

NOTICE

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

Day : Wednesday

Date : July 30, 2008

Time : 4.30 p.m.

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

The Agenda for the Meeting will be as under:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and the audited Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Ludwig Rapp, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Abhay Firodia, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. D. S. Bomrah, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), read with Schedule XIII thereto, and subject to such sanctions as may be necessary, the Company hereby accords its approval to the re-appointment of Mr. Jinendra Munot as Jt. Managing Director of the Company for a further period of five years w.e.f from April 1, 2008, on the terms and conditions, including those relating to remuneration, as set out under Item No. 7 of the Explanatory Statement annexed to this Notice.”

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

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

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

Pune
May 27, 2008

Satish Mehta
Company Secretary

Notes:

- 1) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of special business under item Nos. 7 & 8 is annexed hereto.
- 2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies, in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the Annual General Meeting.
- 3) Profiles of the Directors being appointed/ re-appointed, as required by the Corporate Governance Code (Clause 49 VI A of the Listing Agreements entered into with the Stock Exchange), are annexed to the Notice.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from July 24, 2008 to July 30, 2008 (both days inclusive).
- 5) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company so as to reach it at least ten days before the date of the Meeting, so that information can be made available at the Meeting.
- 6) Members holding shares in physical form are requested to intimate the changes, if any, in their registered addresses, to the Company's Registrar & Share Transfer Agents M/s. Intime Spectrum Registry Ltd., Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune- 411 001.
- 7) Members are advised that respective bank details and address as furnished by them or by NSDL/ CDSL to the Company, for shares held in physical form and in the dematerialized form respectively, will be printed on their dividend warrant so as to protect against fraudulent encashment.
- 8) Pursuant to provisions of Section 205 of the Companies Act, 1956, all unclaimed/ unpaid dividends up to and including the financial year 1994-95, have been transferred to the General Revenue Account of the Central Government. Members who have not yet en-cashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form II of the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 to Registrar of Companies, Maharashtra, PMT Building, Deccan Gymkhana, Pune- 411 004.
- 9) Pursuant to provisions of Section 205 A and 205 C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund of the Central Government. Accordingly, unclaimed dividends for the financial years 1995-96 to 1999-2000 have been transferred to the Investor Education and Protection Fund of the Central Government. Unclaimed dividend for financial years 2000-01 and thereafter is still lying with the Company. Shareholders who have not yet en-cashed the dividend warrants for financial years 2000-01 and thereafter are requested to contact the Company at the earliest since no claim shall lie against the Company or the Investor Education and Protection Fund after transfer as mentioned above.

Explanatory Statement

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

Item No. 7 : The Board of Directors of the Company at their meeting held on January 30, 2008, re-appointed Mr. Jinendra Munot as Jt. Managing Director of the Company for a further period of 5 years with effect from April 1, 2008.

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

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

Tenure: For a period of five years with effect from April 1, 2008.

Remuneration:

- (a) **Salary:** Rs. 2,60,000/- (Rupees Two lakh Sixty Thousand) per month, with annual increment of 10%, effective April 1, each year.
- (b) **Commission:** Mr. Jinendra Munot shall be entitled to an annual performance related bonus, as may be determined by the Board/ Remuneration Committee of Directors.
- (c) **Perquisites:** In addition to salary and commission, Mr. Jinendra Munot will also be entitled to the following perquisites.
 - i) **Housing:** 60% of the Salary will be paid to Mr. Jinendra Munot as Housing Allowance per month.
 - ii) **Stock option:** Participation to employee stock option scheme, as may be evolved by the Company from time to time.

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

Other Terms & Conditions :

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

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

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

Item No. 8

At the Meeting held on May 27, 2008, the Board of Directors had appointed Mr. M. L. Rath, as a Director to fill the casual vacancy, caused due to the death of Mr. B. N. Deshmukh, pursuant to Section 262 of the Companies Act, 1956.

A brief-profile of Mr. M.L. Rath, has been given separately as part of the Notice.

None of the Directors of the Company, except Mr. M. L. Rath is interested in this Resolution.

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

Pune
May 27, 2008

Satish Mehta
Company Secretary

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INFORMATION REQUIRED TO BE FURNISHED UNDER THE CORPORATE GOVERNANCE CODE

Appointment/ Re-appointment of Directors

At the ensuing Annual General Meeting, Mr. Ludwig Rapp, Mr. D.S. Bomrah and Mr. Abhay Firodia retire by rotation and are eligible for re-appointment. Mr. Jinendra Munot is being re-appointed as Jt. Managing Director of the Company for 5 years with effect from April 1, 2008. Mr. M. L. Rath is being appointed as Director liable to retire by rotation. The information/ details to be provided for the aforesaid Directors under the Corporate Governance Code are as under:

(a) Mr. Jinendra Munot, 56 is BE (MIE). He obtained Masters of Science degree in Mechanical Engineering from University of Washington, U.S.A. He joined ZF India as General Manager in February 1986. From November 1988 to March 2003, he held the position of Executive Director in the Company. Since April 2003, he has been redesignated as Jt Managing Director of the Company. He has over 30 years of experience in the automobile industry in various capacities.

Directorship held in other Companies are:

The Modern Foundry & Machine Works Ltd.

Varsha Forgings Ltd.

Prima- Feintechnik Pvt. Ltd.

Jaya Hind Investments Pvt. Ltd.

(b) Mr. Ludwig Rapp, 51, nominee-director from ZFLS Germany, the foreign collaborator, holds a degree in Engineering and Economics. He joined ZFLS Germany in 2002. Mr. Rapp is Vice President- Heavy Trucks Steering at ZFLS Germany. Mr. Rapp has rich experience in the field of engineering and logistics. He has also worked in the position of General Manager at Elring Klinger- plant Dettingen. Mr. Rapp has also worked for Standard Lorenz AG, Mannheim. Mr. Rapp is Director in ZF Heavy Duty Steering, Canada.

(c) Mr. Abhay Firodia, 63, is B.A. (Hons.) and has an experience of about 40 years in the Automobile industry. He has been associated with various Corporate Bodies/ Commerce Bodies.

He is associated with the following companies:

Force Motors Limited	: Chairman & Managing Director
Jaya Hind Industries Limited	: Chairman & Managing Director
Dhoot Compack Limited	: Director
Sudarshan Chemical Industries Limited	: Director
Bharat Hotels Limited	: Director
Dhoot Industrial Finance Limited	: Director
RAN Chemicals Pvt. Limited	: Director
Prasanna Holdings Pvt. Limited	: Director
Jaya Hind Investments Pvt. Limited	: Director
Dhanna Engineering Pvt. Limited	: Director

He is Member in following associations:

Automotive Research Association of India (ARAI)

Indo German Chamber of Commerce (IGCC)

Confederation of Indian Industry (CII)

Society of India Automobile Manufacturers (SIAM)

Mahratta Chamber of Commerce, Industries & Agriculture (MCCIA)

Automotive Components Manufacturers' Association (ACMA)

(d) Mr. D. S. Bomrah, 72, is a Mechanical Engineer. He is the member of the Society of Engineers- U.K, and SAE International. He has vast knowledge and experience in Automobile Engineering. He has held Senior Positions in well known Indian Industry like Telco, Hindustan Motors Machine Tools India, Jayahind Sciaky, Kinetic Engineering, Kinetic Motor Company.

Mr. Bomrah is also the Chairman in Ravjeet Engineering Specialities Pvt. Ltd.

(e) Mr. M. L. Rathi, 68, is B.Sc from Pune University and diploma-holder in Mechanical Engineering from Cusrow Wadia Institute, Pune. He is also graduate from 'The Quality College' Florida, U.S.A. He did his special training in the Power Transmission Products at Lovejoy Inc. U.S.A. and in Couplings from Bibby Company, U.K. He is a successful entrepreneur and has launched projects in the fields of power transmission, engineering, finance etc. He is an active member of Rotary Club of Pune since 1972. His company, Rathi Transpower Pvt. Ltd., is the first power transmission company in India to secure ISO 9001 Certification in 1993.

Chairmanship/ Directorship held in other companies are:

Rathi Transpower Pvt. Ltd.	: Chairman & Managing Director
Polybond India Pvt. Ltd.	: Chairman
Lovejoy Finance Pvt. Ltd.	: Chairman
Marathwada Chemicals India Pvt. Ltd.	: Chairman
Rathi Turboflex Pvt. Ltd.	: Managing Director
Rathi Australia Pvt. Ltd. Australia	: Managing Director
Suvion Products Pvt. Ltd.	: Director
Rathi Polybond Pvt. Ltd.- Australia	: Director
Tosbro Pvt. Ltd.	: Director
Rathi Dye Chem Pvt. Ltd.	: Director
Rathi Engineering Services	: Managing Partner

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Directors' Report

To the Members,

The Directors are pleased to present the Twenty Eighth Annual Report and Audited Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

(Rs. in Million)

	2007-2008	2006-2007
Sales (net) and other Income	2301.0	2234.1
Profit before depreciation and tax	503.2	507.4
Depreciation	104.4	97.0
Provision for tax	120.3	134.8
Net Profit	278.5	275.6
Balance Brought Forward from Previous year	31.0	18.2
Amount available for appropriation	<u>309.5</u>	<u>293.8</u>
 APPROPRIATIONS		
General Reserve	200.0	180.0
Dividend and Tax thereon	84.9	82.8
Balance Carried Forward	24.6	31.0
	<u>309.5</u>	<u>293.8</u>

Dividend

Your Directors recommend payment of a dividend at the rate of Rs. 8/- per share (80 %) for the year ended March 31, 2008.

Management Discussion and Analysis Report

A combination of factors such as strong macroeconomic fundamentals, rich reservoir of intellectual manpower and the outsourcing boom, have transformed India into a globally competitive force. India, Asia's third largest economy, has averaged 8.6 % growth a year for the past five years, which is indeed commendable. But the present deterioration in global macro environment, its impact on financial flows coupled with tight domestic financial environment may not permit this growth-level to sustain at present level. Slowing growth and high inflation may lead to sub-8 % level of growth in 2008-09. The resilience of Indian economy will be severely tested on account of high import bill on back of high crude and other commodity prices together with global turmoil due to threat of American economy recession. Indian inflation number being well above the official target-rate, the inflation-management will remain on top of the agenda of the government. There are signs emerging of slowdown and deceleration in consumption and investment-growth. The year 2007-08, in a way, was a watershed year for the Indian automobile sector with leading global brands

making their entry into the Indian market and Indian companies going for acquisition of global automobile companies. India is poised to emerge as a major manufacturing as well as export base for the automobile companies across the world. However, the actual year-on-year sales in auto industry as a whole have gone down in 2007-08. The slowdown has been due to high interest rates and poor availability of retail finance (95 % of the commercial vehicles are financed) and a slowing economy. In current year's budget the government has cut down the basic excise rate from 16% to 14%, which is encouraging for auto sector.

The total sale of Medium and Heavy Commercial Vehicles was 293,094 nos. in 2007-08 against 294,166 in 2006-07. The Light Commercial Vehicles recorded a growth of 13 % in number of vehicles sold. Tractor industry has shown negative growth of 2 % (figures available up to November 2007) while compared to corresponding period of last year, thereby affecting sale of our Mechanical Steering Gears.

Review of Operations

Despite lackluster performance of commercial vehicles segment and increased competition from cheaper Chinese products, your Company did well in maintaining and marginally enhancing its sales numbers. In the face of a challenging business environment wherein commodity prices are sky-rocketing (steel being the major raw-material for your Company), customers constantly forcing price-reductions (Chinese competition being the main factor) and wage-bill going up due to talent-crunch, it was a herculean task to maintain the sales-margin. With the help of import-substitution and value-engineering, the Company could just maintain the profitability.

Operating Results of the Company

Sales

During the year under the review, your Company sold 134,729 **Power Steering Gears** (PSG) and 87,374 **Mechanical Steering Gears** (MSG) compared to 124,811 PSG and 92,155 MSG in the previous year. The total sales (including Excise) amounted to Rs. 2,580 million as against Rs. 2,516 million in the previous year.

It may be recalled that in 2006-07, your Company had made a foray into Passenger Car segment by supplying Rack & Pinion Power Steering. During 2007-08, 2583 nos. of this steering gear were sold against a higher planned quantity, as some modifications in the design were desired by our customer.

Other Income

Other Income registered a rise of 9.70% to Rs. 75 million from Rs. 68 million thanks to higher dividends received during the year.

Profitability

Margins were under tremendous pressure due to rising commodity prices such as alloy steel thereby price-increase in forgings and castings at one end and at other end price-reductions the Company had to offer to its customers, as explained earlier.

Profit before Tax for the year marginally declined by 2.8 % to Rs. 398.8 million from Rs. 410.4 million in the previous year but with the help of lower Tax provision Profit After Tax has improved marginally from Rs. 275 million to Rs. 278 million.

Opportunities/ Outlook for the Company

Keeping in mind the concerns such as interest rate, inflation and commodity prices, all at higher level but also considering the government's thrust on infrastructure and industrial climate in the country reasonably buoyant, we remain cautiously optimistic about the prospects in 2008-09.

We are in a process of developing a few new products and are also working on different applications of the existing products on new models of commercial vehicles.

The Company expects good growth in Rack & Pinion Power Steering, which your Company has developed for Indica car.

Joint Venture

During the year, the Joint-Venture Company was incorporated in the name of ZF Lenksysteme India Private Limited. The Joint-Venture Company has also received the permission from the Foreign Investment Promotion Board of India (FIPB) in February 2008. Your Company has already subscribed to 26 % capital of that company. 74 % capital is being held by our Collaborators, ZF Lenksysteme, GmbH. Additional capital is being raised in the current year so as to start business activities therein.

This company will introduce new products in India in due course of time.

Expansion and Capital Expenditure

The Company has expanded its installed capacity of Power Steering Gears from 240,000 to 270,000 per annum and of Mechanical Steering Gears from 120,000 to 140,000 per annum, during 2007-08, at a capital-expenditure of approx. Rs. 80 million. The expansion has been funded from the internal accruals.

Threats, Risks & Concerns the Management perceive

- Steel and alloy steel forms the basic material for the manufacturing of our products. Steel prices in the past few years have appreciated significantly.
- Fear of global economic recession may slow down the industrial growth, auto sector too may be affected.
- The rise in interest-rate, crude prices and inflation has direct and indirect impact on auto industry.
- Customs duty on imports has come down significantly over the last few years and it is further expected to come down. This added with appreciation of rupee results into cheaper imports (from China) of steering gears by our customers thereby the Company is losing continually its market-share.

Internal Control System

The Company's existing system of internal controls is commensurate with its size and nature of business. Company's Internal control ensures reliable financial reporting, better utilization of Company's resources, effectiveness of operations, compliance with the legal obligations and the Company policies and procedures. The Company's audit committee also regularly reviews with the management, external and internal auditors the adequacy of internal control systems.

Human Resource Development

The Company has been continuously training its employees in the newer technologies. Some of the employees also receive advanced training in the ZFLS plants. Various steps have been taken for improving the performance of employees. During the year, 37 training programs (6 external and 31 internal) covering over 544 Training man-days were covered. We expect to continue the customized development programmes to individual employees during the year as well.

Industrial relations continued to be cordial and peaceful. The total number of employees as on March 31, 2008 was 793.

Cautionary statement

The Management Discussion and Analysis Report is a forward looking Statement based on the Company's projections, estimates and perceptions. These statements reflect the Company's current views with respect to the future events and are subject to risks and uncertainties. Actual results may vary materially from those projected here.

Fixed Deposits

Your Company has not accepted any fixed deposit from public.

Conservation of Energy, Research And Development, Technology Absorption And Innovation, Foreign Exchange Earnings And Outgo:

The details as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this Report.

Transfer to Investor Education and Protection Fund

The Company has transferred a sum of Rs. 77,824.50 during the year ended March 31, 2008 to the Investor Education and Protection Fund (IEPF) established by the Central Government, in compliance with Section 205C of the Companies Act, 1956. The said amount represents unclaimed dividend lying with the Company for a period of 7 years from its date of payment.

Dividend declared by the Company for the Financial Year 2000-01 is due for transfer to the IEPF on August 29, 2008.

Directors

Mr. B. N. Deshmukh passed away on January 24, 2008. Mr. Deshmukh was associated with the Company for almost 24 years. The Board records its sincere appreciation for the excellent guidance, contribution and valuable services rendered by Mr B. N. Deshmukh during his tenure as a director of the Company

Mr. M. L. Rathi has been appointed as a Director to fill the casual vacancy in place of Mr. B. N. Deshmukh. Mr. Rathi will hold office up to the date of forthcoming Annual General Meeting and he is eligible for re-appointment.

Mr. Jinendra Munot was re-appointed as Jt. Managing Director of the Company for a period of 5 years with effect from April 1, 2008. Mr. Jinendra Munot's appointment is placed before the shareholders for their approval at the ensuing Annual General Meeting.

Mr. Ludwig Rapp, Mr. Abhay Firodia, and Mr. D. S. Bomrah, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The above appointments and re-appointments form part of the Notice of the 28th Annual General Meeting and the relevant Resolutions are recommended for your approval. Profiles of these Directors as required by Clause 49 of the Listing Agreement with the Stock Exchange, are provided in the Notice convening the Annual General Meeting of the Company.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the accounts for the financial year ended March 31, 2008 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the Company for the year ended on that date.
- iii) That the Directors have taken proper and sufficient care 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; and
- iv) That the Directors have prepared the accounts on a 'going concern' basis.

Corporate Governance Report

Pursuant to Clause 49 of the listing agreement, a detailed report on Corporate Governance is given in Annexure - III along with the Auditors' Certificate on its compliance, which forms part of this report.

Auditors

You are requested to appoint auditors for the current year. M/s N. F. Karnavat & Co., Chartered Accountants, Auditors of the Company, who retire at the ensuing Annual General Meeting, are eligible for re-appointment.

Particulars of Employees

Information as required under Section 217(2A) of the Companies Act, 1956 and the Rules framed there under is attached as Annexure I.

Acknowledgement

The Board of Directors takes this opportunity to express their gratitude for the assistance and co-operation received from ZF Lenksysteme- the Collaborators, Banks, Government Authorities, Customers, Suppliers, Members and other Business Associates.

The Board also acknowledges the understanding and support shown by all its employees.

For and on behalf of the Board of Directors

Pune
May 27, 2008

Dinesh Munot
Managing Director

Jinendra Munot
Jt. Managing Director

Annexure I to the Directors' Report 2007-2008

Particulars of Employees u/s 217 (2A)

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, and forming part of the Directors' Report for the year ended on March 31, 2008.

A. Name of the employees employed throughout the financial year and who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 2,400,000 in terms of Section 217 (2A) (a) (i):

Name	Age (Years)	Designation	Total Remuneration received (Rs.)	Qualification	Date of Commencement of employment	Experience (Years)	Last Employment held.	
							Name of the Company	Designation
Mr. Dinesh Munot	60	Managing Director	16,544,679	B.E.(Ele.) M.I.E.	01.07.1984	34	Kinetic Engg. Ltd.	Executive Director
Mr. Jinendra Munot	56	Jt. Managing Director	12,527,803	B.E.(Mech.) M.S.(Mech.) U.S.A AMIE (India)	01.02.1986	29	Bajaj Tempo Ltd.	Senior Manager (Projects)
Mr. Utkarsh Munot	27	Executive Director	4,789,480	B.E. (Mechanical & Mfg. Engg.) U.S.A. Diploma in Business Administration, USA	14.05.2004	5	---	---

B. Name of the employees employed for the part of the financial year and who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 200,000 p.m. in terms of Section 217 (2A) (a) (i): **NIL**.

Notes:

- All appointments are contractual. Other terms and conditions are as per the Rules of the Company.
- Remuneration above includes salary, commission, medical expenses, allowances, perquisites (valued as per Income Tax Rules) and Company's contribution to Provident Fund.
- The employees are also entitled to gratuity, in addition to the above remuneration.
- Experience includes number of years of services both, within the Company and elsewhere, wherever applicable.
- Mr. Dinesh Munot, Mr. Jinendra Munot and Mr. Utkarsh Munot are related to each other.

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Annexure II to the Directors' Report 2007-2008

Conservation of Energy, Technology Absorption, Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

- Machines' electrical circuits modified to reduce electrical power consumption.
- Wind energy operated ventilators are fitted on the roof to improve air circulation, which will save on energy used on electrical fans.
- Replacement of conventional tube rods and chokes with energy efficient ones and electronic chokes.

Wind Power Project

3 windmills of aggregate 1.7 MW capacity which were installed earlier, generated 2.37 million units of electricity during the year under review.

Power generated by the windmills is fed into the MSEB grid and the units thus credited are adjusted against the monthly electricity bills for the Company's plant. This covers 30.5 % of the current annual power requirement of the Company.

B. Technology Absorption, Research And Development

1) Specific areas in which R & D has been carried out by the Company

- New product development.
- Import substitution.
- Process/ equipment developments.
- Value engineering and value analysis (VEVA).

2) Benefits derived as a result of above R & D

The benefits to the company resulting from the above R & D are manifold.

These benefits have been reflected in terms of:

- Product quality and cost reduction
- Improvement in market share
- Indigenization of various components
- Reduction in foreign exchange outgo

3) Future Plan of Action

Effort is being made to make R & D more result-oriented, in improving the design and quality of products and towards cost-effective indigenization of components. Specific areas include development of new products (steering systems).

4) Benefits derived as a result of above efforts

- Improvements in Manufacturing methods and quality standards.
- Aiming towards self sufficiency in engineering skills for manufacturing range of steering gears.
- Development of cost effective, high performance engineering products.

C. Foreign Exchange Earnings and Outgo

- Earning in Foreign Exchange Rs. 5.1 million
- Foreign Exchange used Rs. 591 million

For and on behalf of the Board of Directors

Dinesh Munot
Managing Director

Jinendra Munot
Jt. Managing Director

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Pune
May 27, 2008

Annexure III to the Directors' Report

Corporate Governance

1. Company's Philosophy on Code of Governance:

The Company is fully committed to and continues to practice good Corporate Governance. In addition to the basic governance issues, the Company lays significant emphasis on the principles of trusteeship, transparency, accountability and integrity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and its customers.

ZF INDIA believes that all its operations and actions must serve the underlying goals of achieving business excellence and increasing long-term shareholder value.

2. Board of Directors:

The Board of Directors consists of 12 Directors of whom 3 are Executive and 9 are Non-executive. The Chairman of the Board is a Non-executive Director. The number of Independent Directors exceeds one-third of the total number of Directors. The Non-executive Directors are eminent professionals with experiences in various fields. The Company has no nominee Director from any bank or financial institution.

Number of Board Meetings held and the dates on which held The Board Meetings dates are normally pre-determined. During the year ended on March 31, 2008, the Board of Directors had 4 meetings. These were held on May 22, 2007, July 31, 2007, October 16, 2007 and January 30, 2008.

The information as specified in Annexure I to Clause 49 of the Listing Agreements entered into with the Stock Exchange, is regularly made available to the Board whenever applicable and materially significant. Details of Composition of the Board, category, attendance of Directors, number of other committee memberships are given below:

Sr. No.	Name of the Director	Category of Directorship	Attendance Particulars		No. of other Directorship and Committee Membership / Chairmanship		
			Board Meetings	Last AGM	Other Directorship#	Committee Membership	Committee Chairmanship
1	Mr. A. H. Firodia (Chairman)	Non-Executive, Independent	2	Yes	11	None	None
2	Mr. Dinesh Munot (Managing Director)	Executive	4	Yes	5	1	None
3	Mr. Jinendra Munot (Jt. Managing Director)	Executive	4	Yes	3	None	None
4	Dr. Wolfgang Zeitz	Non-Executive, Independent	1	No	3	None	None
5	Mr. Walter Salvasohn	Non-Executive, Independent	3	Yes	None	None	None
6	Mr. Ludwig Rapp	Non-Executive, Independent	3	Yes	None	None	None
7	Mr. D. S. Bomrah	Non-Executive, Independent	2	Yes	1	None	None
8	Mr. Abhay Firodia	Non-Executive, Independent	None	No	11	None	None
9	Mr. Manish Motwani	Non-Executive, Independent	4	Yes	6	None	None
10	Dr. Dinesh Bothra	Non-Executive	4	Yes	7	None	None
11	Mr. Utkarsh Munot (Executive Director)	Executive	4	Yes	1	None	None
12	Mr. M. L. Rathi (appointed w.e.f. 27-5-2008)	Non-Executive, Independent	N/A	No	11	None	None
13	Mr. B. N. Deshmukh (passed away on 24-1-2008)	Non-Executive, Independent	1	No	None	None	None

Includes Directorship in Private Companies.

3. Audit Committee :

During the year under review, the following Directors were the members of the Audit Committee:

Members : Mr. Manish Motwani - Chairman, Mr. D. S. Bomrah and Dr. Dinesh Bothra.

All the members of the Committee are Non-Executive Directors. The role, powers and functions of the Audit Committee are as stated in Clause 49 of the Listing Agreement.

The Committee reviews the financial statements before they are placed before the Board.

During the period under review, the Committee met 4 times on May 10, 2007, July 31, 2007, October 16, 2007 and January 28, 2008. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Members	Meetings attended
1.	Mr. Manish Motwani	4
2.	Mr. D. S. Bomrah	2
3.	Dr. Dinesh Bothra	4

The Minutes of the Audit Committee Meetings are noted by the Board of Directors at the Board Meetings. The Chairman of the Audit Committee was present at the 27th Annual General Meeting held on July 31, 2007.

4. Remuneration Committee:

During the year under review, the following Directors were the members of the Remuneration Committee:

Members: Mr. D. S. Bomrah - Chairman and Mr. Manish Motwani

The Remuneration Committee has been constituted to recommend to the Board the amount of commission payable to each whole-time Director and periodically review and suggest revision of the remuneration package of the Managing/ Whole time Directors, based on performance of the Company, Statutory guidelines etc.

The Minutes of the Remuneration Committee Meetings are noted by the Board of Directors at the Board Meetings. During the financial year, the Committee met on May 10, 2007 and January 28, 2008 where both the members of the Committee were present at the meeting.

Remuneration Policy

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration paid to Whole-time Directors for the year ended March 31, 2008 are as under:

Name	Salary (Rs.)	Perquisites (Rs.)*	Commission (Rs.)**	Total (Rs.)	Tenure		Shares of Rs. 10 each held as on 31-3-2008
					From	To	
Mr. Dinesh Munot	3,960,000	4,084,679	8,500,000	16,544,679	14-12-2006	13-12-2011	709,070
Mr. Jinendra Munot	1,932,612	2,095,191	8,500,000	12,527,803	01-04-2003	31-03-2008#	147,400
Mr. Utkarsh Munot	924,000	865,480	3,000,000	4,789,480	01-11-2006	31-10-2011	822,374

* Includes Company's Contribution to Provident Fund.

** Payable after approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on July 30, 2008

Re-appointed w.e.f. 01.04.2008 for a further term of 5 years.

Details of remuneration paid to Non-Executive Directors for the year ended March 31, 2008 are as under :

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 5,000/- for Board Meeting and Rs. 5,000/- for Committee meetings attended.

Sitting Fees

Name	Board Meeting Fees (Rs.)	Committee Meeting Fees (Rs.)	Total (Rs.)	Shares of Rs. 10 each held as on 31-03-2008
Mr. A. H. Firodia- Chairman	10,000/-	Nil	10,000/-	90,420
Mr. Abhay Firodia	Nil	Nil	Nil	4,800
Mr. D. S. Bomrah	10,000/-	20,000/-	30,000/-	Nil
Mr. Manish Motwani	20,000/-	30,000/-	50,000/-	Nil
Mr. B. N. Deshmukh*	5,000/-	Nil	5,000/-	Nil
Dr. Wolfgang Zeitz	5,000/-	Nil	5,000/-	Nil
Dr. Dinesh Bothra	20,000/-	25,000/-	45,000/-	Nil
Mr. Walter Salvasohn	15,000/-	Nil	15,000/-	Nil
Mr. Ludwig Rapp	15,000/-	Nil	15,000/-	Nil
Mr. M. L. Rathi **	N/A	N/A	N/A	Nil

*passed away on 24.01.2008 ** appointed w.e.f- 27.05.2008

5. Shareholders' Grievance Committee :

The Board of the Company has constituted a Shareholders' Grievance Committee, comprising Dr. Dinesh Bothra. The Committee looks into redressing of shareholders' complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends, etc. and recommends measures for overall improvement in the quality of investor services.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 15.

6. General Body Meetings:

Location and time for last 3 Annual General Meetings were as :

Year	AGM	Location	Dates	Time
2004-05	25th AGM	Regd. Office: Gat 1242/44,	30-07-2005	4.30 p.m.
2005-06	26th AGM	Village- Vadu-Budruk,	28-07-2006	4.00 p.m.
2006-07	27th AGM	Tal. Shirur, Dist- Pune- 412 216	31-07-2007	4.30 p.m.

Dividend History (Last 5 years)

(Rs. in million)

Financial Year	Dividend Per Share (Rs.)	Total Dividend Paid
2002-2003	5.00	22.68
2003-2004	8.00	36.29
2004-2005	12.50	56.71
2005-2006	6.25*	56.71
2006-2007	8.00*	82.80

* on enhanced capital after 1:1 Bonus in September 2005.

Postal Ballot

No special resolution requiring a postal ballot was placed before the AGM.

7. Disclosures

- a. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.

- b. The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management or relatives etc. that may have a potential conflict with the interests of the Company at large.

- c. With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreements entered into with the

Bombay Stock Exchange as well as the regulations and guidelines of SEBI. No penalties were imposed or strictures passed against the Company by SEBI, Stock Exchange or any other statutory authority during the last three years in this regard.

- d. Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these transactions has potential conflict with the interests of the Company at large.

8. Risk Management Framework

The Company has in place a mechanism to inform the Board about the risk assessment and minimisation procedures and periodical review to ensure that management controls risk through means of a properly defined framework.

9. Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading. The Code of Conduct is posted on the website of the Company. This Code of Conduct is applicable to all the Directors and the senior management of the Company.

All the Board members and senior management of the Company have confirmed compliance with the Code. A declaration signed by the Managing Director is attached and forms part of the Annual Report of the Company.

10. Secretarial Audit

As stipulated by SEBI, the Statutory Auditors of the Company carry out the Secretarial Audit to reconcile the total Admitted Capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total Issued and Listed Capital. This audit is carried out every quarter and the report is submitted to the Stock Exchange as well as placed before the Board of Directors. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of Shares in dematerialized form (held with NSDL and CDSL) and total number of Shares in physical form.

11. Means of Communication

The Quarterly Results of the Company are published in the following leading national and local language newspapers:

'Economic Times (English newspaper) and Maharashtra Times (Marathi newspaper)

The results are also displayed on the corporate website, www.zfindia.com.

Information about the Financial Results, Shareholding Pattern, full Annual Report and other specified details are electronically filed on the EDIFAR website www.sebiedifar.nic.in as required under the Listing Agreement entered into with the Stock Exchange.

12. Management Discussion & Analysis

The Management Discussion & Analysis is included under the Directors' Report, forming part of the Annual Report.

13 General Shareholder Information:

- 13.1 Annual General Meeting :** The 28th Annual General Meeting of the Members of the Company will be held as per the following details :

Date and Time: July 30, 2008 at 4.30 p.m
Venue : Regd. Office: Gat No. 1242/1244
Village- Vadu Budruk, Tal. Shirur,
Dist. Pune 412 216.

13.2 Financial Calendar for 2008-09 (Indicative) Adoption of Quarterly Results for

Quarter ending	in the month of
June 30, 2008	: July 2008
September 30, 2008	: October 2008
December 31, 2008	: January 2009
Annual Accounts	: May 2009
29 th Annual General Meeting	: July 2009

- 13.3 Book Closure :** July 24, 2008 to July 30, 2008.

13.4 Listing on Stock Exchange

The Company's Equity Shares are listed on:
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai 400 001.

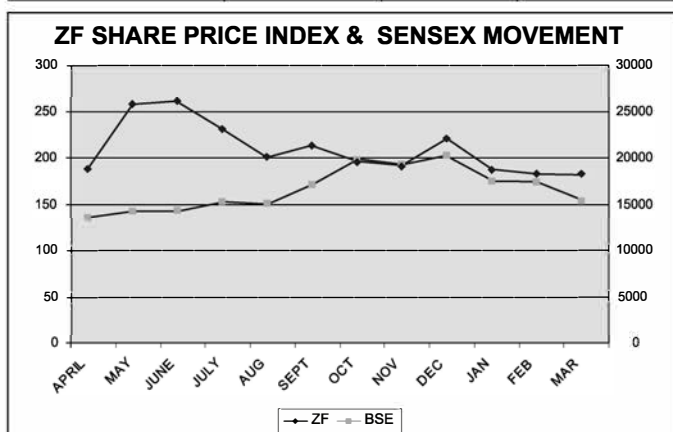
The Company has paid the listing fees up to the year 2008-09 to the Stock Exchange.

- 13.5 (a) Stock Code : 505163 (BSE)**

(b) Demat ISIN numbers in NSDL & CDSL for Equity Shares : ISIN No. INE116C01012

13.6 Stock Market Data :

Market Price of company's Share at BSE				
Month		High (Rs.)	Low (Rs.)	Volume (No. of Shares)
APRIL	2007	209.90	186.00	32,616
MAY	2007	269.00	186.10	305,149
JUNE	2007	296.80	250.00	219,501
JULY	2007	271.95	218.15	72,871
AUG	2007	239.00	193.25	71,489
SEPT	2007	223.45	190.10	74,895
OCT	2007	235.00	192.00	104,865
NOV	2007	219.00	182.00	65,399
DEC	2007	236.00	191.25	119,074
JAN	2008	244.00	150.00	66,106
FEB	2008	203.00	151.00	32,934
MAR	2008	185.00	138.00	35,682



13.7 Registrar and Transfer Agents: The Company has appointed a SEBI registered Registrar & Transfer Agent - Intime Spectrum Registry Ltd., Akshay Complex, Block No. 202, 2nd Floor, Off: Dhole Patil Road, Near Ganesh Temple, Pune 411 001 and their Mumbai office, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai- 400 078 as Common Agency for share registry in terms of both physical and electronic w.e.f. April 1, 2003.

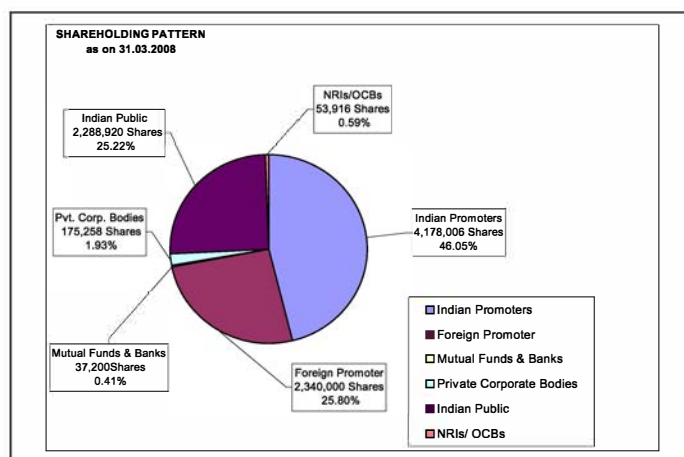
Pune Phone No. (020) 2605 1629
Fax No. (020) 2605 3503
Mumbai Phone No. (022) 2596 3838
Fax No. (022) 2594 6969

13.8 Share Transfer System: Presently, the share transfers which are received in physical form are processed by Intime Spectrum Registry Limited and the share certificates are returned within a period of 15 Days from the date of receipt, subject to the documents being valid and complete in all respects.

13.9 Shareholding Pattern as on March 31, 2008

Category	No. of Shares of Rs. 10 each	Percentage of Shareholding
Indian Promoters	4,178,006	46.05
Foreign Promoter (ZF Germany)	2,340,000	25.80
Banks, Financial Institutions, Insurance Companies	2,150	0.02
Mutual Funds & UTI	35,050	0.39
Private Corporate Bodies	175,258	1.93
Indian Public	2,288,920	25.22
NRI/ OCBs	53,916	0.59
Total	9,073,300	100.00
		2008
No. of Shareholders as on March 31	7,140	7,119

Distribution of Shareholding (as on March 31, 2008)



No. of Shares held (Face Value Rs. 10 each)	No. of Shareholders	% to total No. of Shareholders	No. of Shares held	% to total No. of Shares
1- 500	6,214	87.03	936,691	10.32
501- 1000	521	7.30	393,201	4.33
1001-5000	334	4.68	655,268	7.22
5001-10000	28	0.39	199,251	2.20
10001 & above	43	0.60	6,888,889	75.93
Total	7,140	100.00	9,073,300	100.00

13.10 Dematerialization of Shares: About 65.30% of the outstanding shares have been dematerialized up to March 31, 2008. Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. March 26, 2001 as per notification issued by the Securities and Exchange Board of India (SEBI).

13.11 Outstanding GDR, ADR or Warrants

There are no GDR, ADR or any Convertible instruments pending conversion or any other Instrument likely to impact the equity share capital of the Company.

13.12 Status of compliance with non-mandatory requirements

1. The Company has constituted a Remuneration Committee of Directors comprising of Independent Directors. The details of the Committee have been mentioned earlier in this Report.
2. Since the Financial Results are published in leading newspapers as well as promptly displayed on the Company's website and EDIFAR website, the results are not sent to each household of the Shareholders.

13.13 Address for Investor Correspondence :

For transfer/ dematerialization of shares

Intime Spectrum Registry Ltd.,
202 A-Wing, Akshay Complex,
Off Dhole Patil Road, Pune- 411 001.
Phone- (020) 26051629/ 26050084
e mail- pune@intimespectrum.com

- For payment of dividend and other correspondence

Corporate office & Secretarial Department :

Secretarial Department
601& 602, A Wing, 6th Floor, MCCIA Trade Tower,
International Convention Centre ,
403-A, Senapati Bapat Road,
Pune- 411 016
e mail: satish.mehta@zfindia.com

Phone- (020) 30211600/ 606/ 650/ 628

For and on behalf of the Board of Directors

Pune May 27, 2008	Dinesh Munot Managing Director	Jinendra Munot Jt. Managing Director
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DECLARATION REGARDING CODE OF CONDUCT

I hereby declare that all the Directors and Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

Pune
May 27, 2008

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Dinesh Munot
Managing Director

CEO/ CFO Certification

As required by sub clause V of Clause 49 of the Listing Agreement with the Stock Exchange, we have certified to the Board that for the financial year ended March 31, 2008, the Company has complied with the requirements of the said sub clause.

Satish Mehta
Company Secretary & DGM Finance

Dinesh Munot
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO,

The Members,

ZF Steering Gear (India) Limited,

We have examined the compliance of the conditions of Corporate Governance by **ZF STEERING GEAR (INDIA) LIMITED** for the year ended March 31, 2008, as stipulated in Clause 49 (revised) of the Listing Agreement of the said Company with the Stock Exchange.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures 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 opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievance remaining unattended/ pending for a period exceeding one month as on March 31, 2008.

We 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.

Pune
May 27, 2008

For N. F. Karnavat & Co.
Chartered Accountants
N. F. Karnavat, Proprietor.
Membership No. 8369.

AUDITORS' REPORT TO THE MEMBERS:

We have audited the attached Balance Sheet of **ZF STEERING GEAR (INDIA) LIMITED** ('the Company') as at March 31, 2008, and also the Profit and Loss account and the Cash Flow Statement 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we give 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 purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it 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, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
- (e) On the basis of the written representations received from directors of the Company as at March 31, 2008, and taken on record by the Board of Directors, we report that no director is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act 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 Act 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 affairs of the Company as at March 31, 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 N. F. Karnavat & Co.
Chartered Accountants
N. F. Karnavat
Proprietor
Membership No.: 8369

Pune
May 27, 2008

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 3 of our report of even date to the Members of ZF Steering Gear (India) Limited on the accounts for the year ended March 31, 2008, we report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) As explained to us, the management has physically verified most of the fixed assets during the year. No material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of the assets.
 - (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventory has been physically verified by the management during the current year. In our opinion, the frequency of such verification is reasonable. In respect of inventory lying with third parties at the year end, confirmations have been received.
 - (b) In our opinion, the procedures for the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stock and book stock were not material having regard to the size of operations of the Company and have been properly dealt with in the books of account.

3. (a) The Company had placed an inter-corporate deposit in 2006-07 with a company covered in the register maintained by the company under Section 301 of the Act, which was repaid during the year. The maximum amount involved during the year was Rs. 51,764,384 and the year-end balance of the inter-corporate deposit granted to the said company was Rs. nil (Previous year Rs. 50,148,745).
- (b) In our opinion, the rate of interest and other terms and conditions on which inter-corporate deposit was granted to the Company, listed in the register maintained under Section 301 of the Act, are not prima facie, prejudicial to the interest of the Company.
- (c) Clause iii (c) is not applicable, as the principal amount and interest has been received during the year and there is no amount outstanding at the year end.
- (d) Clause iii (d) is not applicable as there is no amount outstanding at the year end.
- (e) The Company has not taken any loan, secured or unsecured, from Companies, firms or other parties covered in the register maintained under Section 301 of the Act. So, the clause iii (f) and iii (g) of the Order is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. We have not observed any major weakness in the internal control system during the course of our Audit.
5. Based on the audit procedures applied by us and according to the information and explanations given to us, transactions that need to be entered into the register maintained in pursuance of Section 301 of the Act have been so entered.
6. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of Sections 58A and Section 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and the 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 the cost records under Section 209 (1) (d) of the Act in respect of automotive parts and accessories, and 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 books of account, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities. At March 31, 2008, there are no undisputed statutory dues payable 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 Income tax, Sales tax, Service Tax, Excise Duty, Custom Duty, Wealth Tax that have not been deposited with the appropriate authorities on account of any dispute other than:

Nature of Dues	Amount (Rs.)	Forum where dispute is pending
Sales Tax (Financial Year 2002-03)	6,35,512	Deputy Commissioner Sales Tax, (Appeal) 2, Pune
Service Tax (Financial Year 2000-2001) To (Financial Year 2000-2001)	3,85,489	Commissioner of Central Excise Pune.- III
(Financial Year 2002-2003) To (Financial Year 2003-2004)	17,73,423	Commissioner of Central Excise Pune.- III
(Financial Year 2004-2005)	4,07,352	Commissioner of Central Excise Pune.- III
Income Tax (Financial Year 2005-2006)	8,36,950	Dy. C.I.T. Circle 7, Pune

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
11. The Company did not have any outstanding debentures. The Company has not defaulted in repayment of dues to financial institutions/ banks.
12. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. In respect of shares, securities, debentures and other investments dealt in or traded by the Company, in our opinion and according to the information and explanations given to us, proper records have been maintained. All the investments are held by the Company in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has no term loans outstanding during the year.
17. The funds raised on short-term basis during the year have not been used for long-term investment and funds raised on long term basis have not been used for short term investment.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company did not have outstanding debentures during the year, Accordingly, no securities have been created.
20. The Company has not raised any money by public issues 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 year.

For N. F. Karnavat & Co.
Chartered Accountants

N. F. Karnavat
Proprietor
Membership No.: 8369

Pune
May 27, 2008

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BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	Rs.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SOURCES OF FUNDS :				
Share holders' Funds				
Share Capital	A	90,733,000		90,733,000
Reserves & Surplus	B	1,000,538,692	1,091,271,692	808,754,235
				899,487,235
Loan Funds				
Secured Loans	C	--		85,447,803
Unsecured Loans	D	218,318,224	218,318,224	205,408,670
			1,309,589,916	290,856,473
				1,190,343,708
APPLICATION OF FUNDS:				
Fixed Assets				
Gross Block		1,108,057,607		1,018,782,182
Less : Depreciation		758,022,251		657,103,265
Net Block	E		350,035,356	361,678,917
Investments				
	F		509,515,068	365,217,991
Net Deferred Tax Assets				
	P(8)		24,421,400	10,066,000
Current Assets, Loans and Advances				
Inventories	G	290,814,235		227,916,507
Sundry Debtors	H	276,740,070		262,653,749
Cash and Bank Balances	I	64,459,011		6,750,988
Other Current Assets	J	36,713,777		35,262,700
Loans and Advances	K	28,303,501		79,293,738
		697,030,594		611,877,682
Less : Current Liabilities and Provisions	L	271,412,502	425,618,092	158,496,882
Net Current Assets			1,309,589,916	453,380,800
				1,190,343,708
Notes to Accounts				
	P			

As per our Report of even date attached.

For **N. F. KARNAVAT & CO.**
Chartered Accountants

N. F. KARNAVAT
Proprietor
Membership No. 8369

Pune
May 27, 2008

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot
Jinendra Munot
Utkarsh Munot

Managing Director
Jt. Managing Director
Executive Director

D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
M. L. Rathi

} Directors

Satish Mehta

Company Secretary & DGM-Finance

Pune
May 27, 2008

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

Schedule	As at March 31, 2008		As at March 31, 2007
	Rs.	Rs.	Rs.
INCOME :			
Sales (Gross)	2,580,085,746		2,515,995,193
Less :- Excise Duty	354,175,047		350,336,201
		2,225,910,699	2,165,658,992
Other Income	M	75,068,932	68,433,266
		2,300,979,631	2,234,092,258
EXPENDITURE :			
Materials	N	1,495,769,684	1,454,070,821
Expenses	O	301,954,101	272,592,710
Depreciation		104,395,783	97,020,005
		1,902,119,568	1,823,683,536
Profit Before Tax		398,860,063	410,408,721
Provision for Taxation			
a) Current Year		130,000,000	140,000,000
b) Fringe Benefit Tax		1,595,000	1,560,000
c) Deferred		(13,416,049)	(7,757,000)
d) For earlier years		2,149,937	1,018,098
Profit After Tax		278,531,175	275,587,623
Add :- Balance in Profit & Loss Account brought forward		31,021,235	18,200,255
Profit available for appropriations		309,552,410	293,787,878
APPROPRIATIONS :			
Interim Dividend		--	72,586,400
Proposed Dividend		72,586,400	--
Corporate Dividend Tax		12,336,058	10,180,243
General Reserve		200,000,000	180,000,000
Balance carried to Balance Sheet		24,629,952	31,021,235
		309,552,410	293,787,878
Basic & Diluted Earnings per Share (Refer Note No. 17, Schedule 'P')		30.70	30.37
Notes to Accounts	P		

As per our Report of even date attached.

For **N. F. KARNAVAT & CO.**
Chartered Accountants

N. F. KARNAVAT
Proprietor
Membership No. 8369

Pune
May 27, 2008

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot Managing Director
Jinendra Munot Jt. Managing Director
Utkarsh Munot Executive Director

D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
M. L. Rathi } Directors

Satish Mehta Company Secretary & DGM-Finance

Pune
May 27, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(Pursuant to the Listing Agreement with Stock Exchange)

	2007-2008	2006-2007
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax And Extraordinary Items (As Per Profit And Loss Account)	398,860,063	410,408,721
Add : Interest Paid	1,112,394	397,092
Add : Loss (Net) on sale of Assets	10,345	-
Less : Profit on Sale of Investment	(13,488,912)	(19,796,280)
Net Profit Before Tax And Extra Ordinary Items	386,493,890	391,009,533
Adjustments For :		
Depreciation (Net)	100,918,986	75,883,873
Interest/ Dividend Received	(47,547,797)	(30,460,662)
Operating Profit Before Working Capital Changes	439,865,079	436,432,744
Adjustments For :		
Trade And Other Receivables	30,309,839	(103,192,611)
Inventories	(62,897,728)	(28,980,874)
Trade Payables	19,802,769	13,231,226
Provisions And Other Liabilities	5,426,782	(59,853,618)
Cash Generated From Operations	432,506,741	257,636,867
Interest Paid	(1,112,394)	(397,092)
Direct Taxes Paid (Net)	(131,595,000)	(141,560,000)
Prior Period Adjustments Taxation	(2,149,937)	(1,018,098)
Net Cash From Operating Activities (Sub. Total 'A')	297,649,410	114,661,678
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(94,377,961)	(99,111,348)
Sale of Fixed Assets And Profit Thereon	5,092,190	22,227,076
Sale of Investment And Profit Thereon	233,488,912	180,795,830
Advances on Capital Account	5,143,000	10,872,320
Purchase of Investments	(364,297,077)	(233,267,233)
Interest Received	7,514,672	393,181
Dividend Received	40,033,125	30,067,481
Net Cash Used In Investing Activities (Sub Total 'B')	(167,403,139)	(88,022,693)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds From Long Term Borrowings	(85,447,803)	41,497,021
Sales Tax Deferral	12,909,554	11,148,077
Wind Mill Capital - Subsidy	-	2,000,000
Dividend	-	(72,586,400)
Corporate Dividend Tax	-	(10,180,243)
Net Cash Used In Financing Activities (Sub. Total 'C')	(72,538,249)	(28,121,545)
Net Increase In Cash And Cash Equivalents (Sub Total 'A'+ 'C'- 'B')	57,708,022	(1,482,560)
Cash/ Cash Equivalents as at 01/04/2007 (01/04/2006) (Opening Balance)	6,750,989	8,233,549
Cash/ Cash Equivalents as at 31/03/2008 (31/03/2007) (Closing Balance)	64,459,011	6,750,989

As per our Report of even date attached.

For **N. F. KARNAVAT & CO.**
Chartered Accountants

N. F. KARNAVAT
Proprietor
Membership No. 8369

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot
Jinendra Munot
Utkarsh Munot

Managing Director
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Executive Director

D. S. Bomrah
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M. L. Rath

} Directors

Satish Mehta

Company Secretary & DGM-Finance

Pune
May 27, 2008

Pune
May 27, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at March 31, 2008	As at March 31, 2007
	Rs.	Rs.
SCHEDULE : A		
SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and Paid up :		
9,073,300* Equity Shares of Rs.10/- each	90,733,000	90,733,000
	<u>90,733,000</u>	<u>90,733,000</u>
*(Including 4,536,650 shares of Rs.10/- each allotted as Bonus Shares by way of capitalisation of Securities Premium Account during the year 2005-06)		
SCHEDULE : B		
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	4,500,000	2,500,000
Add : Addition During the year	--	2,000,000
	<u>4,500,000</u>	<u>4,500,000</u>
Securities Premium Account	23,233,000	23,233,000
General Reserve		
As per last Balance Sheet	750,000,000	570,000,000
Less : Amount adjusted for the period upto last year in term of Revised AS-15 'Employee Benefit' (See note no 18 a. of Schedule 'P')	1,824,260	--
Add : Transferred from Profit and Loss Account	200,000,000	180,000,000
	<u>948,175,740</u>	<u>750,000,000</u>
Profit and Loss Account	24,629,952	31,021,235
	<u>1,000,538,692</u>	<u>808,754,235</u>
SCHEDULE : C		
SECURED LOANS		
Working Capital Loans from Banks	--	85,447,803
	<u>--</u>	<u>85,447,803</u>
NOTE :-		
The above is secured by hypothecation of present and future stock of raw materials, finished goods, work-in-progress, stores, tools and book debts and second-charge on the fixed assets.		
SCHEDULE : D		
UNSECURED LOANS		
Sales Tax Deferral under Package	218,318,224	205,408,670
Schemes of Incentives		
(Due within One Year Rs. 6,578,631/-	218,318,224	205,408,607
Previous Year Rs. 5,873,744/-)		

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (Contd..)

SCHEDULE : E

FIXED ASSETS (AT COST)

	LAND	BUILDING	PLANT & MACHINERY	ELECTRICAL INSTALLATION	FURNITURE FIXTURES & OFFICE EQUIP.	VEHICLES	WIND MILLS	TOTAL	PREVIOUS YEAR TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
GROSS BLOCK COST AS AT APRIL 1, 2007	3,302,906	94,335,483	757,547,385	8,308,082	31,678,173	38,680,153	84,930,000	1,018,782,182	941,897,910
ADDITIONS	--	--	78,760,636	--	4,605,182	11,012,143	--	94,377,961	99,111,348
DEDUCTIONS	--	--	473,176	--	863,119	3,766,241	--	5,102,536	22,227,076
COST AS AT MARCH 31, 2008	3,302,906	94,335,483	835,834,845	8,308,082	35,420,236	45,926,055	84,930,000	1,108,057,607	1,018,782,182
DEPRECIATION									
AS AT APRIL 1, 2007	--	47,302,932	503,017,024	4,196,628	13,656,591	19,615,896	69,314,194	657,103,265	581,219,392
FOR THE YEAR 2007-2008	--	3,355,825	86,592,945	583,648	4,138,691	5,380,357	43,44,317	104,395,783	97,020,005
DEDUCTIONS	--	--	453,889	--	2,140	3,020,768	--	3,476,797	21,136,132
TOTAL DEPRECIATION AS AT MARCH 31, 2008	--	50,658,757	589,156,080	4,780,276	17,793,142	21,975,485	73,658,511	758,022,251	657,103,265
NET BLOCK AS AT MARCH 31, 2008	3,302,906	43,676,726	246,678,765	3,527,806	17,627,094	23,950,570	11,271,489	350,035,356	361,678,917
NET BLOCK AS AT MARCH 31, 2007	3,302,906	47,032,551	254,530,361	4,111,454	18,021,582	19,064,257	15,615,806	361,678,917	360,678,518

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (Contd....)

SCHEDULE : F

INVESTMENTS (Non-Trade, Long Term)

As at March 31, 2008
Rs.

As at March 31, 2007
Rs.

AT COST :

In Mutual Fund Units (Units of Rs. 10/- each) - Unquoted				
852,325	(-)	Birla Income Plus -IP-Growth	30,000,000	-
4,000,000	(-)	HDFC FMP Growth	40,000,000	-
12,651,716	(-)	Kotak Equity Arbitrage Fund -Dividend	135,000,000	-
1,510,438	(-)	JM High Liquidity Fund -IP-Growth	20,000,000	-
3,911,980	(-)	Fidelity International Opportunity Fund -Dividend	40,000,000	-
1,000,000	(-)	JM Agri & Infra Fund -Dividend	10,000,000	-
1,975,309	(-)	Reliance Natural Resources Fund -Dividend	20,000,000	-
5,649,804	(977,995)	ICICI Prudential Equity & Derivative Fund - Dividend	60,000,000	10,000,000
1,000,000	(1,000,000)	Reliance Long term Equity Fund Dividend	10,000,000	10,000,000
959,507	(959,507)	Sundaram Equity-Multiplier Fund - Dividend	9,595,068	9,595,068
1,000,000	(1,000,000)	Sundaram SMILE Fund - Dividend	10,000,000	10,000,000
977,995	(977,995)	HSBC Midcap Equity Fund - Dividend	10,000,000	10,000,000
1,955,990	(1,955,990)	Fidelity Equity Fund - Dividend	20,000,000	20,000,000
2,000,000	(2,000,000)	Reliance Equity Opportunities Fund	20,000,000	20,000,000
2,000,000	(2,000,000)	Tata Infrastructure Fund- Dividend	20,000,000	20,000,000
1,955,990	(1,955,990)	Fidelity India Special Situations Fund - Dividend	20,000,000	20,000,000
-	(1,000,000)	Reliance Equity Fund-Dividend	-	10,000,000
-	(4,000,000)	Reliance Fixed Horizon Fund- Annual Plan	-	40,000,000
-	(5,000,000)	Kotak Fixed Maturity Plan - 6 Months	-	50,000,000
-	(2,000,000)	Prudential ICICI Fixed Maturity Plan - 3 Months	-	20,000,000
-	(2,000,000)	Tata Fixed Horizon Fund - 3 Months	-	20,000,000
-	(5,000,000)	JM Arbitrage Advantage Fund - Dividend	-	50,000,000
-	(2,000,000)	Tata Contra Fund - Dividend	-	20,000,000
-	(1,000,000)	Kotak Life-Style Fund - Dividend	-	10,000,000
Total (A)			474,595,068	349,595,068
In Equity Shares - Quoted, fully paid-up :				
14,259	(-)	ICICI Bank Ltd. of Rs.10/- each	13,403,460	-
19,576	(-)	Power Grid Corporation of India Ltd. of Rs.10/- each	1,017,952	-
8,175	(-)	Reliance Power Ltd. of Rs.10/- each	3,678,750	-
8,923	(-)	Rural Electrification Corporation Ltd. of Rs.10/- each.	936,915	-
135,159	(135,159)	National Thermal Power Corporation of Rs. 10/- each	8,379,858	8,379,858
6,108	(6,108)	Tata Consultancy Services Ltd. of Re. 1/- each	2,595,900	2,595,900
2,500	(2,500)	Punjab National Bank of Rs. 10/- each	975,000	975,000
23,149	(23,149)	Reliance Petroleum Ltd. of Rs. 10/- each	1,388,940	1,388,940
30,443	(30,443)	Idea Cellular Ltd of Rs. 10/- each	2,283,225	2,283,225
Total (B)			34,660,000	15,622,923
In Equity Shares - Unquoted, fully paid up (In JV):				
26,000	(-)	ZF Lenksysteme India Pvt. Ltd. (26% holding) of Rs.10/- each	260,000	-
Total (C)			260,000	-
Total (A + B+C)			509,515,068	365,217,991

INVESTMENTS :

AGGREGATE VALUE OF :

Quoted Mutual Fund
Quoted Shares
Unquoted Investment

As at March 31, 2008		As at March 31, 2007	
Book Value Rs.	Market Value Rs.	Book Value Rs.	Market Value Rs.
34,660,000	56,140,676	15,622,923	33,513,501
474,855,068	--	349,595,068	---

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (Contd....)

	As at March 31, 2008		As at March 31, 2007
	Rs.	Rs.	Rs.
SCHEDULE : G			
INVENTORIES			
(Valued and certified by the Managing Director)			
Stores and Tools		3,860	3,860,
Spares for resale		287,662	1,167,805
Work-in-Progress		66,442,964	35,380,304
Raw materials and components		221,995,290	,189,227,602
Finished Goods		2,084,459	2,136,936
		<u>290,814,235</u>	<u>227,916,507</u>
SCHEDULE : H			
SUNDRY DEBTORS			
(Unsecured - Considered Good)			
Over Six Months		202,358	3,632,033
Others		276,537,712	,259,021,716
		<u>276,740,070</u>	<u>262,653,749</u>
SCHEDULE : I			
CASH AND BANK BALANCES			
Cash on hand		196,063	183,746
BALANCES WITH SCHEDULED BANKS			
In Current Accounts		64,262,948	6,567,242
(It includes Rs. 5,687,448 (P.Y. NIL) being the debit balance in a cash credit account)		<u>64,459,011</u>	<u>6,750,988</u>
SCHEDULE : J			
OTHER CURRENT ASSETS			
Advance payment of Income Tax (Net of Provision for Tax)		33,396,082	31,137,159
Deposits		3,317,695	3,430,523
Other Sundry Receivables		--	695,018
		<u>36,713,777</u>	<u>35,262,700</u>
SCHEDULE : K			
LOANS AND ADVANCES			
(Unsecured)			
Advances recoverable in cash or in kind or for value to be received			
- Considered good	4,203,676		54,596,059
- Considered doubtful	<u>1,777,417</u>		<u>1,777,418</u>
	5,981,093		56,373,477
Less : Provision for Doubtful Advances	<u>1,777,417</u>		<u>1,777,418</u>
		4,203,676	54,596,059
Advances on Capital Account		1,049,430	6,192,430
Balances with Central Excise Authorities on Current account		23,050,395	18,505,249
		<u>28,303,501</u>	<u>79,293,738</u>
SCHEDULE : L			
CURRENT LIABILITIES & PROVISIONS			
A. CURRENT LIABILITIES			
Sundry Creditors :-			
i) S.S.I. Undertaking(s) (Refer Note No. 16 , Schedule 'P')		13,242,701	20,300,394
ii) Other than S.S.I. Undertaking(s)		138,543,473	108,919,400
* Unclaimed Dividends		1,793,709	1,871,600
Advances from Customers		--	2,991,300
* Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after seven years from the due date	Total A	<u>153,579,883</u>	<u>1,34,082,694</u>
B. PROVISIONS			
Proposed Dividend		72,586,400	--
Corporate Dividend Tax		12,336,058	--
Leave Encashment		12,492,723	7,071,053
Gratuity		20,417,438	17,343,135
	Total B	<u>117,832,619</u>	<u>24,414,188</u>
	(Total A + B)	<u>271,412,502</u>	<u>158,496,882</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

SCHEDULE : M OTHER INCOME

Interest received on other than bank accounts (Gross)
Tax Deducted at source Rs. 1,363,535/- (Previous Year Rs. 77,627/-)
Dividend on long-term Investments
Profit on sale of long-term Investments (Net)
Profit on sale of Assets
Release of Provision
Miscellaneous Income
Profit on Exchange Variation (Net)
Windmill Income

SCHEDULE : N MATERIALS

Stock at Commencement-
Spares for resale
Finished Goods
Work-in-Progress

Raw materials consumed-
Stock at Commencement
Purchases

Less : Closing Stock

Fabrication and Processing charges
Stores and tools consumed
Freight, Octroi and Forwarding charges

Less: Closing Stock
Spares for resale
Work-in-Progress
Finished Goods

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
	Rs.	Rs.
		Rs.
	7,514,672	393,181
	40,033,125	30,067,481
	13,488,912	19,796,280
	--	1,280,377
	81,800	2,432,289
	7,188,001	6,949,527
	--	718,910
	6,762,422	6,795,221
	<u>75,068,932</u>	<u>68,433,266</u>
	1,167,805	439,281
	2,136,936	2,554,699
	<u>35,380,304</u>	<u>32,010,373</u>
	38,685,045	35,004,353
	189,231,462	163,924,749
	<u>1,440,858,767</u>	<u>1,354,520,251</u>
	1,630,090,229	1,518,445,000
	<u>221,999,150</u>	<u>189,227,602</u>
	1,408,091,079	1,329,217,398
	23,482,870	21,998,765
	92,839,021	103,309,046
	1,486,754	3,226,304
	<u>1,564,584,769</u>	<u>1,492,755,866</u>
	287,662	1,167,805
	66,442,964	35,380,304
	<u>2,084,459</u>	<u>2,136,936</u>
	68,815,085	38,685,045
	<u>1,495,769,684</u>	<u>1,454,070,821</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

SCHEDULE : O

OTHER EXPENSES

Payments to and Provisions for Employees

Salaries, Wages and related payments	133,853,358
Contribution to Provident Fund and Other Funds	3,831,142
Staff and Labour Welfare Expenses	9,389,971

147,074,471

Interest

On Bank	340,720
Others	771,674

1,112,394

Repairs

Plant & Machinery	31,759,443
Building	4,796,510
Others	5,688,498

42,244,451

Administration and Other Expenses

Power and Fuel	47,796,024
Rates and Taxes	1,185,799
Miscellaneous Expenses	15,561,027
Bank charges and commission	4,495,091
Travelling and conveyance	13,625,454
Postage, Telegrams, Telephones and Telex	2,040,832
Selling and Distribution Expenses	16,301,654
Advertisement Expenses	433,992
Printing and Stationery	2,203,473
Directors' Fees and Allowances	175,000
Auditors' Remuneration	110,000
Insurance	1,937,738
Loss on sale of Assets (Net)	10,345
Windmill Expenses	2,365,965
Exchange Variation loss (Net)	2,896,541
Technical Fees / Technical know-how Fees	383,850

301,954,101

For the Year ended
March 31, 2007

Rs.

113,133,188
3,547,957
7,537,714
124,218,859

206,098

190,994

397,092

23,165,280

7,368,952

5,461,747

35,995,979

43,247,014

887,637

17,324,600

4,699,960

13,833,186

2,119,906

13,803,475

492,693

1,457,137

220,000

100,000

2,149,534

--

2,774,638

--

8,871,000

272,592,710

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

SCHEDULE : P

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES :

A) Basis of Preparation of Financial Statements :-

The financial statements are prepared under the Historical Cost Convention, on the accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

B) Fixed Assets and Depreciation :

(i) Fixed Assets :

Fixed Assets are stated at cost (net of Cenvat and sales tax set-off) of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except free hold land). The cost includes freight, duties, taxes, and incidental expenses related to acquisition, installation, erection and commissioning.

(ii) Depreciation :

a) On the fixed assets acquired upto March 31, 2000 :-

Depreciation on these fixed assets is provided as per the Written Down Value (w.d.v.) method at the following rates : Building @ 10%, plant & machinery @ 25%, Furniture & fixtures @ 15%, Office equipments @ 25% , Computer @ 60%, Cars @ 20%, Two Wheelers @ 25%

b) On the fixed assets acquired on or after April 01, 2000 :-

Depreciation on these fixed assets is provided as per the Written Down Value (w.d.v.) method at the rates specified in Schedule XIV to the Companies Act, 1956.

c) Depreciation is provided on pro-rata basis.

C) Technical Fees / Technical Know-how Fees :

Technical Fees/ Technical Know-how Fees are charged to the Profit and Loss account in the year in which the expense is incurred.

D) Investments :

Investments are stated at cost. Provision for diminution in the Value of longterm investments is made only if such a decline is other than temporary in the opinion of the management. Investment in joint venture is carried at cost.

E) Inventories :

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Excise and customs duty are included in inventory costs when paid.

F) Revenue Recognition

Sale of goods is recognised on despatch to customers and includes excise duty but exclude sales tax and net of discounts.

G) Employees Retirement Benefits :

Defined Contribution plans: The company's approved superannuation scheme and employee state insurance scheme are defined contribution plans whenever it applicable to Company. The company's contribution paid/ payable under the schemes is recognised as expense in profit and loss account during the period in which the employees render the related services. The company makes specified monthly contributions towards employee provident fund .

Defined benefit plans: The company's gratuity and leave wages are defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the projected unit credit method, which recognises each period of services as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date. Actuarial gains and losses are recognised immediately in the profit and loss account.

H) Foreign Currency Transactions :

Transactions in foreign currency are accounted at exchange rates prevailing at the time of the transaction. Foreign currency liabilities are translated at the exchange rates prevailing on the last working day of the accounting year or forward cover rates, as applicable. All exchange gains/ losses arising out of such transactions are taken to profit and loss account.

I) Taxation :

Provision is made for income tax liability which may arise on the results for the year at the current rate of tax in accordance with the Income-tax Act, 1961. The deferred tax for timing differences between the book profit and tax profits for the year is accounted for using the tax rates prevailing as of the balance sheet date. Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

J) Impairment of Assets :

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account to the extent the carrying amount exceeds recoverable amount.

K) Provisions and Contingent Liabilities

- Provisions in respect of present obligation arising out of past events are made in the accounts when reliable estimates can be made about the amount of obligation.
- Contingent Liabilities are disclosed when there is a possible obligation that may, but probably will not, require an outflow of resources.

L) Earnings per Share

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of equity shares outstanding during the year.

M) Research and Development

Expenditure on research phase is recognised as an expense when it is incurred. Expenditure on development phase is recognised as an intangible asset if it is likely to generate probable future economic benefits.

NOTES TO ACCOUNTS (Contd....)

Rs.

2. CONTINGENT LIABILITY (Not provided for) :	2007-2008	2006-2007
i) Income Tax matters in dispute,		
in respect of penalty matters disputed before ITAT, Pune	32,631,743	32,631,743
in respect of Order u/s 143(1) of I.Tax ACT - A. Y. 2006-07	836,950	--
ii) Co-acceptance of Import bills by the bankers	49,715,000	24,912,317
iii) Bank Guarantees on behalf of the Company	17,654,999	14,154,999
iv) Bills discounted	446,227,278	241,025,598
v) Sales Tax matter under Appeal	1,439,044	803,532
vi) Claims against the Company not acknowledged as debts	225,224	98,700
3. Estimated amount of contracts remaining to be executed on capital account as on March 31, 2008 and not provided for	6,750,570	5,774,914

(Contd....)

4. a) Managerial remuneration paid/ payable to the Managing Director, Jt. Managing Director & Executive Director

Rs.

	2007-2008	2006-2007
i) Salaries	6,816,612	5,285,736
ii) Commission	20,000,000	18,000,000
iii) Perquisites	6,813,438	5,097,114
	33,630,050	28,382,850
iv) Contribution to Provident Fund / Superannuation	231,912	229,569
TOTAL	33,861,962	28,612,419
Maximum Managerial remuneration restricted to 10% of Net Profit computed in accordance with Section 198 of the Companies Act, 1956.	42,439,934	41,564,765
	10%	10%

4. b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and the commission due to the Managing Director, Jt. Managing Director & Executive Director.

	2007-2008	2006-2007
Net profit before appropriation as per Profit and Loss Account	398,860,063	410,408,721
Add : Depreciation as per accounts	104,395,783	97,020,005
Add : Managerial Remuneration including perquisites	33,861,962	28,612,419
Add : Directors' Sitting Fees	175,000	220,000
Add : Loss on Sale of Assets	11,173	--
	537,303,981	536,261,145
Less : Depreciation as per Section 350 of The Companies Act, 1956	99,224,518	99,347,172
Less : Profit on sale of Investments	13,488,912	19,796,280
Less : Profit on sale of Assets	828	1,280,377
Less : Depreciation on Sale of Assets as per Section 349 of The Companies Act, 1956.	190,383	189,664
Net Profit	424,399,340	415,647,652

5. Licensed capacity, installed capacity, actual production, opening stock, closing stock and sales:

Class of Goods	Capacity		Prod.	Opening Stock		Closing Stock		Sale	
	Licensed Nos.	Installed Nos.	Qty. Nos.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.
Hydraulic Power Steering Gears including components/ spares	300,000 (300,000)	270,000 (240,000)	134,698 (124,796)	120 (135)	1,422,904 (1,964,149)	89 (120)	799,947 (1,422,904)	134,729 (124,811)	2,352,016,794 (2,283,760,409)
Mechanical Steering Gears including components/ spares	200,000 (200,000)	140,000 (120,000)	87,615 (92,224)	417 (348)	714,031 (590,550)	658 (417)	1,284,512 (714,031)	87,374 (92,155)	214,237,273 (220,650,805)
			222,313 (217,020)	537 (483)	2,136,935 (2,554,699)	747 (537)	2,084,459 (2,136,935)	222,103 (216,966)	2,566,254,067 (2,504,411,214)

Notes : 1) Above values include price escalation claims / reduction.

2) In view of the number of components/ spares being large, it is not possible to give the quantitative information.

3) Installed capacity is as certified by the Managing Director and accepted by the Auditors, being a technical matter.

4) The above figures are inclusive of Excise Duty and Education Cess.

NOTES TO ACCOUNTS (Contd.)

6. The operations of the Company relate to only one segment i.e. automotive components.

7. Related Party Disclosures :

a) List of Related Parties with whom transactions have taken place and relationships :

Foreign Collaborator :

ZF Lenksysteme, GmbH

Associate Companies :

Force Motors Limited

Kinetic Engineering Limited

ZF Shanghai Steering Co.Ltd., China

ZF Sistemas De Direcao Ltd, Brazil.

Jaya Hind Sciaky Ltd

ZF Steering Jincheng (Nanjing), China

ZF Boge Elastmettal GmbH

ZF Great Briton

Varsha Forgings Ltd

Man Force Trucks Pvt Ltd

Joint venture company : ZF Lenksysteme India Pvt. Ltd. (Company has 26% stake in the company)

Key Managerial Personnel : Mr. Dinesh Munot - Managing Director
Mr. Jinendra Munot - Jt. Managing Director
Mr. Utkarsh Munot - Executive Director

Rs.

b) Transactions with related parties :

	2007-2008	2006-2007
i) Sales		
Foreign Collaborator	342,418	9,714,192
Other related parties	83,802,049	69,283,626
ii) Purchase of Raw Materials & components		
Foreign Collaborator	335,440,668	256,683,081
Other related parties	75,223,048	65,335,308
iii) Capital Expenditure		
Foreign Collaborator	3,625,967	297,200
iv) Outstanding balance		
Debtors		
Foreign Collaborator	184,629	(687,906)
Other related parties	33,830,731	26,221,488
Joint Venture company	1,232,652	-
Creditors		
Foreign Collaborator	57,341,381	314,016
Other related parties	4,003,136	6,437,380
Intercompany deposit		
Other related parties	-	50,148,745
v) Dividend paid during the year		
Foreign Collaborator	-	33,345,000
Other related parties	-	19,613,700
vi) Technical Fees/ testing Fees paid during the year to other related parties	383,850	8,871,000
vii) Remuneration to :- Key Managerial Personnel	33,861,962	28,612,419
viii) Rent and other services		
Joint venture company	1,642,416	-
ix) Intercompany Deposit given to other related party	-	50,000,000
x) Interest on Intercompany Deposit and others.	7,348,432	148,745

8. Deferred Tax :

The break-up of the net deferred tax liability as at March 31, 2008 is as under :-

Timing differences on account of	2007-2008		2006-2007	
	Assets	Liabilities	Assets	Liabilities
Book Depreciation & depreciation under the Income-tax Act, 1961	13,709,188	-	2,268,799	-
- Provision for Gratuity & Leave Encashment	10,025,236	-	7,137,454	-
- Provision - Advances	604,144	-	604,144	-
- Others	82,803	-	55,904	-
Total ...	24,421,371	-	10,066,301	-
Net Deferred Tax Assets	24,421,371		10,066,301	
Rounded off	24,421,400		10,066,000	

NOTES TO ACCOUNTS (Contd.)

9. Auditors' Remuneration :

Rs.

- a) Audit Fees
- b) Tax Audit Fees
- c) For Certification

2007-2008	2006-2007
75,000	65,000
25,000	25,000
10,000	10,000
110,000	100,000

10. Consumption of Raw materials and Components :

Description	Unit	2007-2008		2006-2007	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
A) Raw Materials :					
i) Alloy Steel Bars	MT.	1556.47	66,929,517	1514.08	58,210,304
B) Components :			1,428,840,167		1,395,860,517
			1,495,769,684		1,454,070,821

11. Imported and indigenous raw material consumption (including components) :

Description	2007-2008		2006-2007	
	Rs.	Percentage	Rs.	Percentage
A) Imported	484,728,140	32.41	302,530,988	20.81
B) Indigenous	1,011,041,544	67.59	1,151,539,833	79.19
	1,495,769,684	100.00	1,454,070,821	100.00

12. C.I.F. Value of Imports :

Rs.

- i) Raw Materials, Components and consumables
- ii) Capital Goods

2007-2008	2006-2007
540,656,465	278,069,113
48,863,006	19,671,387

13. Expenditure in Foreign Currency

- i) Travelling and other expenses
- iii) Technical Fees / Technical Know-how Fees (Net of Tax)

2007-2008	2006-2007
3,349,064	5,469,448
383,850	7,943,538

14. Remittance of dividend in Foreign Currency

- No. of non-resident Shareholders
- No. of Shares held
- i) Amount of dividend remitted (2005-06)
- ii) Amount of Interim dividend remitted (2006-2007)

1	1
2,340,000	2,340,000
-	14,625,000
-	18,720,000

15. Earnings in Foreign Currency

- F.O.B. Value of Exports

5,115,340	11,267,288
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16. Names of the Small Scale Industrial Units to the extent such as identified from the available information with the Company to whom the Company owes & is outstanding for more than 30 days as at March 31, 2008 are :

AUTO STEEL & RUBBER INDUSTRIES PVT. LTD. C'DAK	MUTHA FOUNDERS PVT. LTD.	SIDDHI CNC PVT. LTD.
ACCURATE SALES & SERVICES P LTD	CHAMP ENGG. PVT. LTD.	SANJEEVANI ENGINEERING WORKS
ACK ENGINEERS	GAYATREE POLYMERS PVT. LTD.	SHREE SAI INDUSTRIES
A.G.PLAST	JINESH ENTERPRISES	SHREE GANESH INDUSTRIES
ACCURATE BEARING COMPONENTS	M.D. INDUSTRIES	VIKMAN STEEL BALL INDUSTRIES
ART FAB	MANIKPREM INDUSTRIES	
BEMCO INDIA PVT. LTD.	MICRO ENGINEERING	
CARVAN ENGINEERS	MICROPHONE INDUSTRIES	
	SEALANT ENTERPRISES	

The outstandings are within the period of agreed terms.

NOTES TO ACCOUNTS (Contd.)

17. Earnings per Share :-

- Net Profit (Numerator used for calculation)
- Weighted Average number of Equity Shares used as denominator
- Basic and Diluted Earnings per Share
(Equity Share of face value of Rs. 10/- each)

	2007-2008	2006-2007
Rs.	278,531,175	275,587,623
Nos.	9,073,300	9,073,300
Rs.	30.70	30.37

18 a. During the year, the Company has accounted for employee benefits in accordance with the Revised Accounting Standard 15 issued by ICAI. In view of the transitional provision of the Revised AS 15, the Company has adjusted the difference between the amount based on the actuarial valuation report and already provided, which was Rs.1,824,260 (net of deferred taxes) to opening balance of General Reserve.

18 b. Defined benefit plan as per actuarial valuation on March 31,2008 are as follows :

Sr. No.	Particulars	Gratuity (Rs.)	Leave Encashment (Rs.)
I	Expenses recognised in the Statement of Profit & Loss for the year ended March 31, 2008		
1	Current Service Cost	2,480,536	2,214,721
2	Interest Cost	2,014,673	653,152
3	Expected return on plan assets	(555,301)	-
4	Net Actuarial (Gains) / Losses	(1,787,893)	4,659,182
5	Total Expense	2,152,015	7,527,055
II	Net Asset / (Liability) recognised in the Balance Sheet as at March 31, 2008		
1	Present Value of Obligation as at March 31,2008	27,727,666	12,492,724
2	Fair Value of plan assets as at March 31, 2008	7,310,228	-
3	Funded status [Surplus / (Deficit)]	(20,417,438)	(12,492,724)
4	Net Assets / (Liability) as at March 31, 2008	(20,417,438)	(12,492,724)
III	Change in Obligation during the Year ended March 31, 2008		
1	Present value of Defined Benefit Obligation at beginning of the year	25,183,409	8,164,399
2	Interest Cost	2,014,673	653,152
3	Current service Cost	2,480,536	2,214,721
4	Actuarial (Gains) / Losses	(1,829,034)	4,659,182
6	Benefit Payments	(121,918)	(3,198,730)
7	Present Value of Defined Benefit Obligation as at the end of year	27,727,666	12,492,724
IV	Change in Assets during the Year ended March 31, 2008		
1	Plan assets at the beginning of the year	6,170,011	--
2	Expected return on plan assets	555,301	--
3	Contributions by Employer	747,975	--
4	Actual benefits paid	(121,918)	--
5	Actuarial Gains / (Losses)	(41,141)	--
6	Plan assets at the end of the year	7,310,228	--
V	Actuarial Gain/ Loss recognised		
1	Actuarial Gain/ (Loss) for the year-obligation	1,829,034	(4,659,182)
2	Actuarial Gain/ Loss for the year-plan assets	41,141	-
3	Total (Gain)/ Loss for the year	(1,787,893)	4,659,182
4	Actuarial (Gain)/ Loss recognised in the year	(1,787,893)	4,659,182
5	Unrecognised actuarial (Gains)/ Losses at the end of year	-	-

19. Under the Micro, Small and Medium Enterprises Development Act, 2006 certain disclosure are required to be made for enterprises which are covered under the act. Since the company is in a process of compiling relevant information from its suppliers about their coverage under the said Act, no disclosures have been made. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.
20. In current year provision for current taxes includes provision for wealth tax of Rs. 244,500.
21. As per the joint venture agreement with the Collaborator -ZF Lenksysteme, GmbH, during the year a Joint Venture company was incorporated in which the Company has 26 % equity stake.
22. Figures in bracket relate to the previous year and have been regrouped wherever necessary.

23. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I) Registration Details :

Registration No. 23734
 Balance Sheet Date March 31, 2008

State Code: 11

II) Capital raised during the year (Amount in Rs.)

Public Issue : -NIL-
 Bonus Share : -NIL-

Rights Issue : -NIL-
 Private Placement -NIL-

III) Position of Mobilisation and Deployment of Funds :

Total Liabilities (Amount in Rs.)
Sources of Funds:
 Paid up Capital 90,733,000
 Reserves & Surplus 1,000,538,692
 Secured Loans --
 Unsecured Loans 218,318,224
 Net Deferred Tax -NIL-
 Accumulated Losses -NIL-

Total Assets (Amount in Rs.)
Application of Funds:
 Net Fixed Assets 350,035,356
 Investments 509,515,068
 Net Current Assets 425,618,092
 Net Deferred Tax Assets 24,421,400
 Miscellaneous Expenditure -NIL-

IV) Performance of the Company :

Turnover 2,225,910,699
 Profit/Loss Before Tax 398,860,063
 Earnings per Share 30.70

Total Expenditure 1,902,119,568
 Profit/Loss After Tax 278,531,175
 Dividend Rate 80.00%

V) Generic Names of Three Principal Products, Services of the Company:

Item Code No. (ITC Code)

870894.00
870894.00
870894.00

Product Description

Mechanical Steering Gear
Power Steering Gear (8043)
Power Steering Gear (8033)

As per our Report of even date attached.

For **N. F. KARNAVAT & CO.**
 Chartered Accountants

N. F. KARNAVAT
 Proprietor
 Membership No. 8369

Pune
 May 27, 2008

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot
Jinendra Munot
Utkarsh Munot

Managing Director
 Jt. Managing Director
 Executive Director

D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
M. L. Rath

} Directors

Satish Mehta

Company Secretary & DGM-Finance

Pune
 May 27, 2008