honda Motorcycle and Scooter India Pvt. Ltd.  
Honda Philippines Inc  
Honda Del Peru, S.A.

Honda De Mexico S.A. DE C.V.  
Honda Australia M.P.E. PTY. Ltd.  
Asian Honda Motor Co. Ltd.  
Honda Trading Corporation, Japan  
Honda De Venezuela, C.A.  
Honda Manufacturing Nigeria Ltd.  
Honda Power Products, Indonesia  
Honda Mindong Generator Co. Ltd.  
Honda Europe NV  
Honda Trading, Thailand  
Honda Vietnam  
Honda Siel Cars India Ltd.

**Transactions with the fellow subsidiaries :**

	Current year	(Rs. lacs) Previous year
<b>Honda South Africa PTY Ltd.</b>		
- Sale of finished goods and spares	431.84	651.45
<b>Honda Motorcycle &amp; Scooter India Private Limited</b>		
- Job charges	90.10	105.12
- Sale of Components	43.74	-
- Sale of Finished Goods	14.79	-
- Expenses reimbursed	-	0.76
<b>Honda Philippines Inc.,</b>		
- Sale of finished goods	182.08	130.57
<b>Honda Del Peru</b>		
- Sale of finished goods	125.21	118.32
<b>Honda De Mexico S.A. DE C.V.</b>		
- Sale of finished goods	65.88	78.29
<b>Honda Australia M.P.E. PTY. Ltd.</b>		
- Sale of finished goods	16.54	31.63
- Purchases of spare parts and finished goods	103.93	0.80
<b>Asian Honda Motor Co. Ltd.</b>		
- Sale of spares	0.60	2.08
- Purchases of components, spare parts and finished goods	223.54	38.74
<b>Honda Trading Corporation, Japan</b>		
- Purchases of components, spare parts and finished goods	103.68	158.25
<b>Honda De Venezuela</b>		
- Sale of finished goods	56.60	56.39
<b>Honda Manufacturing Nigeria Limited</b>		
- Sale of finished goods	124.51	29.80
<b>Honda Power Products, Indonesia</b>		
- Sale of finished goods	643.85	-
<b>Honda Express Logistics India (P) Ltd.</b>		
- Technical Guidance Fees	-	11.23
<b>Other transactions with other fellow subsidiaries</b>		
- Sale of finished goods and spares	3.78	1.68
- Purchases of components, spare parts & finished goods	2.54	1.56
- Expenses reimbursed	1.03	1.61
- Sale of fixed assets	2.84	-
<b>Balances outstanding at year end</b>		
- Payables	31.16	21.90
- Receivables	232.08	505.87

**c) Key management personnel**

Mr. Kanji Kashiwagi	President and CEO
Mr. Y. Watanabe	Vice President and Whole time director
Mr. R. S. Bidesi	Vice President and Whole time director

**Transactions with key management personnel:**

**Managerial remuneration\***

Name	(Rs. lacs)	
	Current year	Previous year
Mr. Kanji Kashiwagi	69.72	26.05
Mr. Y. Watanabe	60.00	–
Mr. T. Sodeyama	–	12.96
Mr. R. S. Bidesi	41.22	36.87
	<b>170.94</b>	<b>75.88</b>

\* Excludes contribution to the gratuity fund and provision for leave encashment determined on an actuarial basis, as these are determined for the Company as a whole. Also, excludes fringe benefit tax payable by the Company as a whole on specified expenses.

**Dividends paid**

Name	(Rs. lacs)	
	Current year	Previous year
Mr. R. S. Bidesi	0.03	0.02

15. Disclosure in respect of operating leases under Accounting Standard (AS) – 19 “Leases” issued by the Institute of Chartered Accountants of India.

a) General description of the Company’s operating lease arrangements:

The Company enters into operating lease arrangements for leasing area offices, residential premises for its employees and vehicles. Some of the significant terms and conditions of the arrangements are:

- certain agreements for premises may generally be terminated by the lessee or either party by serving one to three month’s notice or by paying the notice period rent in lieu thereof.
- other agreements for premises, agreements cannot be terminated by either party before the expiry of one year.
- agreements for leasing of vehicles can generally be terminated early by payment of nominal fees.
- the lease arrangements are generally renewable on the expiry of lease period subject to mutual agreement.
- the Company shall not sublet, assign or part with the possession of the premises without prior written consent of the lessor.

b) Lease rent charged to the profit and loss account Rs. 116.94 lacs (Previous year Rs.105.60 lacs)

16. Earnings per share

	(Rs. lacs)	
	Current year	Previous year
Profit for the year after taxation as per Profit and Loss account (Rs. Lacs)	1,737.88	1,037.31
Number of equity shares outstanding during the year	10,143,071	10,143,071
Basic and diluted earnings per share in Rupees (face value – Rs. 10 per share )	17.13	10.23



17. Power products sales are covered by a warranty period of one year, the details of which are as under:

	Current year	(Rs. lacs) Previous year
Provision at the beginning of the year	5.23	4.91
Add : Additions during the year (included under miscellaneous expenses)	7.35	9.12
Less : Amounts used during the year	7.49	8.80
Provision at the end of the year	5.09	5.23

The warranty provision is expected to be paid within the normal warranty period of one year.

18. The Company provides after-sales service coupons to its customers for availing free of cost service. The coupons are valid for one year , the details of which are as under:

	Current year	(Rs. lacs) Previous year
Provision at the beginning of the year	106.78	94.73
Add : Additions during the year (included under service expenses)	75.95	56.65
Less : Amounts used during the year	66.75	44.60
Provision at the end of the year	115.98	106.78

The Company expects that the service coupons will be utilised within the validity period of one year.

19. Expenditure incurred during the year on research and development :

	Current year	(Rs. lacs) Previous year
- Revenue Expenditure	18.67	30.10

20. Sundry debtors include the following balances, which are due from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.

Name	Current year	(Rs. lacs) Previous year
Honda Motor Co Ltd, Japan	3.09	2.18
Honda de Mexico S.A. de C.V.	-	34.24
Honda Del Peru, S.A.	18.94	-
Honda de Venezuela C.A.	27.51	56.09
Honda Europe N.V.	0.04	0.29
Honda Philippines Inc	19.21	14.62
Honda South Africa PTY Limited	103.64	362.53
Asian Honda Motor Company Limited	0.02	-
Honda Motorcycle & Scooter India Pvt. Ltd.	30.07	7.70
Honda Manufacturing Nigeria Ltd.	-	29.86
Honda R & D (India ) Pvt. Ltd.	-	0.54
Honda Power Products, Indonesia	32.65	-

**NOTES TO THE ACCOUNTS**

21 **Additional information pursuant to the provisions of the Companies Act, 1956**

**(a) Quantitative details of products manufactured (nos.)**

Item	Annual capacity				Production	
	Licensed		Installed*		Current year	Previous year
	Current year	Previous year	Current year	Previous year		
Portable generating sets	**	**	175,000	175,000	57,144	59,291
Internal combustion engines	**	**	***	***	54,238	54,871
Pumping sets	**	**	***	***	42,078	34,265

\* As certified by the management and relied upon by the auditors, being a technical matter.

\*\* Not applicable, as the products manufactured by the Company are delicensed.

\*\*\* Installed capacity is common with portable generating sets.

**(b) Purchases for resale**

Item	Unit	Current year		Previous year	
		Qty.	Rs. Lacs	Qty.	Rs. Lacs
<b>Finished goods for sale</b>					
Generators	Nos.	-	-	100	52.84
Internal combustion engines	Nos.	920	63.96	226	14.41
Brush Cutters	Nos.	1943	194.17	-	-
Lawn Mowers	Nos.	684	124.87	544	82.68
Water pump		1	0.25	-	-
			<b>383.25</b>		149.93
<b>Spares and tools for sale</b>					
		#	<b>225.69</b>	#	74.16
Total			<b>608.94</b>		224.09

# In view of the considerable number of items diverse in size and nature, it is not practicable to furnish quantitative information. Also, no individual item of spares and tools for sale exceed ten percent of total purchases.

**(c) Stock of finished goods / sales**

Item	Unit	Stock of finished goods				Sales*			
		March 31, 2007		March 31, 2006		Current year		Previous year	
		Qty.	Rs. Lacs	Qty.	Rs. Lacs	Qty.	Rs. Lacs	Qty.	Rs. Lacs
Portable generating sets	Nos.	<b>1,989</b>	<b>380.34</b>	4,021	820.79	<b>59,150</b>	<b>14,630.18</b>	59,219	12,960.05
Internal combustion engines	Nos.	<b>1,037</b>	<b>65.80</b>	1,778	115.47	<b>55,885</b>	<b>3,724.72</b>	54,961	3,646.81
Pumping sets	Nos.	<b>2,338</b>	<b>193.85</b>	4,377	352.33	<b>44,102</b>	<b>5,356.67</b>	33,874	4,262.83
Water pumps	Nos.	<b>2</b>	<b>0.02</b>	2	0.02	–	–	18	1.02
Miscellaneous		#	<b>69.09</b>	#	65.66	#	<b>598.50</b>	#	128.17
Spares and tools for sale		#	<b>365.28</b>	#	210.84	#	<b>810.62</b>	#	540.94
Scrap							<b>105.39</b>		114.07
			<b>1074.38</b>		1565.11		<b>25,226.08</b>		21,653.89

\* Gross of excise duty and excludes items for own use, samples, write-offs and transit losses, etc.

# In view of the considerable number of items diverse in size and nature, it is not practicable to furnish quantitative information. Also, no individual item exceeds ten percent of total stock.

**(d) Raw materials and components consumed**

Item	Unit	Current year		Previous year	
		Qty.	Rs. Lacs	Qty.	Rs. Lacs
Steel sheets	Tonne	<b>946</b>	<b>466.49</b>	782	366.57
CRNGO Sheets	Tonne	<b>963</b>	<b>476.18</b>	855	424.66
Aluminium alloy	Tonne	<b>506</b>	<b>636.86</b>	413	385.44
Magnet wire	Tonne	<b>132</b>	<b>570.31</b>	136	377.17
Other raw materials		*	<b>28.84</b>	*	26.88
Components		*	<b>10,305.68</b>	*	9,791.04
			<b>12,484.36</b>		11,371.76

\* In view of the considerable number of items diverse in size and nature, it is not practicable to furnish quantitative information. Also, no individual item exceeds ten percent of total raw materials and components consumed.

**(e) Value of imported and indigenous raw materials and components consumed and the percentage of each to the total consumption. #**

Item	Current year		Previous year	
	Rs. Lacs	%	Rs. Lacs	%
Raw materials and components				
- Imported	<b>3,331.46</b>	<b>27</b>	3,556.93	31
- Indigenous	<b>9,152.90</b>	<b>73</b>	7,814.83	69
	<b>12,484.36</b>	<b>100</b>	11,371.76	100

# In giving this information, spare parts used for machinery repairs have not been considered.

**NOTES TO THE ACCOUNTS**

Item	(Rs. lacs)	
	Current year	Previous year
<b>(f) C.I.F. value of imports</b>		
Raw materials	<b>610.13</b>	823.85
Components	<b>2,168.65</b>	2,033.45
Consumables	<b>7.29</b>	9.72
Stores and tools	<b>4.27</b>	17.51
Spares for sale	<b>166.47</b>	53.03
Finished goods	<b>335.68</b>	124.63
Capital goods	-	-
<b>(g) Expenditure in foreign currency</b>		
Technical guidance fee (net of tax)	<b>137.19</b>	107.47
Royalty (net of tax)	<b>387.07</b>	324.15
Foreign travelling expenses	<b>38.81</b>	53.36
Model fee (net of tax)	<b>34.84</b>	-
Export commission	<b>378.41</b>	378.11
Other matters	<b>1.16</b>	0.38
<b>(h) Earnings in foreign currency</b>		
F.O.B. value of exports	<b>4,729.27</b>	4,740.90

**(i) Amount remitted in foreign currency on account of dividends**

Year to which the dividend relates	Current year			Previous year		
	Number of non-resident shareholders	Number of equity shares held	Dividend remitted- (Rs. Lacs)	Number of non-resident shareholders	Number of equity shares held	Dividend remitted- (Rs. Lacs)
2004-05 Final	-	-	-	30	6769229	203.08
2005-06 Final	<b>26</b>	<b>6768689</b>	<b>270.75</b>	-	-	-

22 The figures for the previous year have been regrouped / recast wherever necessary.

**For and on behalf of the Board**

<b>Siddharth Shriram</b>	Chairman
<b>D.V. Kapur</b>	Director
<b>O.P. Khaitan</b>	Director
<b>Ravi Vira Gupta</b>	Director
<b>M. Takedagawa</b>	Director
<b>K. Kashiwagi</b>	President & CEO
<b>Y. Watanabe</b>	Vice President & Whole Time Director
<b>R.S. Bidesi</b>	Vice President & Whole Time Director

Place: New Delhi  
 Date: June 30, 2007

<b>Vinay Mittal</b>	<b>Amit Jain</b>
Chief Financial Officer	Company Secretary

**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**01. Registration details**

Registration number	22060	State Code	20
Balance Sheet date	31-03-2007		

**02. Capital raised during the year (Rs. Lacs)**

Public issue	Nil	Right issue	Nil
Bonus issue	Nil	Private placement	Nil

**03. Position of mobilisation and deployment of funds (Rs. Lacs)**

<b>Total Liabilities</b>	20,922.04	<b>Total Assets</b>	20,922.04
<b>Source of funds</b>		<b>Application of funds</b>	
Paid-up capital	1,014.31	Net fixed assets	3,769.39
Secured loans	-	Net current assets	12,743.64
Deferred Tax (net)	136.84	Investments	-
Reserves and surplus	15,361.88		
Unsecured loans	-		

**04. Performance of the Company (Rs. Lacs)**

Turnover*	23,880.66	Total expenditure	21,178.43
Profit before tax	2,702.23	Profit after tax	1,737.88
Earning per share in Rs.	17.13	Dividend rate %	40%

\* Including other income

**05. Generic Names of the Principal Products / Services of the Company (As Per Monetary Terms)**

<i>Item code no. (ITC code)</i>	<i>Product description</i>
8502 20	Portable Generating Sets
8407 90	I C Engine
8407 90	Pumping Sets

**For and on behalf of the Board**

<b>Siddharth Shriram</b>	Chairman
<b>D.V. Kapur</b>	Director
<b>O.P. Khaitan</b>	Director
<b>Ravi Vira Gupta</b>	Director
<b>M. Takedagawa</b>	Director
<b>K. Kashiwagi</b>	President & CEO
<b>Y. Watanabe</b>	Vice President & Whole Time Director
<b>R.S. Bidesi</b>	Vice President & Whole Time Director

**Vinay Mittal**  
Chief Financial Officer

**Amit Jain**  
Company Secretary

Place: New Delhi  
Date: June 30, 2007





