



Hindustan Hardy Spicer Ltd.

**Twentyseventh Annual Report
2008-2009**

BOARD OF DIRECTORS

| | |
|----------------------------|---------------------------------------|
| Mr. S. C. Saran | Chairman |
| Mr. A. R. Rajwade | Managing Director |
| Mr. K. H. Captain | Director |
| Mr. Shiamak Marshall | Director |
| Mr. Phillip A. Rotman II | Director |
| Mr. Jehangir H.C. Jehangir | Director |
| Mr. Sanjiv Bhasin | Director - (up to 2nd December, 2008) |

Bankers

State Bank of India

Satpur Branch, Nashik - 422 007

Auditors

J.L. Bhatt & Company

Chartered Accountants

43, Yusuf Building, Fort, Mumbai - 400 043

Solicitors

Junnarkar & Associates

411, Embassy Centre, 4th Floor,
Nariman Point, Mumbai - 400 021.

Registered Office

Bombay Footwear Building, Deonar Village Road,
Opposite N.K.G.S.B. Bank-Deonar,
Mumbai - 400088.

Plant

C-12, Additional Nasik Industrial Area,
Ambad, Nasik - 422 010.

Registrars and share Transfer Agents

Satellite Corporate Services Pvt. Ltd.

B-302, Sony Apartment,

Opp. ST. Jude Highschool, Off. Andheri Kurla Road,
Jarimari, Sakinaka, Mumbai - 400 072.

Tel.: 022 - 28520461/462

Fax : 022 - 28511809

email : service@scsplt.net

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NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the members of HINDUSTAN HARDY SPICER LIMITED will be held at Sunville DeLuxe, Pavillion, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Monday, June 01, 2009 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. K. H. Captain who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Jehangir H. C. Jehangir who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), the Company in general meeting hereby approves the re-appointment of Mr. Ashok. R. Rajwade as Managing Director of the Company for a period of three years with effect from May 17, 2009 upon the terms and conditions including the terms as to remuneration set out in the Agreement dated 30th April 2009 (the "Agreement"), and approved by the remuneration committee which Agreement placed before this Meeting be and is hereby specifically sanctioned with liberty to the Board of Directors of the Company (the "Board") to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Mr. Ashok R. Rajwade.

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"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during Mr. Ashok R. Rajwade's term of office as Managing Director the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the Agreement as the minimum remuneration.

"RESOLVED FURTHER THAT in the event of any statutory amendment or relaxation by the Central Government to Schedule XIII of the Act the Board be and is hereby authorised to vary or increase the remuneration including the perquisites within such prescribed limits or ceiling and the Agreement between the Company and Mr. Ashok R. Rajwade be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 309, 314 and other applicable provisions of the Companies Act, 1956 and subject to the approval of the central government, approval of the company be and is hereby given for the payment of remuneration to Mr. Sanjay Saran, Director of the Company of Rs. 1,50,000/- (Rupees one lakh fifty thousand) per month with effect from April 1, 2008

RESOLVED FURTHER THAT Shri A. R. Rajwade, Managing Director and/or any one of the other Director of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be required in this connection.

NOTES:

1. 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.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will be closed from Monday, May 25, 2009 to Monday, June 01, 2009 (Both days inclusive).

4. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the item nos 6 & 7 is annexed hereto
5. Dividend if declared will be payable to those members whose names appear in the Register of Members on June 01, 2009. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership of shares as at the end of business hours on May 25, 2009 as per details furnished by the Depositories for this purpose.
6. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed/unpaid for a period of seven years from the date they became due for payment shall be credited to the Investor Education and Protection Fund setup by the Central Government. Members who have so far not claimed the dividend are requested to make claim with the Company as no claim shall lie against the fund or the Company in respect of individual amounts once credited to the said fund.
7. Members are requested to notify promptly any change in their addresses to the Company's Registrar and Share Transfer Agents, Satellite Corporate Services Pvt. Ltd., B- 302, Sony Apartment, Opp. ST Jude High School, Off. Andheri Kurla Road, Jarimari, Sakinaka, Mumbai 400 072.
8. Any query which the member proposes to raise at the time of the Annual General Meeting should be forwarded to the Company atleast seven (7) days in advance of the Annual General Meeting.
9. Members who have not paid the calls-in-arrears are required to pay the same as per the Notices issued to the shareholders from time to time. Shares held by members are subject to forfeiture due to non-payment of calls in arrears.

Registered Office :
Bombay Footwear Building,
Deonar Village Road,
Opp: N.K.G.S.B. Bank-
Deonar, Mumbai 400 088

By Order of the Board of Directors

**A. R. RAJWADE
MANAGING DIRECTOR**

Date : April 30, 2009

ANNEXURE TO NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956

Item No. 6

The Board of Directors of the Company (the "Board") had by a resolution dated April 17, 2009 re-appointed Mr. Ashok R. Rajwade as Managing Director of the Company for a further period of three years with effect from May 17, 2009. The re-appointment of Mr. Ashok R. Rajwade and the remuneration payable to him on his re-appointment is subject to the approval of the Members of the Company. The material terms of the Agreement dated 30th April 2009 referred to in the Resolution at Item No. 6 of the accompanying Notice interalia are as follows:-

1. SALARY: Rs. 2,00,000/- per month inclusive of all perquisites.
2. Incentive on the performance of the Company as may be decided by the Board.
3. PERSONAL ACCIDENT INSURANCE
of an amount the annual premium of which not to exceed Rs. 5,000/- per annum.
4. PROVIDENT FUND
Contribution to Provident Fund as per the Scheme of the Company.
5. SUPERANNUATION/ANNUITY FUND:
Company's contribution to Superannuation/ Annuity fund in accordance with the Scheme of the Company. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
6. GRATUITY
As per the rules of the Company, payable in accordance with the approved fund which shall not exceed half a month's salary for each completed year of service.
7. CAR:
Provision of car for use on Company's business (not to be treated as perquisite). Use of car for private purpose shall be billed by the Company to the Managing Director by Rs. 600/- per month. Reimbursement of driver's salary not exceeding Rs. 4,000/- per month.
8. TELEPHONE:
Telephone at the residence of Managing Director (Not to be treated as perquisite). Personal long distance calls on telephone shall be billed by the Company to the Managing Director.

- 9 (a) In the event of loss or inadequacy of profits, in any financial year of the Company during the term of office of Mr. A. R. Rajwade, Managing Director, the Company shall pay the above salary and perquisites as minimum remuneration subject to the ceiling limits prescribed in Section II 1 (B) of Part II of Schedule XIII of the Companies Act, 1956.
- (b) Mr. A. R. Rajwade shall be entitled to earned/ privilege leave: On full pay and allowances, as per the rules of the Company but not more than one months leave for every eleven months of service shall be allowed. However, leave accumulated but not availed of, will be allowed to be encashed at the end of his tenure as Managing Director.
10. Either party shall be entitled to terminate the Agreement by giving the other party 180 days notice in writing without showing any cause.

Additional information required to be given alongwith a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given hereunder:

I. General Information:

- | | |
|--|---|
| (1) Nature of industry | Engineering Industry |
| (2) Date or expected date of commencement of commercial production | The Company has been in the business for many years |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | Not Applicable |

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| (4) | Financial performance based on given indicators (Rs. in lacs) | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|-----|---|---------|---------|---------|---------|---------|
| | Turnover | 2795.20 | 2870.05 | 3068.47 | 3315.65 | 2978.61 |
| | Net profit (as computed under section 198) | 163.60 | 224.92 | 176.01 | 176.54 | 60.99 |
| | Net profit/ (Loss) as per profit and loss account | 107.52 | 132.10 | 93.95 | 98.28 | 18.40 |
| | Amount of Dividend paid | 37.50 | 45.00 | 52.50 | 52.50 | 15.00 |
| | Rate of Dividend declared | 25% | 30% | 35% | 35% | 10% |
| | Earning before interest, depreciation & taxes | 200.09 | 243.52 | 212.94 | 227.54 | 142.59 |
| | % of EBIDT to turnover | 7.16 | 8.48 | 6.94 | 6.86 | 4.79 |

| (5) | Export performance and net foreign exchange collaborations | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|-----|--|---------|---------|---------|---------|---------|
| | | 356.90 | 676.21 | 1094.72 | 1426.01 | 1373.20 |

- (6) Foreign investments or collaborators, if any. Spicer Gelenkwellenbau GmbH & Co. KG., Germany the foreign collaborators of the Company holds 26% of the equity share capital in the Company.

II. Information about the appointee:

- (1) Background details
- Name : Mr. Ashok R. Rajwade
 Designation : Managing Director
 Father's name : Ramchandra Rajwade
 Nationality : Indian
 Date of Birth : 15.07.1945
 Qualifications : B.Sc., B.E. (Mechanical), MMS., FIE, FIV.
 Experience : Over 41 years in Engineering industry
- (2) Past remuneration : The gross remuneration paid to him in the year 2008-09 was Rs. 29.22 lacs per annum.
- (3) Recognition or awards : The Institute of Engineers (India) awarded Fellowship to him in 2002 and authorized to use title as 'Chartered Engineer'.
- The Institution of Valuers awarded fellowship to him in January 2009.

- | | |
|--|--|
| (4) Job profile and his suitability | The Managing Director shall be responsible for the management of the whole of the affairs of the Company and to do all acts and things, which, in the ordinary course of business, he considers necessary or proper or in the interest of the Company. Considering the above and having regard to age, qualifications, ability and experience and looking to the business requirement the proposed remuneration is in the interest of the Company. |
| (5) Remuneration proposed | A gross remuneration of Rs. 24.00 lacs per annum plus incentives as may be decided by the Board of Directors. |
| (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin) | Compared to the remuneration with respect to the industry, size of the Company etc. the remuneration proposed to be paid to is very low. |
| (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | The Managing Director has no other pecuniary relationship with the Company or with the managerial personnel except the remuneration being paid to him as Managing Director of the Company. |

III. Other information:

- | | |
|--|--|
| (1) Reasons of loss or inadequate profits | 1. In spite of continuous increase in the input cost (Diesel, Electricity, Steel etc.), most of the OE customers have not compensated the full impact. |
| | 2. Due to global and domestic automobile recession during October 2008 to March 2009, there was significant drop in the requirement. |
| | 3. To maintain the export share, year on year reduction had to be given during last two years as per the initial agreement. |
| (2) Steps taken or proposed to be taken for improvement | New products have been identified (Double Cardan Shafts and Mechanics shafts) Samples for Double Cardan Shafts are developed and are under testing. Within next six months; we are expecting orders for this new products. With the introduction of these shafts by December 2010, we are expecting increase in the present export by at least 30%. With this, out of total turnover, export share will reach to 60% by March 2010. Mechanics Shafts : Re-Engineering has been done and the parts are under development |
| (3) Expected increase in productivity and profits in measurable terms. | Expected increase in productivity by 10%. The Company expects to increase the profit by about 10%, barring unforeseen circumstances. |

IV. Disclosures:

The remuneration package of Mr. A. R. Rajwade and other details such as remuneration, service contract, notice period etc. have been disclosed above. The Company does not have any scheme for grant of stock options.

The Board commends the approval by the members of the extension of term of Managing Director and payment of remuneration to him.

Mr. Ashok R. Rajwade is concerned or interested in the said Resolution at item no. 6 of the accompanying notice as it relates to his own re-appointment.

The above may be treated as an abstract of the terms of reappointment and remuneration payable to Mr. A.R. Rajwade, as Managing Director for the period of three years as is required to be sent to every member pursuant to Section 302 of the Act.

The Agreement dated 30th April 2009 referred to in the Resolutions at Item no. 6 of the accompanying Notice is open for inspection by the members at the Registered Office of the Company between 11.00 a. m. to 1.00 p. m. on any working day of the Company except Saturday and Sunday.

Item no. 7

The Board of Directors of the Company (the "Board") had by a resolution dated October 21, 2008 approved payment of remuneration to Mr. Sanjay C. Saran, Chairman of the Company with effect from April 01, 2008 in terms of the provisions of Sections 198, 309 read with Section 314 of the Companies Act, 1956.

Mr. Sanjay Saran is the founder Director and the Chairman of the Company. Mr. Sanjay Saran is very highly qualified and is B.S. (Mech.E.), Carnegie Mellon University, USA, M.B.A. (Fin.) Columbia University, USA, C.Eng. (I), M.I.E. Under the able advice and guidance of Mr. Saran since inception the Company has progressed substantially and has been a dividend paying Company. Under his leadership the Company has gained very high reputation and name in the international market and has developed good export market for the products of the Company.

Mr. Sanjay Saran has been devoting considerable time and attention for the business of the Company. In view of the above the Board of Directors of the Company have proposed to reward him with a suitable remuneration as stated in the resolution proposed at item no. 7 for the efforts that he puts in for the business of the Company

The remuneration payable to Mr. Saran is subject to the approval of the Shareholders at the general meeting of the Company. Accordingly, a resolution is being proposed at item no. 7 of the accompanied notice for approval of the members for payment of remuneration to him.

The Board commends the approval by the members.

Mr. S. C. Saran is concerned or interested in the said Resolution at item no. 7 of the accompanying notice.

Registered Office :
Bombay Footwear Building,
Deonar Village Road,
Opp: N.K.G.S.B. Bank-
Deonar, Mumbai 400 088

Date : April 30, 2009

By Order of the Board of Directors

**A. R. RAJWADE
MANAGING DIRECTOR**

Hindustan Hardy Spicer Limited

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting the Twenty Seventh Annual Report together with the Statement of Accounts for the year ended on March 31, 2009

FINANCIAL RESULTS :

During the year under review, net sales turnover was Rs. 2978.61 lacs as against Rs.3315.65 lacs during the corresponding previous year. Export earnings were Rs.1373.20 lacs as against Rs. 1426.01 lacs during the corresponding previous year. Profit after tax was Rs. 18.40 lacs as against Rs. 98.28 lacs for the previous year.

| | 2008-2009 (Rs.in Lacs) | 2007-2008 (Rs.in Lacs) |
|--|---------------------------|---------------------------|
| SALES | 2978.61 | 3315.65 |
| PROFIT | 142.59 | 227.54 |
| Less: | | |
| Depreciation | 68.83 | 57.42 |
| Interest | <u>63.33</u> | <u>47.22</u> |
| | 10.43 | 122.90 |
| Add: Prior Period Adjustment (Net) | 21.81 | 22.93 |
| PROFIT BEFORE TAX | 32.24 | 145.83 |
| Less: Provision for Taxation | | |
| Current Tax | 2.26 | 41.00 |
| Fringe Benefit Tax | 3.71 | 5.11 |
| Deferred Tax | 7.87 | 1.44 |
| PROFIT AFTER TAX | 18.40 | 98.28 |
| Surplus brought forward from Previous Year | <u>301.90</u> | <u>280.05</u> |
| PROFIT AVAILABLE FOR APPROPRIATION | 320.30 | 378.33 |
| General Reserve | 0.50 | 15.00 |
| Proposed Dividend | 15.00 | 52.50 |
| Tax on Proposed Dividend | 2.55 | 8.92 |
| Surplus Carried Forward | <u>302.25</u> | <u>301.90</u> |

DIVIDEND

The Board of Directors are pleased to recommend a dividend of 10% on 15,00,000 Equity Shares of Rs. 10/- each.

OUTLOOK

Certifications :

The Company has taken various steps to maintain/improve the quality systems which are in place for last several years. Surveillance audit for ISO/TS 16949:2002 for Quality Management System and ISO 14001-2004 for Environmental Management System successfully completed in June 2008 and August 2008 respectively. Second Surveillance Audit is due in May 2009 and we are reasonably confident to comply with the requirements.

Business :

Overseas Market : In spite of international economic slow down, during 2008-09, we could export the goods worth Rs. 1373.20 lacs and achieved 46% export of the total turnover. For the financial year 2009-10, we are expecting a growth of about 5%. We expect to achieve this through development of Double Cardan Shafts and new export customers.

Domestic Market : In view of the present situation which is slightly better as compared to two quarters of previous financial year, we expect to maintain 10% growth in domestic market during the year 2009-10.

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

a) CONSERVATION OF ENERGY

Various measures for conservation of energy at all levels have been taken by the Company. So as to confirm actions taken, audit have been conducted by M/s. Mckinnon and Clarke and they have confirmed that various actions are in place for using available energy more efficiently.

b) TECHNOLOGY

Our technology had been imported from our Collaborators, Spicer Gelenkwellenbau GmbH, Germany in 1984. Since then upgradation has continued in consultation with various Agencies.

Hindustan Hardy Spicer Limited

c) FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange earnings and outgo are as under

| | (Rs. in lacs) |
|---|----------------|
| 1. Foreign Exchange Earnings | 1373.20 |
| 2. Foreign Exchange Outgo on account of import | 4.99 |
| 3. Foreign Exchange Outgo on account of dividends | 13.65 |
| 4. Foreign Exchange Outgo on account of travel | 8.10 |
| Total Foreign Exchange outgo | 26.74 |
| Net Foreign Exchange earnings | 1346.46 |

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) they had 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 of fraud and other irregularities;
- iv) they had prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. K. H. Captain and Mr. Jehangir H. C. Jehangir, Directors of the Company, retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

Mr. A.R. Rajwade was reappointed as the Managing Director of the Company for a further period of three years with effect from May 17, 2009. The said re-appointment is subject to the confirmation of the members of the Company. Your directors therefore recommend the re-appointment of Mr. A.R. Rajwade as the Managing Director of the Company.

Information required in terms of Clause IV of Part 1 (B) of Section II of Part II of Schedule XIII pertaining to the remuneration package, service contract, notice period etc. has been provided in the Explanatory Statement to the Notice convening this Annual General Meeting.

Necessary special resolution has been proposed for the payment of remuneration to Mr. S. C. Srirani subject to the approval of the central government. Your directors recommend your approval to the payment of remuneration as proposed in the notice of the ensuing Annual General Meeting.

Mr. Sanjiv Bhasin, resigned as director of the company with effect from December 3, 2008. Your directors place on record its appreciation of the valuable service and guidance given by him during the tenure of his directorship with the Company.

COMPLIANCE CERTIFICATE

A Compliance Certificate from a secretary in Whole-time Practice under section 383A of the Companies Act, 1956 in respect of the financial year ended on March 31, 2009 is attached hereto.

LISTING

The Equity Shares of the Company are listed at the Bombay Stock Exchange Limited. The company has paid the Annual Listing Fees to them for the year 2009-2010.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, as amended from time to time and forming part of this Report is annexed.

AUDITORS

M/s. J. L. Bhatt & Company, Chartered Accountants, the Auditors of the company who would retire at the ensuing Annual General Meeting offer themselves for reappointment.

You are requested to appoint Auditors and to fix their remuneration.

INDUSTRIAL RELATIONS

The overall industrial relations in the Company have been cordial. Your Directors once again wish to place on record their appreciation for the contribution made by the employees at all levels to the continued growth and prosperity of the Company.

Hindustan Hardy Spicer Limited

ACKNOWLEDGEMENT

Your directors wish to place on record, their appreciation for the continued support of the Customers, Financial Institutions, Bankers and Suppliers. Your Directors also wish to record their appreciation for the valuable contribution made by the employees at all levels and the unstinting support of the collaborators.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 17, 2009

S. C. SARAN
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended on 31st March 2009.

| Name | Designation/ Nature of duties & Qualification | Annual Remu- neration (Rupees) | Exper- ience No. of Years | Date of Commenc- ement of employment | Age in years | Last Employ- ment |
|-------------------|--|--------------------------------------|------------------------------------|--|--------------------|-----------------------------|
| Mr. A. R. Rajwade | Managing Director B.Sc. B.E. (Mech.) M.M.S. | 29,21,740 | 41 | 17-05-1999 | 64 | Cummins India Limited |

NOTES :

1. Remuneration as shown above includes Salary, Allowances, Incentive, Company's contribution to Provident Fund and Superannuation Fund, net expenditure on House, Medical & Leave Travel Allowance. It excludes provision for accrued leave Salary & Company's Contribution to Gratuity Fund.
2. None of the Employee is related to any of the Directors.
3. The Nature of employment is contractual.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 17, 2009

**S. C. SARAN
CHAIRMAN**

Hindustan Hardy Spicer Limited

COMPLIANCE CERTIFICATE TO THE MEMBERS OF HINDUSTAN HARDY SPICER LIMITED

Registration No: L29300MH1982PLC028498

Authorised Capital: 5,00,00,000/-

We have examined the registers, records, books and papers of HINDUSTAN HARDY SPICER LIMITED as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time mentioned in the said annexure.
3. The Company being a public limited Company, comments that a Private Limited Company has minimum prescribed capital, maximum number of members, invitation to public to subscribe for shares and acceptance of deposits from persons other than its members, directors or their relatives, are not required.
4. The Board of Directors duly met 5 (Five) times on 23.04.2008, 06.06.2008, 29.07.2008, 21.10.2008 and on 23.01.2009 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from Friday, May 30, 2008 to Friday, June 6, 2008, both days inclusive and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31st March, 2008 was held on 06.06.2008 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.

11. The company has obtained necessary approval from the Board of directors and has applied for the previous approval of Central Government for payment of remuneration to a director pursuant to the provisions of Section 314 of the Act.
12. The Board of Directors and the duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13.
 - (i) The Company has delivered all the certificates on lodgement of securities for transfer/ transmission in accordance with the provisions of the Act. There was no allotment of securities during the year.
 - (ii) The Company has deposited the amount of dividend declared in a separate bank account on 09.06.2008, which is within five days from the date of declaration of such dividend.
 - (iii) The Company has posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/ unpaid dividend has been transferred to Unpaid Dividend Account of the Company with HDFC Bank Limited, Nashik Branch, on 08.07.2008.
 - (iv) The Company has transferred the amounts of unpaid dividend, which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund within the time prescribed under the Act and the Rules made thereunder.
 - (v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancies during the financial year.
15. The Company has not appointed any Managing Director/ Whole-time Directors/ Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company has applied to the Central Government for its approval to the payment of remuneration to a director during the financial year. The same is awaited.
18. The directors except one have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any Preference Shares / Debentures.

Hindustan Hardy Spicer Limited

22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend (except payment of dividend on partly paid shares), rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/ accepted any Deposit including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company from financial institutions, banks and others during the financial year ending 31.03.2009 is within the borrowing limits of the Company.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

For Jigyasa Singhi & Associates
Company Secretary

Place: Mumbai
Date : April 17, 2009

Jigyasa V. Singhi
C. P. No. : 6018

ANNEXURE TO THE COMPLIANCE CERTIFICATE

Annexure 'A'

Statutory Registers as maintained by the Company:

1. Register of charges u/s 143 of the Act.
2. Register of Members u/s 150 and Index of Members u/s 151 of the Act.
3. Minutes Book of Board Meetings u/s 193 of the Act (in loose leaf)
4. Minutes Book of General Meetings u/s 193 of the Act (in loose leaf)
5. Minutes Book of Share Transfer Committee Meetings (in loose leaf)
6. Minutes Book of Remuneration Committee Meetings (in loose leaf)
7. Books of Accounts u/s 209 of the Act are being audited by the Statutory Auditors of the Company.
8. Register of Contracts u/s 301 of the Act.
9. Register of disclosure of interest u/s 301 of the Act.
10. Register of particulars of Directors etc. u/s 303 of the Act.
11. Register of Directors' Shareholding u/s 307 of the Act.
12. Register of loans/ Investments u/s 372A of the Act.
13. Register of Renewed and Duplicate Certificates under Rule 7 of the Companies (Issue of Share Certificates) Rules, 1960
14. Register of Proxies

Other Registers:

1. Register of transfers, transmission.
2. Attendance Register of Board Meetings.
3. Attendance Register of General Meetings.
4. Attendance Register of Share Transfer Committee Meetings.
5. Attendance Register of Remuneration Committee Meetings.

For Jigyasa Singhi & Associates
Company Secretary

Place: Mumbai
Date : April 17, 2009

Jigyasa V. Singhi
C. P. No. : 6018

ANNEXURE TO THE COMPLIANCE CERTIFICATE

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended on 31st March, 2009.

| Sr. No. | Form No. /Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid. Yes/No |
|---------|---|---------------------|---|----------------|--|---|
| 1. | Form 62 | 205 C | Quarterly Return on IEPF for quarter ended 31.03.2008 | 11.04.2008 | Yes | N.A. |
| 2. | Form 66 Alongwith Compliance Certificate | 383A | Financial year ended 31.03.2008 | 19.06.2008 | Yes | N.A. |
| 3. | Form 23 AC & Form 23ACA alongwith Annual Report for the year ended 31.03.2008 | 220 | Approved at the Annual General Meeting held on 06.06.2008 | 18.06.2008 | Yes | N.A. |
| 4. | Form 20B alongwith Annual Return made as on 06.06.2008 | 159 | Annual General Meeting held on 06.06.2008 | 04.07.2008 | Yes | N.A. |

| Sr. No. | Form No. /Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid. Yes/No |
|---------|------------------|--|--|----------------|--|---|
| 5. | Form 8 | 135 | Modification of Charge of State Bank of India | 14.07.2008 | Yes | N.A. |
| 6. | Form 62 | 205c | Quarterly Return on IEPF for quarter ended 30.06.2008 | 16.07.2008 | Yes | N.A. |
| 7. | Form 62 | 205c | Quarterly Return on IEPF for quarter ended 30.06.2008 | 15.10.2008 | Yes | N.A. |
| 8. | Form 1 (of IEPF) | Investor Education and Protection Fund Rules | Transfer of unpaid /unclaimed dividend to Investor Education and Protection Fund on 25.11.2008 | 04.12.2008 | N.A. | N.A. |
| 9. | Form 17 | 138 | Satisfaction of Charge on 07.11.2008 with Dena Bank Charge Identification Number - 90185351 | 01.12.2008 | Yes | N.A. |

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| Sr. No. | Form No. /Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid. Yes/No |
|---------|------------------|---------------------|---|----------------|---|--|
| 10. | Form 17 | 138 | Satisfaction of Charge on 07.11.2008 with Dena Bank Charge Identification Number - 90185267 | 01.12.2008 | Yes | N.A. |
| 11. | Form 17 | 138 | Satisfaction of Charge on 07.11.2008 with Dena Bank Charge Identification Number - 90185832 | 01.12.2008 | Yes | N.A. |
| 12. | Form 17 | 138 | Satisfaction of Charge on 14.11.2008 with Dena Bank Charge Identification Number - 90184886 | 11.12.2008 | Yes | N.A. |
| 13. | Form 62 | 205 C | Quarterly Return on IEPF for quarter ended 31.12.2008 | 11.01.2009 | Yes | N.A. |
| 14. | Form 32 | 303 | Resignation of Mr. Sanjiv Bhasin as Director with effect from 03.12.2008 | 14.01.2009 | Yes | N.A. |

| Sr. No. | Form No. /Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid. Yes/No |
|---------|------------------|---------------------|---|----------------|---|--|
| 15. | Form 62 | - | Copy of application filed with Central Government for approval to payment of remuneration to Mr. Sanjaya C. Saran, Director | 29.01.2009 | Yes | N.A. |

Forms and Returns as filed by the Company with the Central Government during the financial year ended on 31st March, 2009.

| Sr. No. | Form No. /Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid. Yes/No |
|---------|------------------|------------------------|---|----------------|---|--|
| 1 | Form 25A | Sections 198, 309, 314 | Application to Central Government for payment of remuneration to Mr. Sanjaya C. Saran, Director | 22.01.2009 | Yes | N.A. |

For Jigyasa Singhi & Associates
Company Secretary

Place: Mumbai
Date : April 17, 2009

Jigyasa V. Singhi
C. P. No. : 6018

AUDITORS' REPORT TO THE MEMBERS OF HINDUSTAN HARDY SPICER LIMITED

We have audited the attached Balance Sheet of Hindustan Hardy Spicer Limited as at 31st March, 2009, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date both 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.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of **Section 227 (4A) of the Companies Act, 1956**, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 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 are in compliance with the Accounting Standards referred to in **Section 211(3C) of the Companies Act, 1956**;
 - e. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors from whom such representations have been received is disqualified as on March 31, 2009 from being appointed as a director in terms of **clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956**; and

- f. in our opinion and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at **31st March, 2009;**
 - ii) in the case of the Profit & Loss Account, of the profit of the Company 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 J. L. BHATT & COMPANY
Chartered Accountant's

YOGESH J. BHATT
Partner
Membership No. 30170

Mumbai, 17.04.2009

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

The nature of the Company's business / activities during the year is such that clauses (vi), (x), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (i) In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c) During the year the Company has not disposed off any substantial part of its fixed assets. Therefore, it has not affected the going concern assumption of the Company.

- (ii) In respect of its inventories:
 - a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

- iii) a) According to the information and explanations given to us, during the year the Company has not granted unsecured loans to any party covered in the register maintained u/s 301 of the Companies Act 1956.

Accordingly sub-clauses (b) to (d) are not applicable.

- b) According to the information and explanations given to us, the Company has not taken loans, secured or unsecured, from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act 1956

Accordingly sub-clauses (f) and (g) are not applicable.

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control system.

- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us,

- a) the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.

- b) Excluding certain transactions of purchase of goods of special nature for which alternate quotations are not available, where each of such transactions is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at price which are prima facie reasonable having regard to the prevailing market price at the relevant time.

- (vi) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

Hindustan Hardy Spicer Limited

(vii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of automotive parts and accessories, pursuant to the rules by the Central Government for the maintenance of cost records u/s 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records u/s 209(1) (d) of the Companies Act, 1956 for any other products of the Company.

(viii) In respect of Statutory dues;

- a) According to the information and explanations given to us, the Company has been generally regular in deposition undisputed Statutory dues, including Provident Funds, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise duty, Cess and any other material statutory dues with the appropriate authorities. There are no arrears at the year end.
- b) According to the information and explanations given to us, details of disputed statutory dues pertaining to income tax, sales tax, wealth tax, service tax, customs duty, excise duty, octroi and cess which have not been deposited as on 31st March 2009 on account of any dispute are given below :

| Nature of the dues | Amount (Rs. Lakhs) | Period for which the amount relates (Assessment Years) | Forum where the dispute is pending |
|------------------------------|--------------------|--|--------------------------------------|
| Income Tax | 9.31 | 2004-05 | Income Tax Appellate Tribunal |
| Penalty under Income Tax Act | 0.66 | 2004-05 | Commissioner of Income Tax (Appeals) |
| Income Tax | 20.64 | 2005-06 | Commissioner of Income Tax (Appeals) |
| Total | 30.61 | | |

(ix) In our opinion and according to the information given to us, the Company has not defaulted in repayment of dues to banks.

- (x) 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.
- (xi) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions and thus the question of whether the terms and conditions are prima facie prejudicial to interest of company does not arise.
- (xii) In our opinion and according to the information given to us, the term loan raised by the Company has been applied for the purpose for which the loan was obtained.
- (xiii) In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used during the year for long term investment.
- (xiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained u/s 301 of the Companies Act, 1956, during the year and hence the question of whether the price at which shares have been issued is prejudicial to interest of company does not arise.
- (xv) To the best of our knowledge and according to the information and explanations given to us, the Company has not issued any debentures and hence the question of whether security has been created for debentures issued does not arise.
- (xvi) As informed to us, the Company has not raised monies by public issues during the year and hence the question of disclosure and verification of end use of such monies does not arise.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given us, no fraud on or by the Company was noticed or reported during the year.

For J. L. BHATT & COMPANY
Chartered Accountant's

YOGESH J. BHATT
Partner

Membership No. 30170

Mumbai, 17.04. 2009.

BALANCE SHEET AS AT 31 MARCH, 2009

| | -SCHE- -DULES- | AS AT 31.03.2009 (Rs. in lacs) | AS AT 31.03.2008 (Rs. in lacs) |
|--|-------------------|--------------------------------------|--------------------------------------|
| SOURCES OF FUNDS : | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 149.92 | 149.91 |
| Reserves and Surplus | 2 | 681.34 | 680.48 |
| | | 831.26 | 830.39 |
| LOANS | | | |
| Secured | 3 | 686.43 | 533.24 |
| | | 686.43 | 533.24 |
| Deferred Tax Liability (Net) (Refer note no.11 of Schedule no 18) | | 68.15 | 60.28 |
| TOTAL | | 1585.84 | 1423.90 |
| APPLICATION OF FUNDS : | | | |
| FIXED ASSETS | | | |
| Gross block | 4 | 1575.66 | 1385.06 |
| Less : Depreciation | | 899.91 | 831.14 |
| Net block | | 675.75 | 553.91 |
| Capital work in progress | | 0.13 | 58.80 |
| Investments | 5 | 0.55 | 0.55 |
| CURRENT ASSETS ,LOANS AND ADVANCES : | | | |
| Inventories | 6 | 384.34 | 337.76 |
| Sundry Debtors | 7 | 649.62 | 864.02 |
| Cash and Bank Balances | 8 | 16.77 | 16.31 |
| Loans and Advances | 9 | 303.37 | 186.67 |
| | | 1354.10 | 1404.76 |
| LESS:CURRENT LIABILITIES AND PROVISIONS | 10 | 444.69 | 594.12 |
| NET CURRENT ASSETS | | 909.41 | 810.64 |
| TOTAL | | 1585.84 | 1423.90 |

NOTES: SEE SCHEDULE 18

Note:Schedules 1 to 18 form an integral part of the accounts.

As per our report of even date attached
For J.L.Bhatt & Co.
Chartered Accountants

Y. J. Bhatt
Partner
Mumbai, April 17, 2009

Chairman
S.C.Saran
Managing Director
A.R.Rajwade
Directors

Mumbai, April 17, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2009

| | SCHE- -DULES | 2008-2009 (Rs. in lacs) | 2007-2008 (Rs. in lacs) |
|---|-----------------|----------------------------|----------------------------|
| I. SALES AND OTHER INCOME | | | |
| Gross Sales | 11 | 3183.40 | 3632.27 |
| Less : Excise Duty | | <u>204.79</u> | <u>316.62</u> |
| Net Sales | | 2978.61 | 3315.65 |
| Other Income | 12 | 129.67 | 83.02 |
| Increase/(Decrease) in Stock | 13 | 20.25 | 13.91 |
| | | <u>3128.53</u> | <u>3412.58</u> |
| II. EXPENDITURE | | | |
| Raw Materials Consumed | 14 | 1643.14 | 1873.25 |
| Manufacturing, Selling, Administrative and Other Expenses | 15 | 1342.80 | 1311.79 |
| Depreciation (Including Rs .02 lac premium on leasehold land written off. Previous year Rs .08 lac) | 4 | 68.83 | 57.42 |
| Interest | 16 | 63.33 | 47.22 |
| | | <u>3118.10</u> | <u>3289.68</u> |
| III. PROFIT FOR THE YEAR | | | |
| Add : Extraordinary & prior period Items | 17 | 10.43 | 122.88 |
| PROFIT BEFORE TAX | | <u>21.81</u> | <u>22.93</u> |
| Less : Provision for Taxation | | 32.24 | 145.82 |
| Current Tax | | 2.26 | 41.00 |
| Fringe benefit Tax | | 3.71 | 5.11 |
| Deferred Tax | | 7.87 | 1.44 |
| PROFIT AFTER TAX | | <u>18.40</u> | <u>98.27</u> |
| Add : Surplus brought forward from previous year | | <u>301.90</u> | <u>280.04</u> |
| Profit Available for Appropriation | | <u>320.30</u> | <u>378.31</u> |
| General Reserve | | 0.50 | 15.00 |
| Proposed Dividend | | 15.00 | 52.50 |
| Tax on Dividend | | 2.55 | 8.92 |
| Surplus Carried Forward | | <u>302.25</u> | <u>301.90</u> |
| Earning Per Share | | | |
| Basic (Rs) | | 1.23 | 6.55 |
| Diluted (Rs) | | 1.23 | 6.55 |

(Refer note no.15 of Schedule no 18)

NOTES: SEE SCHEDULE 18

Note:Schedules 1 to 18 form an integral part of the accounts.

As per our report of even date attached
For J.L.Bhatt & Co.
Chartered Accountants

Y. J. Bhatt
Partner
Mumbai, April 17, 2009

Chairman
S.C.Saran
Managing Director
A.R.Rajwade
Directors

Mumbai, April 17, 2009

Hindustan Hardy Spicer Limited

| | AS AT 31.03.2009 (Rs. in lacs) | AS AT 31.03.2008 (Rs. in lacs) |
|---|--------------------------------------|--------------------------------------|
| <u>SCHEDULE 1- SHARE CAPITAL</u> | | |
| Authorised Capital: | | |
| 50,00,000 Equity Shares of Rs.10 each | <u>500.00</u> | <u>500.00</u> |
| Issued ,Subscribed and Paid-Up: | | |
| 15,00,000 Equity Shares of Rs. 10 each | 150.00 | 150.00 |
| Less: Calls in Arrears - from others | 0.08 | 0.09 |
| | <u><u>149.92</u></u> | <u><u>149.91</u></u> |

SCHEDULE 2- RESERVES AND SURPLUS

| | | |
|--|----------------------|----------------------|
| 1) Capital Subsidy | | |
| Balance as per Last Balance Sheet | 15.00 | 15.00 |
| 2) Investment Allowance (Utilised) Reserve | | |
| Balance as per Last Balance Sheet | 24.36 | 24.36 |
| 3) General Reserve | | |
| Balance as per Last Balance Sheet | 339.23 | 324.23 |
| Add: Amount Transferred from Profit & Loss Account (Refer Note no. 12 of Schedule no. 18) | 0.50 | 15.00 |
| | 339.73 | 339.23 |
| 4) Balance of Profit and Loss Account | | |
| | <u>302.25</u> | <u>301.90</u> |
| | <u><u>681.34</u></u> | <u><u>680.49</u></u> |

SCHEDULE 3- LOANS:

SECURED:

| | | |
|---------------------------------|---------------|---------------|
| From Bank - Cash Credit | 27.92 | 356.63 |
| From Bank - FCNRB Loan | 478.95 | 0.00 |
| From Bank - (SBI) Term Loan | 174.88 | 168.65 |
| From Bank - (ICICI) Term Loan | 4.68 | 7.96 |
| | <u>686.43</u> | <u>533.24</u> |

NOTES ON SECURED LOANS

- 1) The Cash Credit Facility and Foreign Currency Non Resident Borrowing (FCNRB) from State Bank of India is secured by hypothecation of stocks of Raw Materials, Stock-in Process, Finished goods, book debts, other current Assets and equitable mortgage of factory plot & building.
- 2) Term loan from bank is secured by hypothecation of vehicles and Plant & Machinery .

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31 MARCH, 2009

SCHEDULE 4 - FIXED ASSETS

(Rs. in lacs)

| ASSETS | GROSS BLOCK | | | | DEPRECIATION | | | | NET-BLOCK | |
|-------------------------------|-------------------|-----------------|----------------|-------------------|-------------------|-----------------|----------------|-------------------|-------------------|-------------------|
| | AS AT 01.04.08 | ADDI- -TIONS | DEDN. ADJU. | AS AT 31.03.09 | AS AT 01.04.08 | FOR THE YEAR | DEDN. ADJU. | AS AT 31.03.09 | AS AT 31.03.09 | AS AT 31.03.08 |
| LEASEHOLD LAND | 8.29 | 0.00 | 0.00 | 8.29 | 2.13 | 0.09 | 0.00 | 2.22 | 6.07 | 6.16 |
| BUILDINGS | 216.23 | 0.00 | 0.00 | 216.23 | 90.91 | 6.77 | 0.00 | 97.68 | 118.55 | 125.32 |
| PLANT AND MACHINERY | 1088.48 | 190.07 | 0.14 | 1278.41 | 718.63 | 56.29 | 0.05 | 774.87 | 503.54 | 369.85 |
| FURNITURE AND FIXTURES | 28.53 | 0.68 | 0.00 | 29.21 | 11.35 | 1.54 | 0.00 | 12.89 | 16.32 | 17.18 |
| VEHICLES | 43.52 | 0.00 | 0.00 | 43.52 | 8.12 | 4.14 | 0.00 | 12.26 | 31.26 | 35.40 |
| | 1385.05 | 190.75 | 0.14 | 1575.66 | 831.14 | 68.82 | 0.05 | 899.91 | 675.75 | 553.91 |
| CAPITAL WORK IN PROGRESS * | | | | | | | | | 0.13 | 58.80 |
| TOTAL | | | | | | | | | 675.86 | 612.71 |
| PREVIOUS YEAR | 1265.88 | 185.32 | 66.14 | 1385.06 | 833.98 | 57.42 | 60.26 | 831.14 | 612.71 | 436.40 |

* including Capital advances of Rs. NIL (previous year Rs. 58.80)

Hindustan Hardy Spicer Limited

| | AS AT 31.03.2009 Rs. in lacs | AS AT 31.03.2008 Rs. in lacs |
|--|------------------------------------|------------------------------------|
| <u>SCHEDULE 5- INVESTMENTS (AT COST)</u> | | |
| NON TRADE :Unquoted: | | |
| 50 Equity Shares of Rs.100 each Fully paid, in Dinette Exclusive Club Private Limited | 0.05 | 0.05 |
| 2000 Equity Shares of Rs. 25 each Fully paid, in Janalaxmi Co-operative Bank Limited. | 0.50 | 0.50 |
| | <u>0.55</u> | <u>0.55</u> |
| <u>SCHEDULE 6- INVENTORIES</u> | | |
| (At Cost or Net Realisable Value whichever is lower) | | |
| Raw Materials | 197.85 | 174.25 |
| Work-in-Process | 85.00 | 114.14 |
| Finished Goods | 86.67 | 37.28 |
| Stores and Spares | 14.82 | 12.09 |
| | <u>384.34</u> | <u>337.76</u> |
| <u>SCHEDULE 7- SUNDRY DEBTORS</u> | | |
| (Unsecured) | | |
| Over six months: | | |
| Considered good | 35.90 | 25.41 |
| Considered doubtful | <u>3.41</u> | <u>4.88</u> |
| | 39.31 | 30.29 |
| Less than six months: | | |
| Considered good | 613.74 | 838.61 |
| | <u>613.74</u> | <u>838.61</u> |
| | 653.05 | 868.90 |
| Less : Provision for Doubtful Debts | 3.41 | 4.88 |
| | <u>649.64</u> | <u>864.02</u> |
| <u>SCHEDULE 8- CASH AND BANK BALANCES</u> | | |
| Cash, Cheques and Stamps on hand | 1.06 | 0.69 |
| Balances with Scheduled and Other Banks: | | |
| In Current Accounts | 11.52 | 11.47 |
| In Margin Money Account | 4.19 | 4.15 |
| | <u>16.77</u> | <u>16.31</u> |

| | AS AT 31.03.2009 (Rs. in lacs) | AS AT 31.03.2008 (Rs. in lacs) |
|---|--------------------------------------|--------------------------------------|
| <u>SCHEDULE 9- LOANS AND ADVANCES</u> | | |
| (Unsecured -Considered Good) | | |
| Advances recoverable in cash or in kind or for value to be received. | 193.37 | 142.60 |
| Balance with Central Excise Authorities | 59.71 | 21.81 |
| Tax deducted at source | 4.87 | 4.76 |
| Sundry Deposits | 16.74 | 16.41 |
| Current Income Tax (Net of Payment of Advance Tax) | 26.74 | 0.00 |
| Fringe Benefit Tax (Net of Payment of Advance FBT) | 1.95 | 1.09 |
| | <u>303.38</u> | <u>186.67</u> |
| <u>SCHEDULE 10- CURRENT LIABILITIES AND PROVISIONS</u> | | |
| <u>A) Current Liabilities</u> | | |
| Acceptances | 63.42 | 0.00 |
| Sundry Creditors (Refer Note no. 6 of Schedule no. 18) | 275.39 | 415.45 |
| Advance from Customers | 0.57 | 10.60 |
| Unclaimed Dividend | 10.30 | 8.62 |
| Other Liabilities | <u>25.55</u> | <u>45.39</u> |
| | 375.23 | 480.06 |
| <u>B) Provisions</u> | | |
| Leave Encashment (Refer Note no. 16 of Schedule no. 18) | 51.91 | 45.64 |
| Current Income Tax (Net of Payment of Advance Tax) (Refer Note no.18 of Schedule no. 18) | 0.00 | 7.00 |
| Proposed Dividend | 15.00 | 52.50 |
| Tax on Dividend | <u>2.55</u> | <u>8.92</u> |
| | 69.46 | 114.06 |
| | <u>444.69</u> | <u>594.12</u> |

Hindustan Hardy Spicer Limited

| | AS AT 31.03.2009 (Rs. in lacs) | AS AT 31.03.2008 (Rs. in lacs) |
|--|--------------------------------------|--------------------------------------|
| SCHEDULE 11 - SALES | | |
| Sales less returns etc.(Including Excise Duty) (Includes sale of traded goods Rs.91.89 Previous year Rs. 3.57 lacs) | 3112.62 | 3560.94 |
| Miscellaneous Sales (Includes sale of services Rs. 1.98 Lacs-(Previous year Rs.6.74 Lacs) | 70.78 | 71.33 |
| | <u>3183.40</u> | <u>3632.27</u> |
| SCHEDULE 12 - OTHER INCOME | | |
| Interest on Deposits With Banks and Others(Tax Deducted at Source Rs. 0.11 lac - Previous year Rs.0.26 lacs) | 0.85 | 0.96 |
| Miscellaneous Income (Includes old credit Balances & excess provisions written back- Rs. 54.37 lacs - previous year Rs.0.05 Lacs) | 128.82 | 82.06 |
| | <u>129.67</u> | <u>83.02</u> |
| SCHEDULE 13 - INCREASE/(DECREASE) IN STOCK | | |
| As at 1 April, 2008 | | |
| Work-in-Process | 114.14 | 101.39 |
| Finished Goods | 37.28 | 36.12 |
| | <u>151.42</u> | <u>137.51</u> |
| LESS: | | |
| Less : As at 31 March, 2009 | | |
| Work-in-Process | 85.00 | 114.14 |
| Finished Goods | 86.67 | 37.28 |
| | <u>171.67</u> | <u>151.42</u> |
| Increase/(Decrease) in Stock | <u>20.25</u> | <u>13.91</u> |
| SCHEDULE 14 - COST OF GOODS SOLD AND RAW MATERIALS CONSUMED | | |
| Raw Materials Consumed | | |
| Opening stock | 174.25 | 130.85 |
| Add: Purchases | 1591.08 | 1913.97 |
| | 1765.33 | 2044.81 |
| Less: Closing Stock | 197.85 | 174.25 |
| | <u>1567.48</u> | <u>1870.57</u> |
| Cost of Goods Sold - Traded Items | | |
| Opening stock | 0.00 | 0.00 |
| Add: Purchases for Sales | 75.66 | 2.68 |
| Less: Closing Stock | 0.00 | 0.00 |
| | <u>1643.14</u> | <u>1873.25</u> |

| | |
|----------------------|----------------------|
| AS AT | AS AT |
| 31.03.2009 | 31.03.2008 |
| (Rs. in lacs) | (Rs. in lacs) |

**SCHEDULE 15 - MANUFACTURING, SELLING,
ADMINISTRATIVE AND OTHER EXPENSES**

| | | |
|--|----------------|----------------|
| Salaries, Wages and Bonus | 510.82 | 478.86 |
| Contribution to Provident and Other Funds | 62.11 | 57.32 |
| Workmen and Staff Welfare Expenses | 59.28 | 56.45 |
| Consumption of Stores, Spares, Tools etc. | 109.04 | 109.73 |
| Power, Fuel and Water | 86.96 | 113.31 |
| Repairs to Plant and Machinery | 44.61 | 55.98 |
| Repairs to Buildings | 16.16 | 13.43 |
| Other Repairs | 2.46 | 3.61 |
| Rent | 2.40 | 2.18 |
| Rates and Taxes | 1.36 | 1.33 |
| Insurance | 11.58 | 19.83 |
| Packing and Forwarding Charges | 179.70 | 202.70 |
| Travelling Expenses and Conveyance Charges | 31.21 | 40.06 |
| Commission on Sales | 6.90 | 6.63 |
| Discount on Sales | 0.63 | 1.16 |
| Directors' Fees | 0.19 | 0.22 |
| Exchange Fluctuation Loss | 102.96 | 24.98 |
| Loss in Sale of Fixed Assets | 0.00 | 0.37 |
| Fixed Assets Scrapped/Discarded | 0.09 | 3.29 |
| Miscellaneous Expenses | 114.33 | 120.33 |
| (Refer Note no. 5 of Schedule No 18) | | |
| | 1342.79 | 1311.77 |

SCHEDULE 16 - INTEREST

| | | |
|----------------|--------------|--------------|
| On Fixed Loans | 50.53 | 6.16 |
| Others | 12.80 | 41.06 |
| | 63.33 | 47.22 |

**SCHEDULE 17 -
Extraordinary and prior period items**

| | | |
|--------------------------------------|----------------|----------------|
| (Reversal)\Provision for gratuity | (21.81) | (22.93) |
| (Refer Note no.12 of Schedule No 18) | | |
| | (21.81) | (22.93) |

SCHEDULE 18 - NOTES TO THE ACCOUNTS:

1) Significant Accounting Policies:--

a) Basis of Accounting :-

The financial statements are prepared under the historical cost convention on an accrual basis except warranty claims, which are accounted on receipt of claim/s .

b) Fixed Assets :-

Fixed Assets are stated at cost less depreciation. Depreciation is provided (except in the case of leasehold land which is being amortised over the period of lease) at prorata monthly basis on the straight line method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the greater of the net selling price and value in use.

c) Inventories :-

Inventory is valued as below,

a) Raw material / Components are valued on weighted average basis.

b) Stores and spares are valued on weighted average basis.

c) Finished goods and work in progress are valued at lower of cost or net realisable value.

Cost is determined on absorption basis and includes material, labour and production overheads. Material cost for the purpose of valuation is ascertained on weighted average basis.

d) Revenue Recognition :-

Sale of product and services are recognised when the products are despatched and services are rendered.

e) Investment :-

Investments are stated at cost.

f) Retirement Benefits :-

The Company has a Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India for future payment of Gratuity to retiring employees. The premium thereof is paid annually in terms of the said policy which is charged off to the Profit & Loss Account. Provisions for leave encashment benefit and gratuity are made on actual basis, on the assumption that the benefits will be payable to all the employees at the end of the accounting year, if all employees were to terminate their services with the company. Liability for Provident Fund dues is being deposited with appropriate authorities. In case of Superannuation liability, Company makes contribution to Life Insurance Corporation of India.

g) Transactions in Foreign currencies (Other than Fixed Assets) :-

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and current liabilities are translated at the year end rate. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of current assets and current liabilities at the end of the year, has been recognised as income or expense as the case may be.

h) Provisions, Contingent Liabilities and Contingent Assets

As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for -

a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

b) Any present obligation that arises from past events but is not recognised because-

i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation ; or

ii) A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

i) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year based on the provisions of the Income Tax Act, 1961. Deferred tax for the year is recognised on timing difference; being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only if there is a reasonable/virtual certainty of its realisation.

j) Export Incentives

Duty entitlement under the Duty Entitlement Pass Book Scheme (DEPB Scheme) on export of the goods manufactured by the Company is accounted on realisation basis. Refund of excise duty of " Export under the claim of rebate " is accounted for on completion of formality of claiming refund of excise.

k) Other Accounting Policies :-

The Company follows generally accepted accounting principles in respect of accounting policies not specifically referred to hereinabove.

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2) Contingent Liabilities Not Provided For :

- a) In respect of customers' bills discounted with Bank under the " Bill Market Scheme " Rs. Nil (Previous year Rs. Nil) since realised Rs.Nil lacs. (Previous year Nil)
- b) Estimated amounts of contracts remaining to be executed on capital account but not provided Rs.Nil (Previous year Rs.69.37 Lacs)
- c) For Income Tax (Disputed at various higher authorities) Rs. 30.61

3) Computation of Profit for the year ended 31 March, 2009 Under Section 349/350 of the Companies Act, 1956 read with section 198 of the Act:

| | Current year | | Previous year | |
|--|----------------------|---------------------|----------------------|----------------------|
| | (Rs. in lacs) | | (Rs. in lacs) | |
| Profit as per Profit and Loss Account | | 32.24 | | 145.83 |
| Add : Directors' Remuneration * | 47.22 | | 27.55 | |
| Directors' Sitting Fees | 0.19 | | 0.22 | |
| Fixed Assets Discarded | 0.09 | | 3.29 | |
| Loss on sale of fixed assets | 0.00 | 47.50 | 0.37 | 31.43 |
| Less : | | | | |
| Profit on sale of assets | 0.75 | 0.75 | 0.72 | 0.72 |
| Net Profit (Loss) Under Section 349 | | <u>78.99</u> | | <u>176.54</u> |

*See Note 4 (ii)

As there is inadequate profit as per section 198 of the companies Act, 1956 , no commission is payable to the director.

4) Director's Remuneration : (see note)

| | Current year | | Previous year | |
|---|----------------------|---------------------|----------------------|---------------------|
| | (Rs. in lacs) | | (Rs. in lacs) | |
| a) Salaries | | 33.72 | | 14.76 |
| b) Contribution to Provident Fund and Other Funds | | 1.89 | | 1.77 |
| c) Perquisites | | 10.04 | | 9.54 |
| d) Superannuation | | 1.57 | | 1.48 |
| | | <u>47.22</u> | | <u>27.55</u> |

Note :

- i) As employee wise break-up of contribution to gratuity fund is not ascertainable, the same has not been included in the above figure.
- ii) Remuneration of Rs.18.00 Lacs payable to Chairman Mr. S.C.Saran is subject to the approval of Central Government & General meeting of the Members.

5) Miscellaneous Expenses include payment to Statutory Auditors :

| Particulars | Current Year (Rs. in lacs) | Previous Year (Rs. in lacs) |
|---|-------------------------------|--------------------------------|
| i) Statutory Audit fees | 3.20 | 3.10 |
| ii) For expenses reimbursed | 0.14 | 0.14 |
| iii) Tax Audit Fees | 1.11 | 0.84 |
| iv) Certification including Qtrly review | 1.11 | 1.14 |
| v) Tax matters including appearance before tax Authorities. | 0.54 | 0.81 |
| | 6.10 | 6.03 |

6) The company is in process of compiling the data of suppliers which are covered under the Micro, Small & Medium Enterprises Development Act, 2006". Hence the details pertaining to that are not disclosed separately. However, Out of the total Sundry Creditors, Rs.98.40 lacs (Previous Year Rs. 166.66 lacs) are due to Small Scale Industrial Units. No amount is outstanding for more than 30 days with SSI Units. Information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

7) Quantitative information for each class of Goods manufactured during the year :
(Figures in brackets relate to previous year)

| a) Class of Goods | Licenced Capacity | Installed Capacity |
|-------------------------|----------------------|-----------------------|
| Propeller Shafts (Nos.) | 295000 (295000) | 245000 (245000) |

Note : Installed Capacity is as certified by the Managing Director and relied upon by the Auditors.

b) Production, Opening Stock and Closing Stock.

| Class of Goods | Production Nos. | Opening Stock | | Closing Stock | |
|-------------------------|----------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | | Nos. | Value* (Rs. in lacs) | Nos. | Value* (Rs. in lacs) |
| Propeller Shafts | 102193 (131,049) | 1887 (2,039) | 31.25 (33.44) | 4549 (1,887) | 72.91 (31.25) |
| Spare Parts | | - | 5.82 (2.13) | - | 11.88 (5.82) |
| Scrap | | - | 0.21 (0.54) | - | 1.05 (0.21) |
| | | | 37.28 (36.11) | | 85.84 (37.28) |

*includes excise duty

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| c) Turnover : | Quantity Nos | Value (Rs. in lacs) |
|--------------------------|--------------------|-------------------------------|
| Propeller Shafts | 99503 (131,201) | 2337.88 (2,746.28) |
| Spare Parts | | 682.85 (811.09) |
| Total manufacturing sale | | <u>3,020.73</u> (3,557.37) |
| Trading Sale | | 91.89 (3.57) |
| Total Sale | | <u>3,112.62</u> (3,560.94) |

| d) Raw Material Consumed: | Quantity Nos | Value (Rs. in lacs) |
|---------------------------|------------------------|-------------------------------|
| Forgings (kgs.) | 994,704 (1,470,644) | 831.21 (1,007.63) |
| Castings (kgs.) | 155,350 (215,890) | 104.19 131.66 |
| Tubes (mtrs.) | 62,791 (86,980) | 159.93 (225.17) |
| Others | | 529.21 (508.78) |
| | | <u>1,624.54</u> (1,873.24) |

| e) Imported and Indigenous Consumption : | Value (Rs. in lacs) | Percentage |
|--|------------------------------|---------------------------|
| i) Raw Materials : | | |
| Imported | 7.14 (37.51) | 0.44 (2.00) |
| Indigenous | 1617.40 (1,835.73) | 99.56 (98.00) |
| | <u>1624.54</u> (1,873.24) | <u>100.00</u> (100.00) |
| ii) Stores, Spares and Tools. | | |
| Indigenous | 109.04 (109.73) | 100 (100) |

The item "Spare Parts" in paragraph 4D (ii) of Schedule VI of the Companies Act, 1956 is interpreted to mean components used in the manufacture of finished products or sold as such and not spare parts used for repairs and maintenance of machinery.

8) Quantitative information for traded goods during the year
(Figures in brackets relate to previous year)

(Rs. in lacs)

| Class of Goods | Opening Stock | | Purchases | | Despatches | | Closing Stock | |
|----------------|---------------|--------------|----------------|-----------------|----------------|-----------------|---------------|--------------|
| | Nos. | Value | Nos. | Value | Nos. | Value | Nos. | Value |
| Propeller | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Shafts | (Nil) | (Nil) | (Nil) | (Nil) | (Nil) | (Nil) | (Nil) | (Nil) |
| Spare Parts | Nil (Nil) | Nil (Nil) | Nil (Nil) | 75.66 (2.68) | Nil (Nil) | 91.89 (3.57) | Nil (Nil) | Nil (Nil) |

9) a) Earnings in Foreign Exchange :

(Figures in brackets relate to previous year)

Value

(Rs. in lacs)

F.O.B. Value of Exports

1373.20

(1,426.01)

b) Expenditure in Foreign Currency :

Capital Expenditure

Nil

(Nil)

Travel

8.10

(22.56)

Others

Nil

(2.48)

c) C.I.F. Value of Imports :

Raw Materials

4.99

(31.94)

10) Particulars of Dividend remitted to non-resident shareholders

| Year to which dividend relates | 2008-2009 | 2007-2008 |
|-------------------------------------|-----------|-----------|
| Number of non-resident shareholders | 1 | 1 |
| Number of equity shares held | 390000 | 390000 |
| Dividend remitted (Rupees) | 1365000 | 1365000 |

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11) Deferred Tax

The Company has accounted for Deferred Tax in accordance with Accounting Standard -22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

The Deferred Tax during the year for Timing difference is accounted using tax rates that have been enacted, the net difference arising thereon is debited to the Profit & Loss Account.

The break up of net deferred tax Liability as on 31st March 2009 is as under :

| Particulars | Current year (Rs. in lacs) Deferred tax | | Previous year (Rs. in lacs) Deferred tax | |
|--|---|-------------|--|-------------|
| | liability | assets | liability | assets |
| Difference between Book & Tax depreciation | 76.74 | 0.00 | 67.25 | 0.00 |
| Provision for doubtful debts | 0.61 | 0.00 | 0.11 | 0.00 |
| Privilege Leave encashment | 0.00 | 9.21 | 0.00 | 7.08 |
| Net deferred tax | 77.35 | 9.21 | 67.36 | 7.08 |

12) Gratuity

i) Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits:-
In respect of gratuity, a defined benefit scheme (based on Actuarial Valuation)-

| Description | Rs. Lacs |
|--|---------------|
| A. Change in Obligations over the year ended 31 March 2009 | |
| Present Value of Defined Benefit Obligation at the beginning of the year | 154.10 |
| Current Service Cost | 4.33 |
| Past Service Cost | - |
| Inter Cost | 12.26 |
| Curtailment cost / (credit) | - |
| Settlement cost / (credit) | - |
| Amalgamations | - |
| Actuarial (gains) / losses | 17.23 |
| Benefits paid | (10.41) |
| Present Value of Defined Benefit Obligation at the end of the year | 177.51 |
| B. Change in Plan Assets (Reconciliation of opening and closing balances) | |
| Fair value of Plan Assets at the beginning of the year | 230.41 |
| Expected return on Plan Assets | 19.36 |
| Actuarial Gain / (Loss) | 0.74 |
| Contributions | 16.77 |
| Benefits paid | (10.41) |
| Fair value of Plan Assets at the end of the year | 256.87 |

| Description | Rs. Lacs |
|---|-----------------|
| C. Reconciliation of fair value of assets and obligations | |
| Fair value of Plan Assets at the end of the year | 256.87 |
| Present value of Obligation at the end of the year | (177.50) |
| Amount recognised in Balance Sheet | 79.37 |
| D. Expense recognised during the year | |
| Current Service Cost | 4.33 |
| Past Service Cost | - |
| Interest Cost | 12.26 |
| Curtailement cost / (credit) | - |
| Settlement cost / (credit) | - |
| Actuarial (gains) / losses | 16.50 |
| Expected return on plan assets | (19.36) |
| Total | 13.73 |
| E. Principal Actuarial Assumptions | |
| Discount rate | 7.50% |
| Expected rate of return on assets | 8.00% |
| Salary increase (taking in account inflation, seniority, promotion and other relevant factors) | 5.00% |

The Company has single scheme for payment of gratuity to all eligible employees calculated at 15 days of last drawn Salary, depending upon tenure of service for each year of completed service, subject to minimum service of five years, payable at the time of separation upon superannuation or on exit otherwise.

ii) In respect of Defined contribution schemes -

- a) The Company contributes 12% of Salary for all eligible employees towards Provident Fund managed by the Central Government.
- b) The Company also contributes a certain percentage of Salary for all eligible employees in managerial cadre towards Superannuation Funds managed by approved trusts or by Life Insurance Corporation of India.
- c) In the past the company had estimated the total gratuity liability on actual basis by debiting to General Reserve. As there is reduction in the Gratuity Liability calculated on actual basis, during the current year the same has been credited to Profit & Loss account under Schedule 17.

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13) Related Party Disclosure

The party with whom the company is having transactions, covered under the definition of "Related Party" given in accounting Standard 18 -Related party disclosure issued by Institute of Chartered Accountants of India is as follows.

| Name of Party | Nature of relationship |
|-------------------|--------------------------|
| XLO India Limited | Promoter |
| Mr.S. C. Saran | Chairman |
| Mr.A.R.Rajwade | Key Management Personnel |

| Nature of Transaction | (Rs. In lac) | | | |
|---|--------------|----------|--------------------------|-----------|
| | Promoter | | Key Management Personnel | |
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Labour charges (Revenue) | 0.40 | 1.64 | | |
| Remuneration as MD | - | - | 29.22 | 27.55 |
| Remuneration as Chairman - See Note 4(ii) | - | - | 18.00 | 0.00 |
| Outstanding Balance as on 31.03.2009 | | | | |
| Labour charges (Revenue) | 0.02(Dr) | 1.64(Dr) | | |
| Remuneration as M.D. | - | - | 3.27(Cr) | 3.08(Cr.) |
| Remuneration as Chairman - See Note 4(ii) | - | - | 18.00(Cr.) | 0.00 |

14) Segment Information :

a) Primary Segment :

The Company is exclusively engaged in the business of designing and manufacturing of propeller Shafts and other accessories required for automotive, industrial and other applications. These in the context of Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, are considered to constitute one single primary segment.

b) Secondary Segment : (Figures in brackets relate to previous year)

Two secondary segments have been identified based on geographical locations of customers,

Domestic & Export :

| Segment Revenue | (Rs.in Lacs) | | |
|-----------------|--------------|-----------|-----------|
| | Domestic | Export | Total |
| | 1593.35 | 1385.26 | 2978.61 |
| | (1873.43) | (1442.22) | (3315.65) |

Note: The Company's Tangible Assets are located entirely in India.

15) Earning per share (EPS)

| Particulars | 2008-09 | 2007-08 |
|--|---------|---------|
| a) Profit/(Loss) after tax as per P&L Account(Rs.lacs) | 18.40 | 98.28 |
| b) Number of Equity Shares | 1500000 | 1500000 |
| c) Nominal value of Equity Shares (Rs) | 10 | 10 |
| d) Basic earning per share (a/b) Rs. | 1.23 | 6.55 |
| e) Diluted earning per share (a/b) Rs. | 1.23 | 6.55 |

16) Details of provisions and movements in each class of provisions as required by the Accounting Standard on Provisions, contingent Liabilities and Contingent Assets (Accounting Standard-29)

| Particulars | Leave encashment Rs. In lacs | |
|---|---------------------------------|---------|
| | 2008-09 | 2007-08 |
| Carrying amount as at 1 st April | 45.64 | 48.81 |
| Additional provision made during the year | 15.58 | 10.97 |
| Amounts paid during the year | 9.31 | 14.14 |
| Carrying amount as at 31st March | 51.91 | 45.64 |

17) Disclosure regarding Derivatives instrument

Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise

| Particulars | Amount in foreign Currency | | Equivalent Amount in Rs. Lac |
|----------------------------------|-------------------------------|--------|---------------------------------|
| Debtors | GBP | 12257 | 8.79 |
| | Euro | 415882 | 266.44 |
| | SEK | 76250 | 4.69 |
| Bank bal (FCNRB Loan) | USD | 930000 | 398.60 |

Hindustan Hardy Spicer Limited

18) The company does not envisage any "Taxable Income " under the Income Tax Act, 1961 for the current year. However, "Minimum Alternative Tax" u/s 115JB of the Income Tax Act, 1961 is provided for as Provision for Taxation.

19) Previous years figures have been regrouped and recast wherever considered necessary.

20) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

A) Registration details :

| | | | | |
|---------------------|------|-------|------|-------|
| Registration number | | | | 28498 |
| State Code | | | | 11 |
| Balance Sheet date | 31 | 03 | 2009 | |
| | Date | Month | Year | |

B) Capital raised during the year :

| | |
|-------------------|----------------------|
| | (Rs. in lacs) |
| Public Issue | Nil |
| Rights Issue | Nil |
| Bonus Issue | Nil |
| Private Placement | Nil |

C) Position of mobilisation and deployment of funds :

| | |
|-------------------|---------|
| Total Liabilities | 1585.84 |
| Total Assets | 1585.84 |

Sources of Funds

| | |
|------------------------|--------|
| Paid-up Capital | 149.92 |
| Reserves and Surplus | 681.34 |
| Secured Loans | 686.43 |
| Deferred Tax Liability | 68.15 |

Application of Funds

| | |
|---------------------|--------|
| Net Fixed Assets | 675.88 |
| Investments | 0.55 |
| Net Current assets | 909.41 |
| Deferred Tax Assets | 0.00 |

D) Performance of the Company :

| | |
|-----------------------------------|---------|
| Turnover (including other income) | 3108.28 |
| Total Expenditure | 3097.85 |

Earning per share

| | |
|--|---------|
| a) Net profit available for equity shareholders (Rs.lacs) | 18.40 |
| b) Weighted average number of Equity shares of Rs.10/- each outstanding during the year (number of shares) | 1500000 |
| c) Basic / Diluted Earning per share (Rs.) (a/b) | 1.23 |

E) Generic names of three Principal Products of the Company

| Item Code number | Product Description |
|------------------|--------------------------|
| 8708.99.00 | Propeller Shaft Assembly |

Chairman
S.C. Saran

Managing Director
A.R.Rajwade

Directors

Mumbai, 17th April, 2009

Hindustan Hardy Spicer Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

| | 2008-09 (Rs. in lacs) | 2007-08 (Rs. in lacs) |
|---|--------------------------|--------------------------|
| A) Cash flow from Operating Activities | | |
| Net Profit Before Tax and Extraordinary Items | 10.43 | 122.89 |
| Adjustments for : | | |
| Depreciation | 68.83 | 57.42 |
| Fixed Assets Discarded | 0.09 | 3.29 |
| Profit on Sale of Fixed Assets | (0.75) | (0.72) |
| Interest and Finance Charges | 63.33 | 47.22 |
| Provision for Leave Encashment | 6.27 | (3.17) |
| Loss on Sale of Fixed Assets | 0.00 | 0.37 |
| Interest and Dividend Income | (0.85) | (0.96) |
| Operating Profit before Working Capital changes | <u>147.35</u> | <u>226.35</u> |
| Adjustments for : | | |
| Trade and Other Receivables | 125.78 | 11.56 |
| Inventories | (46.58) | (29.23) |
| Trade Payables | (84.70) | (34.22) |
| Cash Generated from Operations | <u>141.85</u> | <u>174.46</u> |
| Direct Taxes Paid | (40.68) | (39.37) |
| Cash flow before Extraordinary Items | <u>101.18</u> | <u>135.09</u> |
| Net Cash Flow from Operating Activities | <u><u>101.18</u></u> | <u><u>135.09</u></u> |
| B. Cash flow from Investment Activities | | |
| Purchase of Fixed Assets | (132.08) | (239.62) |
| Sale of Fixed Assets | 0.75 | 2.94 |
| Interest Received | 0.47 | 0.67 |
| Net Cash Used in Investing Activities | <u><u>(130.86)</u></u> | <u><u>(236.02)</u></u> |

C. Cash flow from Financing Activities

| | | |
|--|--------------|--------------|
| Dividend Paid | (61.42) | (61.42) |
| Unclaimed Dividend | 1.69 | 1.45 |
| Proceeds/(Repayment) of Long Term Borrowings | 2.95 | 165.41 |
| Proceeds/(Repayment) of Short Term Borrowings | 150.24 | 32.42 |
| Interest and Finance Charges | (63.33) | (47.22) |
| Call Money Received | <u>0.01</u> | <u>0.00</u> |
| | <u>30.14</u> | <u>90.64</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | 0.46 | (10.29) |
| Cash and Cash Equivalents as at -Opening | 16.31 | 26.59 |
| Cash and Cash Equivalents as at -Closing | 16.77 | 16.31 |

By order of the Board of Directors

**Mumbai
17th April, 2009**

**A.R.Rajwade
Managing Director**

Note :

1. Cash and Cash Equivalents consists of :

(Rs . In Lacs)

| | AS AT 31.03.2009 | AS AT 31.03.2008 | AS AT 31.03.2007 |
|---|---------------------|---------------------|---------------------|
| Cash and Cheques on hand | 1.06 | 0.69 | 0.70 |
| Balances with Scheduled and other banks | | | |
| In Current Accounts | 11.52 | 11.47 | 18.09 |
| In Margin Money Account | 4.19 | 4.15 | 7.80 |
| Total | 16.77 | 16.31 | 26.59 |

2. Previous years figures have been regrouped wherever necessary to confirm with current year's classification.

As per our report attached
For J.L.Bhatt & Co.
Chartered Accountants

By order of the Board of Directors
For Hindustan Hardy Spicer Ltd.

**Y. J. Bhatt
Partner**

**A.R.Rajwade
Managing Director**

Mumbai, April 17, 2009

Mumbai, April 17, 2009

Hindustan Hardy Spicer Limited

Registered Office : Bombay Footwear Building, Deonar Village Road,
Opp: N.K.G.S.B. Bank- Deonar, Mumbai 400 088

ATTENDANCE SLIP

| | | | |
|---------------------------|-----------------------------|-----------|--------------|
| NAME OF THE SHAREHOLDER : | | | |
| FOR PHYSICAL HOLDING | FOR ELECTRONIC FORM (DEMAT) | | NO OF SHARES |
| LF NO. | DP ID | CLIENT ID | |
| | | | |

I hereby record my presence at the Twenty Seventh Annual General meeting, held at Sunville Delux Pavillion, 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018., on the Monday, June 1, 2009 at 3.00P.M. as a share holder / Proxy*.

NAME OF PROXY IN BLOCK CAPITALS

SIGNATURE OF THE SHAREHOLDER OF PROXY*

Notes:

- 1) Shareholder / Proxy-holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover the same at the entrance duly signed.
- 2) Shareholder / Proxy-holder desiring to attend the meeting should bring his copy of the annual Report for reference at the meeting.

Hindustan Hardy Spicer Limited

Registered Office : Bombay Footwear Building, Deonar Village Road,
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PROXY FORM

| | | | |
|----------------------|-----------------------------|-----------|--------------|
| FOR PHYSICAL HOLDING | FOR ELECTRONIC FORM (DEMAT) | | NO OF SHARES |
| LF NO. | DP ID | CLIENT ID | |
| | | | |

I/We of
 being a member/members of HINDUSTAN HARDY SPICER LTD. hereby appoint

 or failing him/her
 of as my/our proxy to vote for me/us and
 on my/our behalf at the TWENTY SEVENTH ANNUAL GENERAL MEETING of the Company to be held on
 Monday, June 1, 2009 at 3.00P.M. and at any adjournment thereof.

Signed this day of 2009.

Date of Receipt 2009.
 (For Office Use Only)

Signature



N.B. : proxies to be valid must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

BOOK - POST

If undelivered please return to :

Hindustan Hardy Spicer Limited

Bombay Footwear Building, Deonar Village Road,
Opp: N.K.G.S.B. Bank- Deonar, Mumbai 400 088