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

Chairman

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

President & CEO

Mr. R. S. Bidesi

Vice-President & Whole-Time Director

Mr. Y. Watanabe

Vice-President & Whole-Time Director

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

Honda Motor Co., Ltd.

1-1, 2 Chome,

Minami-aoyama, Minato-Ku,

Tokyo, Japan

Statutory Auditors

M/s. BSR & Co.

Chartered Accountants

Gurgaon, Haryana

Bankers

The Bank of Tokyo-Mitsubishi UFJ Ltd.

HDFC Bank Ltd.

ICICI Bank Ltd.

Registered and Corporate Office

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

Greater Noida Industrial Development Area,

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

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DIRECTORS' REPORT

Dear Members,

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

FINANCIAL RESULTS AND APPROPRIATIONS

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

DIVIDEND

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

APPROPRIATIONS

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

DOMESTIC MARKETS AND EXPORTS

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

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

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

INDIGENISATION PROGRAMME

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

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

ENTERPRISE RESOURCE PLANNING ('ERP')

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

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

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

ENVIRONMENT PROTECTION & SAFETY

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

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

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

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

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

DIRECTORS

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

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

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

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

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

AUDITORS

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

PARTICULARS OF EMPLOYEES

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

CORPORATE GOVERNANCE

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

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

CODE OF CONDUCT AND ETHICS

The Board of the Company has adopted a Code of Conduct and Ethics for the Directors and Senior Executives of the Company. The object of the Code is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code sets out a broad policy for one's conduct in dealing with the Company, fellow Directors and employees and with the environment in which the Company operates. The code is available on the Company's Corporate website (www.hondasielpower.com). A declaration signed by President & CEO of the Company with regard to the compliance with the Code by the Members of the Board and Senior Executives is annexed at **Annexure E** and forms part hereof.

MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

ACKNOWLEDGEMENTS

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

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

On behalf of the Board

New Delhi
May 17, 2008

Siddharth Shriram
Chairman

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

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

(a) energy conservation measures taken;

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

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

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

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

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

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

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

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

Particulars	Unit	Current Year 2007-08	Previous Year 2006-07
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Quantity	Kwh	4085373	3618256
Total Amount	Rs. (Lacs)	147.62	127.25
Rate / Unit	Rs./Kwh	3.61	3.52
(b) Own Generation			
(i) Through diesel generator			
Quantity	Kwh	513496	674917
HSD Qty	Ltr	254870	318357
Unit per ltr of diesel oil	Kwh/Ltr	2.01	2.12
Cost / Unit	Rs./Kwh	14.06	13.99
(ii) Through steam turbine generator			
Units	-	-	-
Units per ltr. of fuel oil / gas	-	-	-
Cost / Unit	-	-	-
(c) Furnace HSD consumption	Ltr	462705	471134.5
2. Coal (specify quantity & where used)		N.A.	N.A.
Quantity (tonnes)			
Total Amount			
Average Rate			
3. Furnace Oil		N.A.	N.A.
Quantity (k. ltrs.)			
Total Amount			
Average Rate			
4. Others / internal generation		N.A.	N.A.
Quantity			
Total Cost			
Rate / Unit			
B. Consumption per units of Production			
Production unit	No.	181622	153464
Electricity	Kwh/Unit	25.32	27.98
Furnace oil		Nil	Nil
Coal		Nil	Nil
Other HSD Boiler / furnace / Burner	Ltr/Unit	2.55	3.07

B. TECHNOLOGY ABSORPTION

FORM – B
Disclosure of particulars with respect to Technology Absorption

Research and Development (R&D)

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

The Company has carried out work in the following areas:

- Technology to run Genset on LPG
- Execution of indigenization of critical engine components through the process of data base generation.
- Reduction in hazardous substances in product and process.
- Safety enhancement in Alternator Technology by separation of AC/DC winding in Genset Models.
- Inverter Generator Model suitable to Domestic Market to fulfill longstanding demand of 5KVA

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

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

3. Future plans of action

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

4. Expenditure on R & D

- a) Capital : Nil
- b) Recurring : Rs. 15.59 Lacs
- c) Total : Rs. 15.59 Lacs
- d) Total R & D expenditure as a percentage of total turnover : 0.06 %

Technology absorption, adaptation and innovation

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

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

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

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

- Noise Absorption technology.
- Engine Technology for use of LPG.
- Development of genset model EU65is.
- G200 Engine for Boat Application of Export Market.

2. Benefits derived as a result of the above efforts

The benefits derived relate to :

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

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

a) Technology imported

Manufacture of Portable Gensets, General Purpose Engines and Water Pumping Sets.

Technology to manufacture Pressure – Die – Casting parts of high quality.

b) Year of import

Technical Collaboration Agreement dated 18.10.1985 as renewed dated March 19, 2007 valid for a period of 5 years till March 31, 2012.

c) Has technology been fully absorbed?

No, this is in the process of being absorbed gradually.

d) If not fully absorbed areas where this has not taken place, reasons thereof and further plan of action.

The technology absorption of manufacture of I.C. engine and engine based products such as Gensets, Water Pumping Sets and Sprayers has started about 18 years back. Technology is further to be absorbed for high technology Engine components for indigenization and in producing the country specific products/ models for international markets.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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

(b) Total foreign exchange used and earned

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

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

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

Opportunities

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

Concern

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

Outlook

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

GENERAL PURPOSE ENGINES AND WATER PUMPING SETS

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

Opportunities

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

Concern

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

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

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

Outlook

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

BRUSH CUTTERS

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

EXPORTS

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

Concerns

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

Outlook

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

THREATS, RISKS AND CONCERNS

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

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

INTERNAL CONTROLS AND SYSTEMS

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

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

FINANCIAL PERFORMANCE :

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

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

HUMAN RESOURCES

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

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

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

Consolidation of Manufacturing Facilities

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

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

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

Honda Corporate Governance

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

Performance Appraisals

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

CAUTIONARY STATEMENT

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

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 support the essentials of corporate governance and accordingly hereby give 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 and 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 9 members. The Board has the ideal composition. It consists of three Executive Directors and six 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 Annual General Meeting ('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, five Board Meetings were held on May 22, June 30, July 26, October 29, 2007 and January 21, 2008. 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 Meeting(s) attended	No. of Directorship in other Companies	Number of Committee Membership (including Chairmanship)
Mr. Siddharth Shriram	ID/NED	Yes	5	6	4 (1)
Mr. K. Kashiwagi*	Non ID/ ED	Yes	3	NIL	1
Dr. D. V. Kapur	ID/NED	Yes	5	5	6 (4)
Mr. O. P. Khaitan	ID/NED	Yes	4	7	6 (2)
Mr. R. V. Gupta	ID/NED	Yes	5	6	7 (3)
Mr. R. S. Bidesi	Non ID/ ED	Yes	5	NIL	1
Mr. Y. Watanabe	Non ID/ ED	Yes	4	NIL	NIL
Mr. M. Takedagawa	Non ID/ NED	Yes	2	2	NIL
Mr. Y. Aoshima**	Non ID/ NED	No	NIL	NA	NA
Mr. S. Mizusawa	Non ID/ NED	No	NIL	NIL	NIL
Mr. J. Kobayashi***	Non ID/ NED	No	2	NIL	NIL

ID- Independent Director

NED- Non- Executive Director

ED- Executive Director

Note:

- i) a) * Ceased to be a Director effective August 1, 2007.
b) ** Ceased to be a Director effective June 1, 2007.
c) *** Appointed as a Director in place of Mr. K. Kashiwagi effective August 1, 2007.
- ii) a) The Directorships held by Directors as mentioned above, do not include Alternate Directorship and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.
b) In accordance with clause 49, Membership / Chairmanship of only the Audit Committee and Shareholders/ Investors Grievance committee of Public Limited Companies have been considered.
c) None of the Directors is a member of more than 10 Board-level committees of public companies in which they are Directors, nor is chairman of more than 5 such committees

Dr. D. V. Kapur, Independent Director and Chairman of the audit committee attended the Annual General Meeting of the Company.

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 function 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 comprise 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 and 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 2007-08, Audit Committee met five times on May 22, June 30, July 26, October 29, 2007 and January 21, 2008. 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	5
Mr. R. V. Gupta	Member	5
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 & CEO and Company Secretary. The Committee regularly seeks confirmation of its minutes from the Board of Directors in the ensuing Board Meeting.

The Committee met three times during the year on September 15, 2007, December 21, 2007 and January 21, 2008. Attendance of the members at the meetings was as follows:

Name of the Member	Status	No. of meetings attended
Dr. D. V. Kapur	Chairman	3
Mr. Siddharth Shriram	Member	1
Mr. J. Kobayashi	Member	3
Mr. R. S. Bidesi	Member	3

Compliance Officer

Mr. Amit Jain, pursuant to his resignation on 06.09.2007, ceased to be the Company Secretary and Compliance Officer of the Company. Ms. Payal Chaddha has taken over the position of Company Secretary effective September 18, 2007 and has also been nominated as the Compliance Officer 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.

Investor Grievance Redressal

Your Company has about 10139 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	07	07	NIL
Non-receipt / Revalidation of Dividend warrants	16	16	NIL
Others/Miscellaneous	05	05	NIL

iii. Remuneration Committee

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

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

During the year, the Committee met once on June 30, 2007 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 / recommending 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 is 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 2007-08

A. Executive Directors

The details of the remuneration paid to the Whole-Time Director(s) during the year 2007-2008 are as under:

Amount in Rs. lacs

Name	Salary	Perquisites/ Retiral benefits	Service Contract
Mr. K. Kashiwagi	19.60	4.48	27.03.2005 to 26.03.2010*
Mr. R. S. Bidesi	39.84	12.94	09.02.2007 to 08.02.2008**
Mr. Y. Watanabe	50.20	10.72	01.01.2006 to 31.12.2011
Mr. J. Kobayashi	42.16	4.51	01.08.2007 to 31.07.2012***

* Ceased to be a Director of the Company with effect from 01.08.2007

** Reappointed effective 09.02.2008 to 31.03.2009.

*** Appointed as Director in place of Mr. K. Kashiwagi.

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.

B. Non-Executive Directors

Details of sitting fees paid during the year 2007-08 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	Remun- eration Committee	Total
Mr. Siddharth Shriram	1,00,000	-	20,000	40,000	20,000	1,80,000
Dr. D. V. Kapur	1,00,000	1,00,000	60,000	-	20,000	2,80,000
Mr. O. P. Khaitan	80,000	80,000	-	-	20,000	1,80,000
Mr. R. V. Gupta	1,00,000	1,00,000	-	-	-	2,00,000

- Mr. M. Takedagawa, Director nominated by Honda Motor Co., Ltd., Japan submitted a letter of waiver for sitting fee of the Board & Committee thereof.
- No Sitting fee 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 holds 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
2006-07	July 26, 2007	1130 hours	Registered Office- Plot No.5, Sector 41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar-201 306 (U.P.)
2005-06	July 27, 2006	1130 hours	
2004-05	July 26, 2005	1130 hours	

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

During the years 2004-05 and 2006-07 no approval of the shareholders was obtained through special resolution. During the year 2005-06 three special resolutions were passed. One was pertaining to the increase in the remuneration of President & CEO and other two were relating to appointment and 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 15 of the Notes to the Accounts attached with the financial statement for the year ended March 31, 2008.
- 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 Companies (Accounting Standards) Rules, 2006.
- 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, 2007), quarterly results (quarter ended June 30, 2007 and December 31, 2007) and the half yearly results (period ended September 30, 2007) in English and Hindi language newspapers.
2. The results of the Company are also displayed on the Company's website 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 others entitled thereto. The Management Discussion & Analysis Report forms part of this Annual Report and is provided elsewhere in this Report.

8. General Shareholders' information

i. 23rd Annual General Meeting

Day, Date & Time	: Wednesday, September 10, 2008 at 11.30 A.M.
Venue	: Regd. Office at Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar-201 306 (U.P.)
Financial Year	: Year ended March 31, 2008
Book Closure	: September 4, 2008 to September 10, 2008 (both days inclusive)
Dividend Payment Date	: September 16, 2008

ii. Tentative Financial Calendar 2008-09

(Subject to change)

The tentative dates for approval of Unaudited / Audited Financial Results for 2008 - 09, are as follows:

Quarter ending June 30 th 2008	Last week of July, 2008
Quarter ending September 30 th 2008	Last week of October, 2008
Quarter ending December 31 st 2008	Last week of January, 2009
Quarter ending March 31 st 2009	Last week of April, 2009 (Unaudited) / Last week of June 2009 (Audited)

iii. 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, 2008 are given hereunder :

Period	Rate (%)	Date of declaration	Date of payment	Unclaimed dividend (Rs.)
2000-2001	40	21.09.2001	26.10.2001	3,18,566.21
2001-2002 (I)*	40	28.01.2002	11.02.2002	3,21,208.00
2001-2002 (F)**	40	17.09.2002	05.10.2002	3,08,919.00
2002-2003 (I)*	40	13.03.2003	27.03.2003	3,42,783.76
2002-2003 (F)**	40	13.08.2003	02.09.2003	2,79,570.00
2003-2004	40	29.09.2004	12.10.2004	3,41,953.00
2004-2005	30	26.07.2005	16.08.2005	2,62,819.00
2005-2006	40	27.07.2006	05.08.2006	3,62,440.00
2006-2007	40	26.07.2007	03.01.2007	3,29,836.00

* Interim Dividend (I)

** Final Dividend (F).

iv. 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 :

Name & Address of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001.	522064
The National Stock Exchange of India Ltd. (NSE) 5 th Floor, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051.	HONDAPOWER
The Calcutta Stock Exchange Association Ltd.* 7, Lyons Range, Kolkata-700001.	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 2008-2009 has since been paid to BSE & NSE.

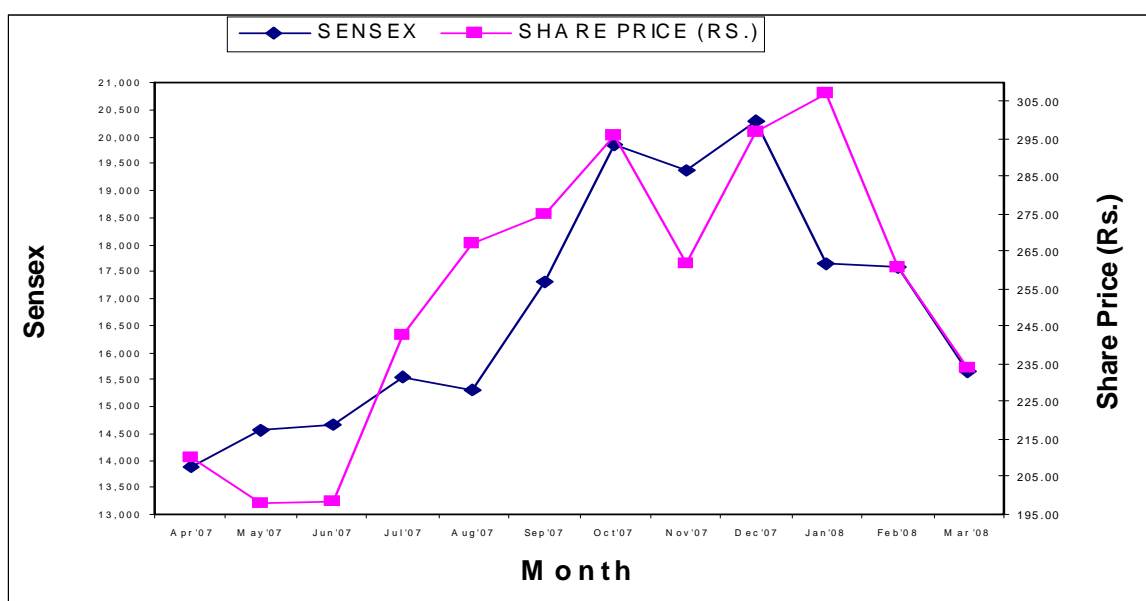
v. Stock Market Data

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

(Amount in Rs./ Share)

Month (s)	BSE			NSE		
	High	Low	Volume (Nos.)	High	Low	Volume (Nos.)
April 2007	210.00	155.50	376244	210.95	158.55	147181
May 2007	198.00	180.05	139772	197.75	175.75	89321
June 2007	198.45	173.00	138430	200.00	171.50	165468
July 2007	242.70	191.00	1925976	243.50	191.40	1215169
August 2007	267.00	223.00	532510	268.75	215.05	316184
September 2007	275.00	235.00	304507	279.90	226.60	190357
October 2007	296.00	232.55	344074	297.95	220.05	224449
November 2007	262.00	225.00	244100	262.65	221.20	177963
December 2007	297.00	244.00	205651	296.25	240.55	125481
January 2008	306.85	200.00	208712	306.00	200.00	147986
February 2008	261.00	210.05	47304	263.00	207.00	37669
March 2008	234.00	179.95	105499	232.75	173.00	50964

vi. Sensex Vs. Honda Siel Power Products' Share Price



vii. 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

viii. Investors' Service & Share Transfer System

The Company has a system of attending and redressing all investors' related grievances/correspondences 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 to the Secretarial Department of the Company at the following address:

Honda Siel Power Products Limited,
Secretarial Department,
Plot No. 5, Sector 41, (Kasna), Greater Noida Industrial Development Area,
Distt. Gautam Budh Nagar-201 306 (U.P.)
Phone : 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 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 a half yearly basis from a Company Secretary in practice and files a copy of the certificate with the Stock Exchanges.

ix. Distribution of shareholding as on March 31, 2008

No. of Equity Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Upto to 5000	9505	93.75	971083	9.57
5001-10000	329	3.24	260647	2.57
10001-20000	177	1.74	255751	2.52
20001-30000	35	0.34	87034	0.86
30001-40000	18	0.18	64246	0.63
40001-50000	18	0.18	83176	0.82
50001-100000	32	0.32	241430	2.38
100001 and above	25	0.25	8179704	80.65
Total	10139	100	10143071	100

x. Pattern of shareholding as on March 31, 2008

Categories	No. of Shares	Shareholding (%)
Promoters	6863433	67.67
Companies	1082893	10.68
NRI's, FII's, OCBs etc.	164739	1.62
Mutual Funds, Banks, FIs	1120	0.01
Individuals and HUF, etc.	2030886	20.02
Total	10143071	100

xi. Dematerialization of shares and liquidity

30.12% of total equity capital is held in dematerialised form with NSDL and CDSL as on March 31, 2008. During the year, 860 share certificates involving 22058 shares were dematerialized by the shareholders representing 0.22% (last year 0.33%) of the total share capital of the Company.

Demat ISIN in NSDL and CDSL : INE634A01018

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

xiii. 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, Puducherry-605101.
- 3) Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar, UP-201306.

xiv. Information pursuant to Clause 49 IV (G) (i) of the Listing Agreement

Information pertaining to particulars of Directors to be appointed and re-appointed at the forthcoming Annual General Meeting is being included in the Notice convening the Annual General Meeting.

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.

10. Compliance with Code of Conduct

A declaration by the President & CEO that all Directors and Senior Management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2008 is annexed as **Annexure E**.

11. CEO / CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, the Board of Directors have 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 annexed at **Annexure F** hereto and forms part hereof.

12. Compliance Certificate of Practicing Company Secretary

The Company has obtained a Certificate from Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. The Certificate is annexed as **Annexure G**.

Annexure E to Directors' Report

CERTIFICATE AND DECLARATION

I, J. Kobayashi, 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, 2008, 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

**J. Kobayashi
President & CEO**

CERTIFICATE

We, J. Kobayashi, 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 for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and shall disclose to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps to be taken to 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

J. Kobayashi
President & CEO

ANNEXURE- G TO DIRECTORS' REPORT**CERTIFICATE**

To the Members of Honda Siel Power Products Limited,

I have examined the compliance of conditions of Corporate Governance by Honda Siel Power Products Limited for the year ended 31st March 2008 as stipulated in Clause 49 of the Listing Agreements of the 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 6, 2008

(T. V. NARAYANASWAMY)
COMPANY SECRETARY
Membership No. CP-203

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 2008 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 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2008 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 2008;
 - 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 : 17 MAY, 2008

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) As explained to us, the Company has a programme of physical verification of its fixed assets in a phased manner over a period of three years. In accordance with this programme during the current year, physical verification of the fixed assets has been carried out at two manufacturing locations of the Company. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification. Further during the current year, the Company has completed its process of reconciling the fixed assets that were verified in the previous year with the existing fixed assets records. This process was commenced by it in the previous year. Discrepancies noticed on such reconciliation have been properly dealt with in the books of account.
(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, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, 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 goods and 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, Excise duty, Service tax, Customs duty, Cess and other material statutory dues have been regularly deposited with the appropriate authorities. Sales tax, entry tax and professional tax has generally been regularly deposited with the appropriate authorities though there has been slight delay in a few cases.
There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. 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 2008 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, Cess and Customs Duty 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 and Excise 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	1995-1996	Commissioner of Income Tax (Appeals)
	Various disallowances	125.94	1998-1999	Commissioner of Income Tax (Appeals)
	Various disallowances	22.90	2001-2002	Commissioner of Income Tax (Appeals)
	Various disallowances	68.23	2002-2003	Income Tax Appellate Tribunal
	Various disallowances	259.53	2003-2004	Commissioner of Income Tax (Appeals)
	Various disallowances	30.90	2004-2005	Commissioner of Income Tax (Appeals)
Various Sales Tax Acts	Disputes in sales tax rates	2.66	1999-2000	High Court
	Sales Tax	7.56	1988-1989 2002-2003	High Court (Sales Tax Authorities have filed the appeal)
	Dispute on enhancement of sales	8.40	2000-2003	Sales Tax Tribunal
	Various disallowances	13.09	1987-1988, 1990-1991 2004-2005, 2005-2006	Joint Commissioner (Appeals)
	Submission of sales tax forms and sales tax rates	46.22	1999-2000 2002-2004	Dy. Commissioner (Appeals)
	Dispute due to enhancement of turnover and sales tax rates	62.99	2000-2001	Asstt. Commissioner (Assessment)
	Submission of sales tax forms	0.52	2001-2002	Additional Commissioner
Central Excise Act, 1944	Various disallowances	1,272.35	1998-1999 2000-2003 2004-2005	Customs Excise & Service Tax Appellate Tribunal. The Company has got stay from the Appellate Authority
	Various disallowances	3.78	1997-1998	Asstt. Commissioner
	Disputes on differential duty	211.67	2002-2003	Supreme Court – Department in Appeal
	Inclusion of expenses in assessable value	4.64	2003-2004 2007-2008	Dy. Commissioner
	Inclusion of expenses in assessable value	36.57	2000-2003 2005-2006	Commissioner (Appeals)
Service Tax	Service Tax on technical guidance fee	1.23	1999-2004	Assistant Commissioner
	Service Tax on technical guidance fee.	33.08	1999-2004	Customs Excise & Service Tax Appellate Tribunal
	Service Tax on royalty	21.16	1999-2002	Customs Excise & Service Tax Appellate Tribunal

*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 : 17 MAY, 2008

Vikram Aggarwal
Partner
Membership No. 089826

BALANCE SHEET AS AT 31 MARCH, 2008

(Rs. Lacs)

Particulars	Schedule No.	As at 31 March, 2008	As at 31 March, 2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,014.31	1,014.31
Reserves and surplus	2	17,336.94	15,361.88
		18,351.25	16,376.19
Deferred tax liability (Net) (Refer to Note 14 of Schedule 11)		174.02	136.84
		18,525.27	16,513.03
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	11,351.23	11,186.63
Less: Depreciation		7,762.51	7,469.29
Net block		3,588.72	3,717.34
Add : Capital work in progress		925.83	52.05
		4,514.55	3,769.39
Current assets, loans and advances			
Inventories	4	4,094.91	3,040.24
Sundry debtors		2,225.26	2,264.92
Cash and bank balances		10,802.87	10,833.60
Other current assets		211.20	155.91
Loans and advances		1,151.64	857.98
		18,485.88	17,152.65
Less: Current liabilities and provisions			
Current liabilities	5	3,654.67	3,714.95
Provisions		820.49	694.06
		4,475.16	4,409.01
Net current assets		14,010.72	12,743.64
		18,525.27	16,513.03
	-		
Significant accounting policies and Notes to accounts			
	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

For and on behalf of the Board

Siddharth Shriram Chairman
D. V. Kapur Director
O. P. Khaitan Director
Ravi V. Gupta Director
J. Kobayashi President & CEO
Y. Watanabe Vice President & Whole Time Director
R. S. Bidesi Vice President & Whole Time Director

Vinay Mittal Chief Financial Officer
Payal Chaddha Company Secretary

 Place : NEW DELHI
 Date : 17 MAY, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2008

(Rs. Lacs)

Particulars	Schedule No.	Year ended 31 March, 2008	Year ended 31 March, 2007
INCOME			
Gross sales		27,782.17	25,226.08
Less : Excise duty		2,676.37	2,393.73
Net Sales		25,105.80	22,832.35
Job work charges (Gross)*		130.04	90.10
Other income	6	1,554.90	958.21
		26,790.74	23,880.66
* Income tax deducted at source Rs 3.42 lakhs (Previous year Rs 2.12 lakhs)			
EXPENDITURE			
Material cost	7	14,543.19	13,802.79
Personnel cost	8	2,491.38	2,080.06
Other expenses	9	5,373.61	4,492.37
Depreciation	3	536.94	786.94
Interest	10	18.46	16.27
		22,963.58	21,178.43
Profit before tax		3,827.16	2,702.23
Less: Provision for taxation			
- Current tax		1,261.00	1,075.00
- Deferred tax charge/ (credit)		49.33	(151.15)
- Fringe benefit tax		43.50	40.50
Profit after tax		2,473.33	1,737.88
Balance brought forward		4,574.97	3,485.76
Amount available for appropriation		7,048.30	5,223.64
Appropriations			
Proposed dividend		405.72	405.72
Tax on proposed dividend		68.95	68.95
General reserve		250.00	174.00
Balance carried to balance sheet		6,323.63	4,574.97
Basic and diluted earnings per share (face value Rs.10 each) in Rupees		24.38	17.13
Significant accounting policies and Notes to accounts	11		

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

As per our report of even date

For and on behalf of the Board

For **BSR & Co.**
Chartered Accountants

Siddharth Shriram Chairman
D. V. Kapur Director
O. P. Khaitan Director
Ravi V. Gupta Director
J. Kobayashi President & CEO
Y. Watanabe Vice President & Whole Time Director
R. S. Bidesi Vice President & Whole Time Director

Vikram Aggarwal
Partner
Membership No. : 089826

Vinay Mittal Chief Financial Officer
Payal Chaddha Company Secretary

Place : NEW DELHI
Date : 17 MAY, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

(Rs. Lacs)

Particulars	Year ended 31 March, 2008	Year ended 31 March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	3,827.16	2,702.23
ADJUSTMENTS FOR :		
Depreciation	536.94	786.94
Interest income	(1,031.95)	(633.43)
Profit on sale of fixed assets	(6.85)	(14.89)
Loss on sale of fixed assets	3.08	19.30
Provision for doubtful debt/ advances	10.59	32.27
Bad Debts	-	2.45
Provision for doubtful advances written back	(4.77)	-
Provision for leave encashment	49.97	17.10
Unrealised Exchange (gain)/loss	(16.72)	15.96
Provision for gratuity	19.63	-
Inventory written off	-	11.52
Provision for slow moving inventory	52.19	27.65
Liabilities no longer required written back	(465.99)	(216.83)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,973.28	2,750.27
ADJUSTMENTS FOR :		
Decrease/(Increase) in inventories	(1,106.86)	796.28
Decrease/(Increase) in trade / other receivables	(36.18)	489.05
(Decrease)/Increase in trade / other payables	425.03	758.99
CASH GENERATED FROM OPERATIONS	2,255.27	4,794.59
Direct taxes paid	(1,510.07)	(1,359.08)
NET CASH FROM OPERATING ACTIVITIES (A)	745.20	3,435.51
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1,291.69)	(485.72)
Sale of fixed assets	13.36	39.77
Interest received	976.66	590.59
NET CASH USED IN INVESTING ACTIVITIES (B)	(301.67)	144.64
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Dividend paid	(405.38)	(405.85)
Tax on dividend	(68.95)	(56.90)
NET CASH USED IN FINANCING ACTIVITIES (C)	(474.33)	(462.75)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(30.80)	3,117.40
Cash and cash equivalents at the beginning of period (Refer to Schedule 4)	10,833.60	7,716.20
Effects of exchange rate changes	0.07	-
Cash and cash equivalents at the end of period (Refer to Schedule 4)	10,802.87	10,833.60

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement"
- Figures in brackets indicate cash outflow.
- Cash and cash equivalents include pledged fixed deposits, unclaimed dividends and margin accounts Rs. 92.82 Lacs (Previous year Rs. 92.48 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

For and on behalf of the Board

Siddharth Shriram *Chairman*
D. V. Kapur *Director*
O. P. Khaitan *Director*
Ravi V. Gupta *Director*
J. Kobayashi *President & CEO*
Y. Watanabe *Vice President & Whole Time Director*
R. S. Bidesi *Vice President & Whole Time Director*

Vinay Mittal **Payal Chaddha**
Chief Financial Officer *Company Secretary*

Place : NEW DELHI
Date : 17 MAY, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. Lacs)

Particulars	As at 31 March, 2008	As at 31 March, 2007
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SCHEDULE 1 : SHARE CAPITAL
Authorised

1,50,00,000 (Previous year 1,50,00,000) equity shares of Rs.10 each

1,500.00
1,500.00
Issued

1,01,44,000 (Previous year 1,01,44,000) equity shares of Rs.10 each

1,014.40
1,014.40
Subscribed and paid up

1,01,43,071* (Previous year 1,01,43,071*) equity shares of Rs.10 each

1,014.31
1,014.31
1,014.31
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 also being the ultimate holding company.

(Rs. Lacs)

Particulars	As at 31 March, 2007	Additions	Deductions	As at 31 March, 2008
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SCHEDULE 2 : RESERVES AND SURPLUS
Capital reserve

- Capital investment subsidy 25.00 - - 25.00

Share premium account 396.46 - - 396.46

General reserve 10,365.45 250.00 23.60 # 10,591.85

Surplus in profit and loss account 4,574.97 1,748.66 - 6,323.63

15,361.88 1,998.66 23.60 17,336.94

Refer to Note 7 of Schedule 11

SCHEDULE 3 : FIXED ASSETS

(Rs. Lacs)

Description	Gross Block (At cost)				Depreciation				Net block	
	As at 31 March, 2007	Additions during the year	Deductions/ Adjustments during the year*	As at 31 March, 2008	As at 31 March, 2007	For the year	Deductions/ Adjust- ments*	As at 31 March, 2008	As at 31 March, 2008	As at 31 March, 2007
Tangible assets										
Land -freehold	19.80	-	-	19.80	-	-	-	-	19.80	19.80
- leasehold	400.47	-	-	400.47	46.88	4.94	-	51.82	348.65	353.59
Buildings	1,857.97	8.75	-	1,866.72	509.53	56.31	-	565.84	1,300.88	1,348.44
Plant and machinery #	7,539.46	326.17	89.34	7,776.29	5,834.79	358.43	88.83	6,104.39	1,671.90	1,704.67
Furniture, fixtures and office equipment	627.88	49.52	135.72	541.68	539.53	58.64	132.75	465.42	76.26	88.35
Vehicles	242.25	28.35	28.25	242.35	91.93	43.48	22.14	113.27	129.08	150.32
(A)	10,687.83	412.79	253.31	10,847.31	7,022.66	521.80	243.72	7,300.74	3,546.57	3,665.17
Intangible assets										
Technical know how	65.18	-	-	65.18	65.18	-	-	65.18	-	-
Model fee	272.52	-	-	272.52	231.57	9.09	-	240.66	31.86	40.95
Software	161.10	5.12	-	166.22	149.88	6.05	-	155.93	10.29	11.22
(B)	498.80	5.12	-	503.92	446.62	15.14	-	461.77	42.15	52.17
(A) + (B)	11,186.63	417.91	253.31	11,351.23	7,469.28	536.94	243.72	7,762.51	3,588.72	3,717.34
Previous year	10,972.00	578.35	363.72	11,186.63	7,001.89	786.94	319.54	7,469.29	3,717.34	-

Capital work in progress [including capital advances to suppliers Rs. 736.12 Lacs (Previous year Rs. 48.02 Lacs)]

925.83
52.05
Notes :

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)

* Includes adjustments made during the year having original cost Rs 197.67 Lacs and accumulated depreciation thereon Rs 196.47 Lacs

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. Lacs)

Particulars	As at 31 March, 2008	As at 31 March, 2007
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SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES
Current assets
Inventories

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

Stores, spares and loose tools	62.05	71.38
Raw materials and components	1,808.69	1,739.76
Process stock	214.22	182.37
Finished goods	2,069.63	1,074.38
	<u>4,154.59</u>	<u>3,067.89</u>
Less : Provision for slow moving inventory	59.68	27.65
	<u>4,094.91</u>	<u>3,040.24</u>

Sundry debtors

Debts outstanding for a period exceeding six months

- considered good

- secured	0.49	0.58
- unsecured	27.84	61.94

- considered doubtful

- unsecured	73.60	63.01
	<u>101.93</u>	<u>125.53</u>

Other debts - considered good

- secured	11.23	15.85
- unsecured #	2,185.70	2,186.55
	<u>2,196.93</u>	<u>2,202.40</u>

	<u>2,298.86</u>	<u>2,327.93</u>
Less : Provision for doubtful debts	73.60	63.01
	<u>2,225.26</u>	<u>2,264.92</u>

Includes amounts due from Honda Motorcycle & Scooter India Pvt. Ltd. Rs. 28.03 Lacs (Previous Year Rs. 30.07 Lacs) and from Honda Motor India Private Ltd. Rs. 40.94 Lacs (Previous Year Rs Nil), being companies having common directors.

Refer to Note 22 of Schedule 11

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. Lacs)

Particulars	As at 31 March, 2008	As at 31 March, 2007
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SCHEDULE 4 (Contd.) : CURRENT ASSETS, LOANS AND ADVANCES

Cash and bank balances

Cash in hand	4.60	4.58
Cheques in hand	0.46	-
With scheduled banks		
- on current accounts	1,431.99	1,474.69
- on deposit accounts *	9,335.94	9,324.79
- on dividend accounts	28.69	28.35
- on margin accounts	1.19	1.19
	<u>10,802.87</u>	<u>10,833.60</u>

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

Other current assets

Interest accrued and not due on fixed deposits	211.20	155.91
	<u>211.20</u>	<u>155.91</u>

Loans and advances

Advances recoverable in cash or in kind or for value to be received		
- unsecured		
- considered good	406.76	243.66
- considered doubtful	22.25	27.02
	<u>429.01</u>	<u>270.68</u>
Less : Provision for doubtful advances	22.25	27.02
	<u>406.76</u>	<u>243.66</u>
Advance income tax and taxes deducted at source (Net of provision for income tax Rs. 8,758 Lacs) (Previous year Rs. 7,497 Lacs)	297.80	90.81
Balances with customs and excise authorities	309.65	381.82
Export benefits recoverable (Refer to Note 1 (xi) of Schedule 11)	38.99	54.88
Other deposits		
- unsecured #		
- considered good	98.44	86.81
	<u>1,151.64</u>	<u>857.98</u>
# Includes National Saving Certificates for Rs. 0.35 Lacs (Previous year Rs.0.35 Lacs) pledged as security deposit with Government authorities.		
	<u>18,485.88</u>	<u>17,152.65</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs. Lacs)

Particulars	As at 31 March, 2008	As at 31 March, 2007
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SCHEDULE 5 : CURRENT LIABILITIES AND PROVISIONS

Current liabilities #

Sundry Creditors		
- total outstanding dues to micro and small enterprises*	8.67	-
- total outstanding dues to others	2,764.97	2,618.23
Unclaimed dividends	28.69	28.35
Security deposits from dealers (including interest thereon)	153.04	154.42
Advances from customers	186.01	171.13
Other liabilities	513.29	742.82
	<u>3,654.67</u>	<u>3,714.95</u>

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

* Refer to Note 9 of Schedule 11

Provisions

Proposed dividend	405.72	405.72
Tax on proposed dividend	68.95	68.95
Warranties (Refer to Note 18 of Schedule 11)	7.55	5.09
Service Coupons (Refer to Note 19 of Schedule 11)	133.20	115.98
Compensated absences	148.79	96.08
Gratuity	52.62	-
Fringe benefit tax (Net of Advance fringe benefit tax Rs. 137.68 Lacs) (Previous year Rs. 95.60 Lacs)	3.66	2.24
	<u>820.49</u>	<u>694.06</u>
	<u>4,475.16</u>	<u>4,409.01</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rs. Lacs)

Particulars	Year ended 31 March, 2008	Year ended 31 March, 2007
SCHEDULE 6 : OTHER INCOME		
Interest (gross)*		
- On deposits	1,029.30	633.43
- Others	2.65	3.47
Profit on sale of fixed assets	6.85	14.89
Export benefits (Refer to Note 1(xi) of Schedule 11)	19.29	32.13
Liabilities no longer required written back (Refer to Note 2 & 3 of Schedule 11)	465.99	216.83
Miscellaneous Income	30.82	57.46
	<u>1,554.90</u>	<u>958.21</u>

* Income tax deducted at source is Rs 221.97 Lacs (Previous year Rs.141.34 Lacs)

SCHEDULE 7 : MATERIALS COST

Consumption of raw material and components	13,959.49	12,484.36
Stores, spares and loose tools consumed (excluding Rs. 66.75 Lacs (Previous year Rs. 69.94 Lacs) charged to other revenue heads)	307.86	348.79
Purchase of finished goods for resale	1,076.16	383.25
Purchase of spares and tools for resale	46.50	225.69
	<u>15,390.01</u>	<u>13,442.09</u>
(Increase) / decrease in stocks		
Opening 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>
Less : Closing stock		
- Process stock	214.22	182.37
- Finished goods	2,069.63	1,074.38
	<u>2,283.85</u>	<u>1,256.75</u>
	(1,027.10)	482.82
Increase / (Decrease) in excise duty on stock	180.28	(122.12)
	<u>14,543.19</u>	<u>13,802.79</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rs. Lacs)

Particulars	Year ended 31 March, 2008	Year ended 31 March, 2007
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SCHEDULE 8 : PERSONNEL COST

Salaries, wages and bonus	2,112.50	1,740.36
Contribution to provident and other funds	170.35	139.44
Staff welfare	208.53	200.26
	<u>2,491.38</u>	<u>2,080.06</u>

SCHEDULE 9 : OTHER EXPENSES

Power and fuel	350.33	366.82
Rent	148.06	125.16
Repairs		
- Building	14.58	42.42
- Plant and machinery	112.60	118.90
- Others	59.92	55.35
Insurance	66.33	68.39
Rates and taxes	72.33	47.63
Royalty	877.14	483.87
Technical guidance fees	174.96	153.20
Freight outward	588.33	526.89
Commission on Sales	642.92	543.16
Sales promotion	342.80	283.47
Sales discount	146.92	72.58
Advertisement & publicity	626.52	541.87
Service expenses	107.91	111.10
Travelling and conveyance	257.50	195.29
Printing and stationery	28.33	30.46
Telephone, postage and telegram	73.79	75.37
Professional charges	106.80	74.14
Vehicle running expenses	136.47	134.78
Loss on sale of fixed assets	3.08	19.30
Inventory written off	17.28	11.52
Less: Adjusted against opening provision	<u>(17.28)</u>	<u>-</u>
Bad debts	-	2.45
Provision for doubtful debts / advances	10.59	32.27
Provision for slow moving inventory	52.19	27.65
Bank charges	28.80	27.09
Miscellaneous	344.41	321.24
	<u>5,373.61</u>	<u>4,492.37</u>

SCHEDULE 10 : INTEREST

Interest on dealer deposits	8.47	8.68
Other interest	9.99	7.59
	<u>18.46</u>	<u>16.27</u>

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) as specified in the Companies (Accounting Standards) Rules 2006 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iii) Fixed assets

Fixed assets are stated at the 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.

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

(iv) Impairment

The carrying values of assets are reviewed at each reporting date to determine if there is indication of any impairment. If any indication exists, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(v) Depreciation

a) Depreciation on fixed assets except for leasehold land 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.

(vi) Intangible assets

Intangible assets comprise model fee, technical know how and computer software and are stated at cost less accumulated amortisation.

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

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

Software is amortized over a period of three years.

(vii) 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 finished goods are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished goods will exceed their net realisable value.

(viii) 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.

Interest income is recognised using the time proportion method, based on underlying interest rates.

(ix) 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.

(x) 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 in the profit and loss account for the year.

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.

(xi) Export benefits

Export benefit representing customs duty rebate entitlement against exports made on advance licences under duty exemption scheme and duty credit entitlement for exports made to focus markets under the focus market scheme of Government of India is accounted for on an accrual basis.

(xii) Retirement benefits

a) Defined Benefit

(i) Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. The Company makes annual contributions to gratuity fund established as trust which has taken up a group policy with Life Insurance Corporation of India. The Company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation report.

(ii) Provident Fund

The eligible employees of the Company are entitled to receive benefits under the provident fund set up as an irrevocable trust. Both the employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. The interest rate payable by the trust to the beneficiaries every year is notified by the appropriate authorities. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

The annual contributions paid by the Company to the provident fund are charged off to the profit and loss account. In addition the Company provides for the interest shortfall, if any.

Actuarial gains and losses arising on the defined benefits plan are recognised immediately in the profit and loss account.

(b) Defined Contribution**(i) Superannuation fund**

Under the superannuation scheme, a defined contribution plan, the Company pays fixed contributions into a separate trust and has no obligation to pay further amounts. The trust has taken up a policy with the Life Insurance Corporation of India. Benefits are paid by Life Insurance Corporation of India to the vesting employees on retirement, death, incapacitation or termination of employment. Contributions paid by the Company to the superannuation trust are charged to the profit and loss account.

(xiii) Other long term employee benefits**Compensated absences**

As per the Company's policy eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service or encashed. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation by employee and upon death of employee. The scale of benefits is determined based on the seniority and the respective employee's salary. The Company accounts for the liability for compensated absences payable in future based on an independent actuarial valuation.

(xiv) Earning per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The company has not issued any potential equity shares and accordingly the basic earnings per share and diluted earnings per share is the same.

(xv) 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.

(xvi) Warranty and Service Coupon Costs

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

(xvii) 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. The Government of Pondicherry, vide notification dated 29 December 1997, had imposed entry tax at the rate of 1% in respect of goods imported from outside Pondicherry by certain specified industries. In respect of the above notification, the Pondicherry Generators Manufacturer's Association, of which the Company is a member, filed a Writ Petition in the Madras High Court in 1998 and a stay was granted by the Honourable Court from deposit of the above mentioned entry tax. Pending the final disposal of the writ petition, the Company on a prudent basis created entry tax provision in its books of account.

During the current year, the writ petition was allowed by the Honourable Court and pursuant to the favourable judgment, Rs. 331.74 Lacs, being the amount provided for by the Company till the year 2006-07, has been written back. This amount has been included under 'Liabilities no longer required written back', as part of other income, in the financial statements.

3. During the current year, the Company has carried out a review of its liability for outstanding expenses. Pursuant to this, the Company has written back Rs. 134.25 Lacs of its liability for expenses as these are no longer payable. This has been included under 'Liabilities no longer required written back' as part of other income in the financial statements.
4. During the current year the management of the Company decided to restructure the operations of the Company by shifting the manufacturing facility from its factory located at Rudrapur in Uttaranchal to the factory located at Greater Noida in Uttar Pradesh.

The Company expects to incur substantial costs in this restructuring process. However, currently majority of these expenses do not meet the criteria stipulated in Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets' and have not been provided for in this year. These expenses will be provided for as and when these meet the criteria laid down in AS 29. The expenses, incurred by the Company till date and meeting the AS 29 criteria are included under normal heads of account.

5. Contingent liabilities :

	<u>Current year</u>	(Rs. Lacs) <u>Previous year</u>
Claims against the Company not acknowledged as debts		
-Income-tax matters	737.10	714.16
-Excise & Service tax matters	2,789.69	2,511.97
-Sales tax matters	161.07	181.93
-Others	14.55	42.83

6. Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances, Rs 1,270.49 Lacs (Previous year Rs. 68.37 Lacs).

7. Effective 1 April 2007, the Company adopted Accounting Standard - 15 'Employee Benefits' (AS-15). Pursuant to the adoption, the transitional obligations of the Company as at 1 April 2007 amounted to Rs. 35.75 Lacs. As required by the above standard, this obligation amounting to Rs. 23.60 Lacs (net of deferred tax asset of Rs 12.15 Lacs) has been adjusted to the opening balance of general reserves.

Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 "Employee Benefits" prescribed by the Companies (Accounting Standards) Rules, 2006:

a) An amount of Rs. 118.80 Lacs pertaining to employers' contribution to provident fund, pension fund, employees' state insurance fund and superannuation fund is recognised as an expense and included in "Personnel Costs" in Schedule 8.

b) The following tables set out the status of the gratuity plan as required under the Standard.

(i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:

(Rs. Lacs)

Particulars	As at 31 March, 2008
Present value of obligation as at 1 April 2007	329.51
Interest cost	26.36
Current service cost	24.91
Benefits paid	(32.99)
Actuarial (gain) / loss on obligation	32.82
Present value of obligation as at 31 March 2008	380.61

(ii) Fair value of plan assets:

(Rs. Lacs)

Particulars	As at 31 March, 2008
Fair value of plan assets at 1 April 2007	296.51
Expected return on plan assets	23.72
Contributions	37.90
Benefits paid	(32.99)
Actuarial gain / (loss) on plan assets	2.85
Fair value of plan assets at the end of the year	327.99

(iii) Actuarial gain/ loss recognised in the profit and loss account:

(Rs. Lacs)

Particulars	For the year ended 31 March, 2008
Actuarial gain/ (loss) for the year – obligation	(32.82)
Actuarial gain/ (loss) for the year - plan assets	2.85
Total gain/ (loss) for the year	(29.98)
Actuarial gain/ (loss) recognised in the year	(29.98)
Unrecognised actuarial gains/ (losses) at the end of year	-

(iv) The amounts recognised in the balance sheet are as follows:

(Rs. Lacs)

Particulars	As at 31 March, 2008
Present value of obligation as at the end of the year	380.61
Fair value of plan assets at the end of the year	327.99
Funded status	(52.62)
Unrecognised actuarial (gains)/ losses	-
Net assets / (liability) recognised in balance sheet	(52.62)

(v) The amounts recognised in the profit and loss account are as follows:

(Rs. Lacs)

Particulars	As at 31 March, 2008
Current service cost	24.91
Past service cost	-
Interest cost	26.36
Expected return on plan assets	(23.72)
Net actuarial (gain) / loss recognized in the year	29.98
Expenses recognised in the statement of profit and loss*	57.53

* Included in Schedule 8 "Personnel Cost".

(vi) Principal actuarial assumptions at the balance sheet date are as follows:

Discount rate	8%
Expected rate of return on plan assets	8%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

(vii) Investment details of plan assets

The gratuity trust has taken up a group policy with Life Insurance Corporation of India.

(viii) Since this is the first year of adoption of the AS-15, previous year figures have not been disclosed.

(c) Provident Fund

The Company's actuary has confirmed that as at 31 March, 2008, the Company does not have any liability on account of interest shortfall between the return from the investments of the provident fund trust and the notified interest rate.

The actuary, however, has expressed an inability to provide the required information prescribed by AS-15 such as changes in present value of defined benefit obligation, fair value of plan assets, actuarial gain/loss recognized in the profit and loss account etc. Accordingly the required disclosures have not been made.

8. Out of the total leasehold land measuring 19.48 acres at Rudrapur, a lease deed had been executed for 17.92 acres. In respect of the balance leasehold land of 1.56 acres, requisite documents are yet to be executed.

9. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company

(Rs. Lacs)

(i)	The principal amount remaining unpaid to any supplier as at the end of the year;	8.67
(ii)	The interest due on the principal remaining outstanding as at the end of the year	Nil
(iii)	The amount of interest paid, along with the amounts of the payment made beyond the appointed day during the year;	Nil
(iv)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act;	Nil
(v)	The amount of interest accrued and remaining unpaid at the end of the year; and	Nil
(vi)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	Nil

10. Managerial remuneration

	<u>Current Year</u>	<u>(Rs. Lacs) Previous Year</u>
Salaries and allowances	151.80	139.53
Contribution to funds *	4.15	3.60
Monetary value of benefits (at cost) **	28.50	27.81
	184.45	170.94
Directors' sitting fees	8.40	8.40

*excludes contribution to the gratuity fund and provision for compensated absences 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.

The above managerial remuneration includes Rs 46.67 Lacs paid as remuneration to a director, a foreign national, with regard to whose appointment, an application has been made to the Central Government for approval as per the requirements of the Companies Act, 1956. The aforesaid approval has not been received till the date of approval of accounts by the Board of Directors.

11. Auditors' remuneration #

	<u>Current Year</u>	<u>(Rs. Lacs) Previous Year</u>
As statutory auditors-Audit fee	12.00	12.00
In other capacity :		
- for limited reviews	9.00	6.00
- for tax audit	3.00	2.00

excludes service tax and out of pocket expenses

12. The net exchange difference amounting to a net gain of Rs. 5.75 Lacs has been included in miscellaneous income (Previous year net loss of Rs.5.13 Lacs included in miscellaneous expenses).

13. 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, taking into account the risks and return, organisation structure and internal reporting system.

Segment revenue comprises income from sales and services which are directly identifiable to the individual segment. Certain non operating incomes such as liabilities written back and income from export benefits does not form part of segment revenue and is included under "other non operating income". 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
Segment revenue (net of excise duty on goods sold)	20,510.71	4,725.13	25,235.84	17,593.80	5,328.65	22,922.45
Segment result	4,578.81	(653.34)	3,925.47	3,565.61	(124.86)	3,440.75
Less: unallocated expense			1,634.75			1,680.46
Operating profit			2,290.72			1,760.29
Add: interest income			1,031.95			636.90
Add: other non-operating income			522.95			321.31
Less: interest expense			18.46			16.27
Less: taxes (current and deferred)			1,353.83			964.35
Net profit after taxes			2,473.33			1,737.88
Other information						
Segment assets	3,489.39	1,245.43	4,734.82	2,784.75	837.37	3,622.12
Unallocated corporate assets			18,265.61			17,299.92
Total assets			23,000.43			20,922.04
Segment liabilities	1,062.75	475.29	1,538.04	1,466.38	346.24	1,812.62
Unallocated corporate liabilities			3,111.14			2,733.23
Total liabilities			4,649.18			4,545.85
Capital expenditure	-	-	-	46.69	-	46.69
Unallocated capital expenditure			417.91			531.66
Total capital expenditure			417.91			578.35
Depreciation	311.02	147.67	458.69	279.70	141.73	421.43
Unallocated depreciation			78.25			365.51
Total depreciation			536.94			786.94

Reconciliation of segment revenue reported in financials for the year ended 31 March, 2008 :

Particulars	(Rs. Lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Total revenue of the segments	25,235.84	22,922.45
Add : Non operating income as reported in Profit and Loss Account, not forming part of segment revenue:		
- Interest income	1,031.95	636.90
- Other non-operating income	522.95	321.31
Total revenue as reported in the Profit and Loss Account	26,790.74	23,880.66

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 are not applicable to the Company.

14. Deferred tax

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

	(Rs. Lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Deferred tax liability on		
Difference between Written down value of fixed assets as per Income Tax Act and as per Companies Act	282.40	306.22
	282.40	306.22
Deferred tax assets on		
Expenditure under section 43B of Income Tax Act, 1961	75.59	138.77
Provision for doubtful debts / advances	32.79	30.61
	108.38	169.38
Deferred tax liability (Net)	174.02	136.84

15. Disclosures as per Accounting Standard (AS) - 18 " Related Party Disclosures"

a) Holding company : Honda Motor Co. Ltd., Japan
Transactions with the holding company:

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Income		
Sale of finished goods and spares	12.11	11.09
Expenditure		
Purchases of raw materials, components, spare parts and finished goods	1,795.37	1,555.24
Technical guidance fee	174.64	153.20
Royalty	877.14	483.87
Export commission (Included under Commission on sales)	519.97	378.41
Model fee	-	43.73
Expenses reimbursed	-	29.09
Remittance of dividend	270.48	270.48
Balance outstanding at year end		
Payables	827.33	719.69
Receivables	1.66	3.09

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

Honda South Africa PTY. 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 Trading Corporation, Thailand
Honda De Venezuela, C.A.
Honda Power Products, Indonesia
Honda Motorcycle and Scooter India Private Ltd
Honda Motor India Private Ltd
Honda Siel Cars India Ltd.
Honda Express Logistics India (P) Ltd
Honda Manufacturing Nigeria Ltd.
Honda Europe NV
Honda Gulf
Honda R & D Co. Ltd., Japan
Honda R & D (India) Pvt. Ltd.
Moto Honda Da Amazonia Ltd.
Thai Honda Manufacturing Company Limited
Honda Trading Europe

Transactions with the fellow subsidiaries :

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Honda South Africa PTY Ltd.		
- Sale of finished goods	125.36	431.84
Honda Philippines Inc.,		
- Sale of finished goods and spares	188.89	182.08
Honda Del Peru		
- Sale of finished goods	299.44	125.21
Honda De Mexico S.A. DE C.V.		
- Sale of finished goods	32.96	65.88
Honda Australia M.P.E. PTY. Ltd.		
- Sale of finished goods & Spares	14.01	16.54
- Purchases of spare parts and finished goods	77.72	103.93

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Asian Honda Motor Co. Ltd.		
- Sale of spares	1.26	0.60
- Purchases of components, spare parts and finished goods	466.34	223.54
- Receipt of Reimbursement of expenses	1.99	-
Honda Trading Corporation, Japan		
- Purchases of components	136.88	103.68
Honda Trading Corporation, Thailand		
- Purchase of Spares	3.16	-
- Expenses Reimbursed	3.00	-
- Purchase of Capital Goods	126.01	-
Honda De Venezuela, C.A.		
- Sale of finished goods	101.70	56.60
Honda Power Products, Indonesia		
- Sale of finished goods & Spares	361.53	643.85
- Expenses Reimbursed	2.14	-
Honda Motorcycle & Scooter India Private Limited		
- Job charges	130.04	90.10
- Sale of Components	124.39	43.74
- Sale of Finished Goods	1.62	14.79
Honda Motor India Private Limited		
- Sale of Spares	240.29	-
- Sale of Fixed Assets	5.34	-
- Expenses Reimbursed	5.14	-
Honda Siel Cars India Limited		
- Sale of Finished Goods	30.74	-
- Expenses Reimbursed	-	1.03
Honda Express Logistics India (P) Ltd.		
- Warehousing Charges	29.16	-
Honda Manufacturing Nigeria Ltd.		
- Sale of finished goods & Spares	209.90	124.51
Other transactions with other fellow subsidiaries		
- Sale of finished goods and spares	3.71	3.78
- Purchases of components, spare parts & finished goods	0.16	2.54
- Technical guidance fee	0.32	-
- Sale of fixed assets	-	2.84
Balances outstanding at year end		
- Payables	39.18	31.16
- Receivables	230.65	232.08

c) Key management personnel

Mr. J. Kobayashi	President and CEO (with effect from 1 Aug 2007)
Mr. Kanji Kashiwagi	President and CEO (upto 31 July 2007)
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	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Mr. J .Kobayashi	46.67	-
Mr. Kanji Kashiwagi	24.08	69.72
Mr. Y. Watanabe	60.92	60.00
Mr. R. S. Bidesi	52.78	41.22
	<u>184.45</u>	<u>170.94</u>

* 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	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Mr. R. S. Bidesi	0.03	0.03

16. Disclosure in respect of operating leases under Accounting Standard (AS) – 19 “Leases”
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. 146.78 Lacs (Previous year Rs 116.94 Lacs).
17. Earnings per share

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Profit for the year after taxation as per Profit and Loss account (Rs. Lacs)	2,473.33	1737.88
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)	24.38	17.13

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

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Provision at the beginning of the year	5.09	5.23
Add : Additions during the year (included under miscellaneous expenses)	12.64	7.35
Less : Amounts used during the year	10.18	7.49
Provision at the end of the year	7.55	5.09

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

19. 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:

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Provision at the beginning of the year	115.98	106.78
Add : Additions during the year (included under service expenses)	81.88	75.95
Less : Amounts used during the year	64.66	66.75
Provision at the end of the year	133.20	115.98

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

20. During the year, the Company has contributed Rs 5.00 Lacs to Uttarakhand Congress Committee (Previous year Rs 5.00 Lacs to Bhartiya Janata Party).

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

	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
- Revenue Expenditure	15.59	18.67

22. 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	<u>Current Year</u>	(Rs. Lacs) <u>Previous Year</u>
Honda Motor Co Ltd., Japan	1.66	3.09
Honda Del Peru, S.A.	68.89	18.94
Honda de Venezuela C.A.	-	27.51
Honda Europe N.V.	0.32	0.04
Honda Philippines Inc	0.13	19.21
Honda South Africa PTY Limited	18.46	103.64
Asian Honda Motor Co. Ltd.	-	0.02
Honda Motorcycle & Scooter India Pvt. Ltd.	28.03	30.07
Honda Research & Development Co, Japan	0.21	-
Honda Power Products, Indonesia	73.57	32.65
Honda Motor India Private Ltd.	40.94	-
Honda Gulf	0.10	-

23. Unhedged foreign currency exposure as at 31 March, 2008

Figures in Lacs

Purpose	Current Year		Previous Year	
	Amount in Foreign Currency	Amount in Rupees	Amount in Foreign Currency	Amount in Rupees
Receivables	US \$ 22.33	884.93	US \$ 17.20	740.84
Payables	US \$ 16.54	661.70	US \$ 7.88	342.92
	JPY 149.84	60.43	JPY 636.77	239.80
	THB 36.05	46.10	THB 5.86	7.80
	-	-	Euro 0.06	3.50
Cash	US \$ 0.01	0.40	-	-

24. 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	67,299	57,144
Internal combustion engines	**	**	***	***	64,536	54,238
Pumping sets	**	**	***	***	49,158	42,078

* 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) Stock of Finished Goods, Purchases for resale and Sales

Sl. No	Particulars	Opening Stock		Production /Purchase		Sales**		Closing Stock													
		As at 1 April, 2007		For the year ended 31 March, 2008		For the year ended 31 March, 2008		As at 31 March, 2008													
		Qty (No.)	Amt. (Lacs)	Qty (No.)	Amt. (Lacs)	Qty (No.)	Amt. (Lacs)	Qty (No.)	Amt. (Lacs)												
A)	Manufactured Goods																				
		Gensets	1,903	331.54	3857	747.21	67,299	NA	57,144	NA	62,415	15,770.57	59,098	14,630.18	6,787	1,071.38	1,903	331.54			
		GP Engines	1,036	65.74	1778	115.41	64,536	NA	54,238	NA	60,389	4,096.05	54,980	3,724.72	5,183	255.63	1,036	65.74			
		Water Pumps	2,338	193.85	4377	352.30	49,158	NA	42,078	NA	44,195	5,192.72	44,117	5,356.67	7,301	571.01	2,338	193.85			
	Sub Total		591.13		1,214.92					25,059.34		23,711.57		1,898.02						591.13	
B)	Traded Goods																				
		Gensets	86	48.80	164	73.58	4	4.35	-	-	82	47.60	78	28.53	8	8.64	86	48.80			
		GP Engines	1	0.06	1	0.06	2,203	501.06	920	63.96	2,115	587.70	920	90.30	89	8.25	1	0.06			
		Water Pumps	2	0.02	5	0.05	1	0.14	1	0.25	3	0.27	4	0.70	-	-	2	0.02			
		Lawn Movers	287	51.94	179	27.24	592	89.44	684	124.87	691	183.12	576	147.98	188	28.65	287	51.94			
		Brush Cutters	87	8.77	1	0.21	5,396	481.17	1,943	194.17	4,731	772.49	1,857	287.25	752	66.24	87	8.77			
	Others	#	8.38	#	38.21	#	-	#	-	#	0.20	#	-	#	9.78	#	8.38				
	Sub Total		117.97		139.35		1,076.16		383.25		1,591.38		554.76		121.56		117.97				
C)	Spare Parts																				
			#	365.28	-	210.84	#	46.50	#	225.69	#	889.26	#	810.62	#	50.05	#	365.28			
D)	Others																				
			#	-	#	-	#	-	#	-	#	242.19	#	149.13	#	-	#	-			
	Grand Total		1,074.38		1,565.11		1,122.66		608.94		27,782.17		25,226.08		2,069.63		1,074.38				

** Gross of Excise duty and includes free of cost samples, in transit losses, write offs etc.

In view of the considerable number of items diverse in size & nature, it is not practicable to furnish quantitative information. Also, no individual item of spares and others exceed 10% of total purchase, sales & total stock.

(c) Raw materials and components consumed

Item	Unit	Current year		Previous year	
		Qty.	Rs. Lacs	Qty.	Rs. Lacs
Steel sheets	Tonne	1,122.68	522.96	946	466.49
CRNGO Sheets	Tonne	1,080.42	459.99	963	476.18
Aluminium alloy	Tonne	658.40	715.95	506	636.86
Magnet wire	Tonne	162.11	674.11	132	570.31
Other raw materials		*	39.65	*	28.84
Components		*	11,546.83	*	10,305.68
			13,959.49		12,484.36

* 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.

(d) 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	3,081.07	22	3,331.46	27
- Indigenous	10,878.42	78	9,152.90	73
	13,959.49	100	12,484.36	100

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

Item	(Rs. Lacs)	
	Current Year	Previous Year
(e) C.I.F. value of import		
Raw materials	784.14	610.13
Components	2,119.01	2,168.65
Consumables	2.39	7.29
Stores, tools and machinery spares	5.91	4.27
Spares for sale	46.50	166.47
Finished goods	992.80	335.68
Capital goods	147.53	-
(f) Expenditure in foreign currency		
Technical guidance fee (net of tax)	157.39	137.19
Royalty (net of tax)	789.43	387.07
Foreign travelling expenses	20.84	38.81
Model fee (net of tax)	-	34.84
Export commission	519.97	378.41
Other matters	5.14	1.16
(g) Earnings in foreign currency		
F.O.B. value of exports	4,255.23	4,729.27

(h) 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)
2005-06	-	-	-	26	6,768,689	270.75
2006-07	25	6,768,089	270.72	-	-	-

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

For and on behalf of the Board

Siddharth Shriram *Chairman*
D. V. Kapur *Director*
O. P. Khaitan *Director*
Ravi V. Gupta *Director*
J. Kobayashi *President & CEO*
Y. Watanabe *Vice President & Whole Time Director*
R. S. Bidesi *Vice President & Whole Time Director*

Vinay Mittal
Chief Financial Officer

Payal Chaddha
Company Secretary

Place : NEW DELHI
Date : 17 MAY, 2008

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	31-03-2008		

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)

TOTAL LIABILITIES	23,000.43	TOTAL ASSETS	23,000.43
Source of funds		Application of funds	
Paid-up capital	1,014.31	Net fixed assets	4,514.55
Secured loans	-	Net current assets	14,010.72
Deferred Tax (net)	174.02	Investments	-
Reserves and surplus	17,336.94		
Unsecured loans	-		

04. PERFORMANCE OF THE COMPANY (RS. LACS)

Turnover*	26,790.74	Total expenditure	22,963.58
Profit before tax	3,827.16	Profit after tax	2,473.33
Earning per share in Rs.	24.38	Dividend rate %	40%

*Including other income

05. GENERIC NAMES OF THE PRINCIPAL PRODUCT / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

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

For and on behalf of the Board

Siddharth Shriram *Chairman*
D. V. Kapur *Director*
O. P. Khaitan *Director*
Ravi V. Gupta *Director*
J. Kobayashi *President & CEO*
Y. Watanabe *Vice President & Whole Time Director*
R. S. Bidesi *Vice President & Whole Time Director*

Vinay Mittal
Chief Financial Officer

Payal Chaddha
Company Secretary

Place : NEW DELHI
Date : 17 MAY, 2008

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of the Company will be held on 10th September, 2008 at the Registered Office of the Company at Plot No. 5, Sector 41, (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar-201306 (U.P.) at 11:30 A.M. to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2008 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. D. V. Kapur, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. O. P. Khaitan, who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 224 and all other applicable provisions, if any, of the Companies Act, 1956, M/s BSR & Co., Chartered Accountants, be and are hereby appointed as auditors of the Company, to hold the office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration as may be fixed by the Board of Directors and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit.”

SPECIAL BUSINESS

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

“**RESOLVED THAT** pursuant to Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment or modification thereof and further subject to the approval of Central Govt., if required, and such other approvals and sanctions as may be necessary, consent of the Shareholders of the Company be and is hereby accorded to the re-appointment and remuneration of Mr. R. S. Bidesi as Vice-President & Whole-Time Director of the Company effective February 9, 2008 till March 31, 2009 on the following terms and conditions:

Basic Salary	Rs. 1,96,500 p.m.
Special Allowance	Rs. 1,32,000 p.m.

Perquisites

Housing	Rs. 50,000 p.m.
Electricity/Water/Gas	Rs. 5,000 p.m.
Medical reimbursement	Rs. 5,000 p.m.
Personal Accident Insurance	Rs. 150 p.m.
Insurance of House Hold goods	Rs. 500 p.m.
Medical Insurance	Rs. 500 p.m.
Furnishing	As per Company Policy
Club Fee	Two Clubs
Car	At actuals as per Company policy
Telephone	At actuals as per Company policy
Provident Fund	As per Company policy
Superannuation Fund	As per Company policy
Gratuity	As per Company policy
Earned Leave	As per Company policy
Leave Travel Concession	Rs. 16,375 p.m.

RESOLVED FURTHER THAT the Board of Directors, which term shall include the Committee of the Board, be and are hereby authorized to alter and vary from time to time during the current tenure of appointment of Mr. R. S. Bidesi the terms and conditions and/or remuneration in such manner as in the best interest of the Company, in accordance with the laws from time to time in force and acceptable to Mr. R. S. Bidesi, provided that remuneration after such alteration shall not exceed the limits prescribed under Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, Mr. R. S. Bidesi will be paid above salary and perquisites subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts and deeds as may be necessary, expedient or desirable, in order to give effect to this resolution or otherwise as considered by the Board to be in the best interest of the Company.”

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

“**RESOLVED THAT** subject to provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act,

1956, or any amendment or modification thereof and subject to approval of the Central Govt., if required, and such other approvals and sanctions as may be necessary, the consent of the Shareholders be and is hereby accorded for revising the Special Allowance of Mr. J. Kobayashi, President & CEO of the Company at not exceeding Rs. 4,50,000 (Rupees Four Lac Fifty Thousand) per month effective June 1, 2008.

RESOLVED FURTHER THAT the other terms of appointment and remuneration of Mr. J. Kobayashi, President & CEO of the Company, as approved by the Board on recommendation of the Remuneration Committee and further approval of the Shareholders at their Meeting held on July 26, 2007 shall remain the same.

RESOLVED FURTHER THAT the Board of Directors, which term shall include the Committee of the Board, be and are hereby authorized to alter and vary from time to time during the current tenure of appointment of Mr. J. Kobayashi, the terms and conditions and/or remuneration in such manner as in the best interest of the Company, in accordance with the laws from time to time in force and acceptable to Mr. J. Kobayashi, provided that remuneration after such alteration shall not exceed the limits prescribed under Schedule XIII of the Companies Act, 1956."

By order of the Board
for **Honda Siel Power Products Limited**

Place: New Delhi
Date : July 29, 2008

Payal Chaddha
Company Secretary

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the items of Special Business is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ATTACHED TO THE ANNUAL REPORT.
3. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
4. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from September 4, 2008 to September 10, 2008 (both days inclusive).

6. **Payment of Dividend**

The Dividend on Equity Shares for the year ended March 31, 2008, as recommended by the Board, if declared at the meeting will be paid as follows:

- i) In respect of shares held in physical form, to those members whose names appear on the Register of Members of the Company on September 10, 2008 after giving effect to all valid share transfer lodged with the Company on or before September 3, 2008.
- ii) In respect of shares held in electronic form, to those beneficial owners whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the end of the business on September 3, 2008.

The members are hereby informed that the Company would transfer the dividends which remain unclaimed over a period of 7 years to the Investor Education and Protection Fund ('IEPF') established under section 205C of the Companies Act, 1956.

The Company has already transferred unclaimed dividends upto financial year 1994-95 to the General Revenue Account of the Central Government and for the financial years 1995-96 to 1999-2000 to IEPF. Following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to IEPF:

Dividend Year	Declaration Date of Dividend	Due date for transfer to IEPF
2000-01	21.09.2001	21.10.2008
2001-02 (Interim)	28.01.2002	28.02.2009
2001-02 (Final)	17.09.2002	17.10.2009
2002-03 (Interim)	13.03.2003	13.04.2010
2002-03 (Final)	13.08.2003	13.09.2010
2003-04	29.09.2004	29.10.2011
2004-05	26.07.2005	26.08.2012
2005-06	27.07.2006	27.08.2013
2006-07	26.07.2007	26.08.2014

The Company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends, which have been transferred to the credit of IEPF. Accordingly, the shareholders are advised to send all the un-encashed dividend warrants pertaining to the year 2000-01 upto 2006-07 to our Share Transfer Agent at New Delhi for revalidation and encash them before the due dates for transfer to IEPF.

7. Investors holding shares in physical mode are advised, with a view to provide protection against fraudulent encashment of dividend warrants, to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on the dividend warrants.

Investors holding physical shares are further advised to opt for Electronic Clearing Service (ECS) to avail fast and safe remittance of dividend and return the Mandate Form at the earliest accurately filled and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Share Transfer Agent. A blank ECS Mandate Form is annexed.

8. Documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.
9. The Notice together with the explanatory statement may be taken as abstract of the terms of contract including any modification thereof with the President & CEO and Whole-Time Director of the Company, as set out therein, together with Memorandum of concern or interest of the respective Directors under section 302 of the Companies Act, 1956.
10. Brief resume and other particulars of Dr. D. V. Kapur, Mr. O. P. Khaitan and Mr. R. S. Bidesi, as required under Para IV (G) of Clause 49 of Listing Agreement are annexed.
11. Members are requested to:
 - a) Send their queries, if any, to reach the Company's Registered Office at Greater Noida atleast 10 days before the date of the meeting so that information can be made available at the meeting.
 - b) Avail the dematerialization facility and get their shareholding dematerialized by sending the Dematerialization Request Form alongwith the Share Certificates through their Depository Participant.
 - c) To notify immediately any change in their address to the Company or to the Company's Registrar and Share Transfer Agent quoting their folio number and also notify their e-mail address for prompt response.
 - d) To bring their copies of Annual Report. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
12. M/s. Mas Services Ltd. is the Registrar and Share Transfer Agent of the Company. All investor related communication may be addressed to:
M/s Mas Services Ltd.
Unit : Honda Siel Power Products Limited
AB-4, Safdarjung Enclave, New Delhi-110029.
Phone: 011-26104142, 26104326;
Fax: 011-26181081,
E-mail: mas_serv@yahoo.com
13. In terms of Section 109A of the Companies Act, 1956 the Members of the Company may nominate a person to whom the shares held by him shall vest in the event of death. In case you wish to avail the nomination facility in respect of shares held by you, please write to the Company to obtain the nomination form.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 6**

You have appointed Mr. R. S. Bidesi as Vice-President & Whole-Time Director of the Company effective February 9, 2007. The tenure of Mr. Bidesi was upto February 8, 2008.

Your Board at its meeting held on January 21, 2008 re-appointed Mr. R. S. Bidesi as Vice-President & Whole-Time Director of the Company effective February 9, 2008 till March 31, 2009. The remuneration of Mr. R. S. Bidesi on the terms and conditions as set out in the resolution was recommended by the Remuneration Committee and has been approved by the Board at its meeting held on May 17, 2008.

The Board considers that continuance of Mr. R. S. Bidesi will be of immense benefit to the Company and recommends his re-appointment and remuneration for your approval.

None of the Directors, except Mr. R. S. Bidesi, are in any way, concerned or interested in the resolution.

ITEM NO. 7

You have appointed and approved the remuneration of Mr. J. Kobayashi, as President & CEO of the Company for a period of 5 years effective August 1, 2007 at the Annual General Meeting of the Company held on July 26, 2007.

Considering the performance, technical caliber and the responsibilities shouldered by Mr. J. Kobayashi, your Board at its meeting held on July 29, 2008, on the recommendation of the Remuneration Committee, approved the revision in the maximum limit of special allowance of Mr. J. Kobayashi from Rs. 3,80,000 p.m. to Rs. 4,50,000 p.m. effective 1st June, 2008.

The other terms of appointment and remuneration of Mr. J. Kobayashi as approved by the members of the Company at their Meeting held on July 26, 2007 shall remain the same.

The Board considers that the contribution of Mr. J. Kobayashi will be of immense benefit to the Company and recommends the revision in his remuneration for your approval.

None of the Directors, except Mr. J. Kobayashi, are in any way, concerned or interested in the resolution.

By order of the Board
for **Honda Siel Power Products Limited**

Place: New Delhi
Date : July 29, 2008

Payal Chaddha
Company Secretary

Information pursuant to Clause 49 IV (G) of the Listing Agreement

A brief resume of the Directors seeking appointment / re-appointment in the forthcoming Annual General Meeting is given herein below:

Particulars	Mr. R. S. Bidesi	Dr. D. V. Kapur	Mr. O. P. Khaitan
Date of Birth	February 8, 1946	September 09, 1928	November 21, 1943
Date of appointment / re-appointment	February 9, 2008	March 31, 1988	March 31, 1988
Expertise in specific functional Areas	Mr. Bidesi has varied experience in Engineering and Production. He has been associated with the Company since 1986 and the Company has achieved various milestones under his leadership.	Dr. Kapur had an illustrious career in the Government Sector with a successful track record of building vibrant organizations and successful project implementation. Dr. Kapur also served as Secretary to the Government of India in Ministries of Power, Heavy Industry and Chemicals & Petrochemicals.	Mr. O. P. Khaitan is practising as Solicitor & Advocate since 1967 – doing commercial law, corporate law, industrial disputes and labour law, maritime laws, insurance laws, commission of inquiry, arbitration, conveyancing, foreign collaborations, etc.
Qualifications	L.M.E., AMIE (Mech. Engg.) Advance Mgt. prog. at Michigan Business School, USA	Honors Graduate in Electrical Engineering with wide experience in Power, Capital Goods, Chemicals and Petrochemicals Industries.	B.Com & LL.B., from Calcutta University, Attorney-at-Law (Solicitor), from Calcutta High Court. Received Bell Chambers Gold Medal from Calcutta High Court.
Name of other Indian Public Limited Companies in which directorship held	NIL	1. GKN Driveline (India) Ltd. 2. Drivetech Accessories Ltd. 3. Zenith (Birla) India Ltd. 4. DLF Ltd. 5. Reliance Industries Ltd.	1. J. K. Tyre & Industries Ltd. 2. ECE Industries Ltd. 3. Shriram Pistons & Rings Ltd. 4. WGF Financial Services Ltd. 5. VLCC Health Care Ltd. 6. Ilpea Paramount Ltd. 7. Sharda Motor Industries Ltd.
Chairman / Member of Board Committees in Indian Public Limited Companies	NIL	Audit Committee <u>Chairman</u> – Honda Siel Power Products Ltd. – GKN Driveline (India) Ltd. <u>Member</u> – DLF Ltd. – Zenith (Birla) India Ltd. Shareholders / Investors Grievance Committee <u>Chairman</u> – Honda Siel Power Products Ltd. – DLF Ltd.	Audit Committee <u>Chairman</u> – J. K. Tyre & Industries Ltd. – Ilpea Paramount Ltd. <u>Member</u> – Honda Siel Power Products Ltd. – ECE Industries Ltd. Shareholders / Investors Grievance Committee <u>Member</u> – J. K. Tyre & Industries Ltd. – Sharda Motor Industries Ltd.
Shareholding in the Company	750 equity shares of Rs. 10 each.	NIL	NIL

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

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

Notes :

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

Honda Siel Power Products Limited

**Regd. Office : Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area,
Distt. Gautam Budh Nagar-201306 (U.P.)**

Attendance Slip

(Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall)

I / We hereby record my / our attendance at the 23rd Annual General Meeting of the Company to be held at Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar-201 306 (U.P.) at 11.30 A.M. on Wednesday, September 10, 2008.

Member's / Proxy's Name (in Block Letters)

Signature of Shareholder / Proxy

Ledger Folio / Client ID No.

No. of Shares held

----- Please Tear Here -----

Honda Siel Power Products Limited

**Regd. Office : Plot No. 5, Sector 41 (Kasna), Greater Noida Industrial Development Area,
Distt. Gautam Budh Nagar-201306 (U.P.)**

PROXY FORM

I / We residing at
in the district ofbeing a member / members of Honda Siel Power Products Limited hereby appoint Mr./Ms. or failing him / her Mr./Ms. of as my / our proxy to attend and vote for me / us on my / our behalf at the 23rd Annual General Meeting of the Company to be held at its Regd. Office at Plot No. 5, Sector-41 (Kasna), Greater Noida Industrial Development Area, Distt. Gautam Budh Nagar-201 306 (U.P.) at 11:30 A.M. on Wednesday, the 10th day of September, 2008 and at any adjournment thereof.

As witness my / our hands this day of 2008.

Signature

Ledger Folio / Client ID No.

No. of Share held

Affix
Revenue
Stamp

- Note :** (a) The proxy form duly completed, must be deposited at the Registered Office of the Company/ Share Transfer Agent not less than 48 hours before the scheduled time for holding the meeting.
- (b) The form should be signed across the stamp as per specimen signature registered with the company.

Tear Here

