

BOARD OF DIRECTORS

Chairman

A. H. Firodia

Managing Director

Dinesh Munot

Jt. Managing Director

Jinendra Munot

Executive Director

Utkarsh Munot (From 1-11-2006)

Non-Executive Directors

B. N. Deshmukh

D. S. Bomrah

Dr. Wolfgang Zeitz

Abhay Firodia

Manish Motwani

Dr. Dinesh Bothra

Walter Salvasohn

Ludwig Rapp

Sushen Gupta (Up to 31-10-2006)

AUDIT COMMITTEE

Manish Motwani (Chairman)

D. S. Bomrah

Dr. Dinesh Bothra

SHAREHOLDERS' GRIEVANCE COMMITTEE

Dr. Dinesh Bothra

REMUNERATION COMMITTEE

D. S. Bomrah (Chairman)

Manish Motwani

AUDITORS

M/s N. F. Karnavat & Co.

Chartered Accountants

Pune.

BANKERS

Bank of Maharashtra

Canara Bank

HDFC Bank Ltd.

ABN-Amro Bank N. V.

REGISTERED OFFICE & WORKS

Gat Nos. 1242 & 1244

Village Vadu Budruk,

Taluka Shirur, Dist. Pune-412 216

Maharashtra.

CORPORATE OFFICE

601-602, MCCIA Trade Tower,

International Convention Centre, 'A' Wing

403-A, Senapati Bapat Road,

Pune - 411 016.

Telephones: 020-30211600

Fax : 020 - 30211699

e-mail : satish.mehta@zfindia.com

SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Ltd.,

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (West)

Mumbai- 400 078

Telephone: 022-25963838

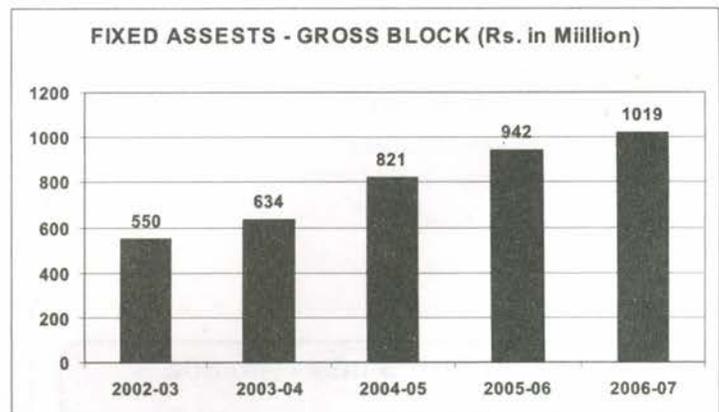
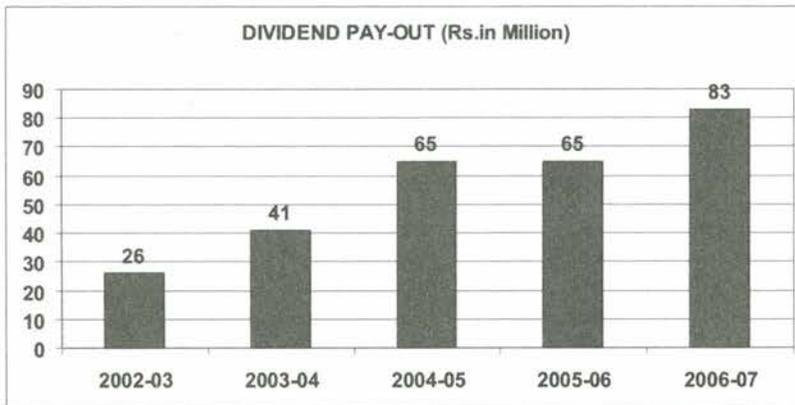
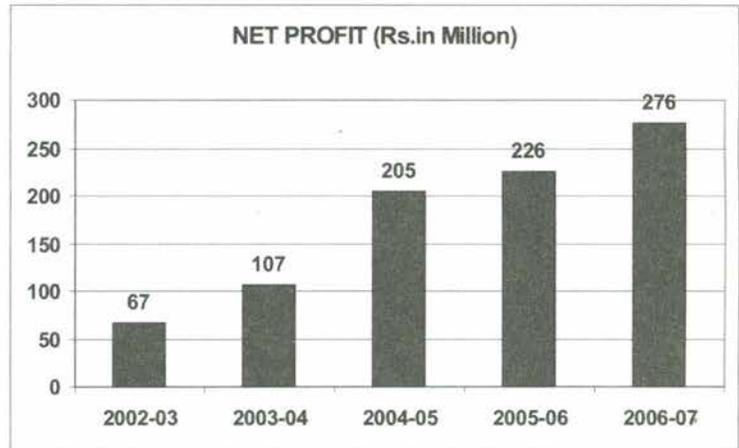
Fax: 022- 25946979

e-mail: isrl@vsnl.com

COMPANY SECRETARY & DGM - FINANCE

Satish Mehta

5 Year Highlights



NOTICE

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

Day : Tuesday

Date : July 31, 2007

Time : 4.30 p.m.

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

The Agenda for the Meeting will be as under:

ORDINARY BUSINESS:

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

SPECIAL BUSINESS:

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

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

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

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

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

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

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

Pune
May 22, 2007

Satish Mehta
Company Secretary
& DGM Finance

Notes:

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

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

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

Explanatory Statement

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

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

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

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

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

Remuneration:

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

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

Other Terms & Conditions :

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

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

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

Item Nos. 8 and 9

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

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

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

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

Remuneration:

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

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

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

OTHER TERMS AND CONDITIONS

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

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

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

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

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

Pune
May 22, 2007

Satish Mehta
Company Secretary
& DGM Finance

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

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

Directorship held in other companies are:

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

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

Chairmanship/ Directorship held in other companies are:

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

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

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

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

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

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

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

Chairmanship held in other companies are:

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

Directorship held in other company is:

- Ducati Energia (India) Pvt. Ltd.

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

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

Directorship held in other companies are:

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

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

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

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

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

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

Directors' Report

To the Members,

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

FINANCIAL RESULTS

(Rs. in Million)

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

Dividend

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

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

Management Discussion and Analysis Report

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

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

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

Review of Operations

Competition and Challenges

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

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

Operating Results of the Company

Sales

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

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

Other Income

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

Profitability

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

New Office

During the year, the Company shifted its Corporate Office to the prestigious location at 601 & 602, 'A' Wing, MCCIA Trade Tower, International Convention Center (ICC), Senapati Bapat Road, Pune -411 016.

Opportunities/ Outlook for the Company

Commercial Vehicles

With many new models of commercial vehicles being introduced by the existing OEMs, and also some leading OEMs entering this segment and the Government's focus on improving road-infrastructure and safety of people, the opportunities for growth are expected to be very good.

Passenger Cars

With the Government's intent in developing India as the hub for small-car manufacturing, many players have announced capacity expansions and many new international-players have taken initiative in setting-up their state-of-art production facilities in India. The Company expects good volume-growth in Passenger Cars segment in the years to come.

Joint-Venture

With a view to seize many of the new opportunities, now available in India, in the field of Steering Systems, your Company has signed a Joint-Venture Agreement with its Collaborator-ZF Lenksysteme, GmbH, for promoting a new company for developing and manufacturing new products, not competing with the products of your Company.

At the same time, ZF-Lenksysteme has assured its support to ZF India in enlarging its market penetration and export opportunities. The equity participation of ZF India will be 26% and 74% will be held by ZF Lenksysteme. The new company will be jointly managed by both the partners.

The Joint-Venture Company is under incorporation-stage.

Expansion and Capital Expenditure

The Company has expanded its installed capacity of Power Steering Gears from 150,000 to 240,000 per annum and of Mechanical Steering Gears from 100,000 to 120,000 per annum, during 2006-07, at a capital-expenditure of approx. Rs. 70 million. The expansion has been funded from the internal accruals.

Threats, Risks & Concerns the Management perceive

- The rise in interest-rate and/ or crude prices and any slackness in implementation of various infrastructure projects may slow down the demand for automobiles.

- Increasing Competition from imported steering gears, particularly from China, may further erode the Company's market-share and volumes.
- Cost increase in basic materials like steel/ pig-iron etc. has a major impact on the Company's input costs.
- Availability of components (especially castings), in right quality and at right time from the vendors is a constant cause of concern.
- Preference towards multi-axle/ higher tonnage commercial vehicles restricts the numerical growth of commercial vehicles.

Internal Control System

The Company has an adequate system of internal controls commensurate with its size and nature of business to ensure reliable financial reporting, adequate protection of the Company's resources, efficiency of operations, check on cost structure and compliance with the legal obligations and the Company policies and procedures. The Company has appointed an audit committee which 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, 26 training programs (07 external and 19 internal) covering over 330 Training man-days were covered. The effects of training are being felt and have resulted in higher morale and motivation. We expect to continue the customized development programmes to individual employees during the year as well. Industrial relations continued to be cordial. The total number of employees as on March 31, 2007 was 765.

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. 83,243 during the year ended March 31, 2007 to the Investor Education and Protection Fund established by the Central Govt., in compliance with Sec. 205 C 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.

Directors

Mr. Sushen Gupta resigned from the Board with effect from October 31, 2006. The Board places on record its appreciation of the services rendered by Mr. Sushen Gupta.

Mr. Utkarsh Munot was appointed as a Director on October 31, 2006 to fill the casual vacancy caused by the resignation of Mr. Sushen Gupta and will hold office up to the date of forthcoming Annual General Meeting and he is eligible for re-appointment. The Company has received a notice proposing his candidature for the directorship of the Company.

Mr. Utkarsh Munot was also designated as Executive Director of the Company for a period of 5 years with effect from November 1, 2006. The terms and conditions of his appointment, including remuneration payable to him, are subject to approval of the Members.

Mr. Dinesh Munot was re-appointed as Managing Director of the Company for a period of 5 years with effect from December 14, 2006. Mr. Dinesh Munot's appointment is placed before the members for their approval at the ensuing Annual General Meeting.

Dr. Dinesh Bothra, Dr. Wolfgang Zeitz and Mr. A. H. Firodia, 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 27th 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, is 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, 2007 the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any.
- 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, 2007 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 for the financial year ended March 31, 2007 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 wishes to place on record their deep sense of appreciation for the dedicated services and contribution of all the employees to the Company's excellent performance.

For and on behalf of the Board of Directors

Pune
May 22, 2007

Dinesh Munot
Managing Director

Jinendra Munot
Jt. Managing Director

Annexure I to the Directors' Report 2006-2007 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, 2007.

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 Nature of duties	Total Remuneration received (Rs.)	Qualification	Date of Commencement of employment	Experience (Years)	Last Employment held.	
							Name of the Company	Designation
Mr. Dinesh Munot	59	Managing Director	14,021,755	B.E.(Ele.) M.I.E.	01.07.1984	33	Kinetic Engg. Ltd.	Executive Director
Mr. Jinendra Munot	55	Jt. Managing Director	11,648,501	B.E.(Mech.) M.S.(Mech.) U.S.A AMIE (India)	01.02.1986	28	Bajaj Tempo Ltd.	Senior Manager (Projects)
Mr. Utkarsh Munot	26	Executive Director	2,942,163	B.E. (Mechanical & Mfg. Engg.) U.S.A. Diploma in Business Administration, USA	14.05.2004	4	---	---

A. 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 services both within the Company and elsewhere, wherever applicable.
- Mr. Dinesh Munot, Mr. Jinendra Munot and Mr. Utkarsh Munot are related to each other.



Annexure II to the Directors' Report 2006-2007

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 2.7 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 35.6 % 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 million Rs. 11.27
- Foreign Exchange used million Rs. 343.78

For and on behalf of the Board of Directors

Pune
May 22, 2007

Dinesh Munot
Managing Director

Jinendra Munot
Jt. Managing Director



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 Director 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, 2007, the Board of Directors had 5 meetings. These were held on May 11, 2006, July 28, 2006, October 31, 2006, January 30, 2007 and March 13, 2007.

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	5	Yes	11	None	None
2	Mr. Dinesh Munot (Managing Director)	Executive	5	Yes	5	1	None
3	Mr. Jinendra Munot (Jt. Managing Director)	Executive	5	Yes	3	None	None
4	Dr. Wolfgang Zeitz	Non- Executive,Independent	None	No	3	None	None
5	Mr. Walter Salvasohn	Non-Executive, Independent	3	Yes	None	None	None
6	Mr. Ludwig Rapp	Non-Executive,Independent	2	Yes	None	None	None
7	Mr. B. N. Deshmukh	Non-Executive, Independent	2	No	None	None	None
8	Mr. D. S. Bomrah	Non-Executive, Independent	5	Yes	1	None	None
9	Mr. Abhay Firodia	Non-Executive,Independent	None	No	11	None	None
10	Mr. Manish Motwani	Non-Executive, Independent	4	Yes	6	None	None
11	Dr. Dinesh Bothra	Non-Executive	4	Yes	7	None	None
12	Mr. Utkarsh Munot ** (Executive Director)	Executive	2	Yes	1	None	None
13	Mr. Sushen M Gupta*	Non-Executive	2	Yes	8	None	None

Includes Directorship in Private Companies.

* Resigned from the Board w.e.f October 31, 2006.

** Appointed as Director by the Board to fill the casual vacancy and was designated as 'Executive Director' from November 1, 2006.

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 2, 2006, July 28, 2006, October 26, 2006 and January 24, 2007. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Members	Meetings attended
1.	Mr. D. S. Bomrah	4
2.	Mr. Manish Motwani	4
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 26th Annual General Meeting held on July 28, 2006.

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 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 2, 2006 and October 26, 2006 where all 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, 2007 are as under:

Name	Salary (Rs.)	Perquisites (Rs.)*	Commission (Rs.)**	Total (Rs.)	Tenure		Shares of Rs. 10 each held as on 31-3-2007
					From	To	
Mr. Dinesh Munot	3,083,616	2,938,139	8,000,000	14,021,755	14-12-2006	13-12-2011	709,070
Mr. Jinendra Munot	1,756,920	1,891,581	8,000,000	11,648,501	01-04-2003	31-03-2008	147,400
Mr. Utkarsha Munot	445,200	496,963	2,000,000	2,942,163	01-11-2006	31-10-2011	820,826

* Includes Company's Contribution to Provident Fund.

** Payable after approval of annual accounts by the members at the forthcoming Annual General Meeting to be held on July 31, 2007.

Details of remuneration paid to Non-Executive Directors for the year ended March 31, 2007 are as under :

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

Sitting Fees

Name	Board Meeting Fees (Rs.)	Committee Meeting Fees (Rs.)	Total (Rs.)	Shares of Rs. 10 each held as on 31-03-2007
Mr. A. H. Firodia- Chairman	25,000/-	-	25,000/-	90,420
Mr. Abhay Firodia	Nil	Nil	Nil	4,800
Mr. D. S. Bomrah	25,000/-	30,000/-	55,000/-	Nil
Mr. B. N. Deshmukh	10,000/-	-	10,000/-	Nil
Dr. Wolfgang Zeitz	Nil	Nil	Nil	Nil
Mr. Manish Motwani	20,000/-	30,000/-	50,000/-	Nil
Mr. Walter Salvasohn	15,000/-	-	15,000/-	Nil
Mr. Ludwig Rapp	10,000/-	-	10,000/-	Nil
Dr. Dinesh Bothra	20,000/-	25,000/-	45,000/-	Nil
Mr. Sushen Gupta*	10,000/-	-	10,000/-	Nil

* Resigned from the Board w.e.f. October 31, 2006.

None of the Non-Executive Directors has any other pecuniary interest in the Company except for the dividend on the shares of ZF India held by them.

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 18.

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

Year	AGM	Location	Dates	Time
2003-04	AGM	Regd. Office: Gat 1242/44, Village- Vadu-Budruk, Tal. Shirur, Dist- Pune- 412 216	31.07.2004	4.30 p.m.
2004-05	AGM	Same as above	30.07.2005	4.30 p.m.
2005-06	AGM	Same as above	28.07.2006	4.00 p.m.

Dividend History (Last 5 years) (Rs. in million)

Financial Year	Dividend Per Share (Rs.)	Total Dividend Paid
2001-2002	5.00	22.68
2002-2003	5.00	22.68
2003-2004	8.00	36.29
2004-2005	12.50	56.71
2005-2006	*6.25	56.71

* On the enhanced Capital after bonus in the ratio of 1:1

Postal Ballot

No special resolution requiring a postal ballot was placed before the last 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 Agreement 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 Exchanges 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 have potential conflict with the interests of the Company at large.

8. 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.

9. Secretarial Audit

As stipulated by SEBI, the Statutory Auditors of the Company carries 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.

10. 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.

11. Management Discussion & Analysis

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

12 General Shareholder Information:

12.1 Annual General Meeting : The 27th Annual General Meeting of the Members of the Company will be held as per the following details:

Date and Time : July 31, 2007 at 4.30 p.m
Venue : Regd. Office: Gat No. 1242/1244
Village- Vadu Budruk, Tal. Shirur,
Dist. Pune 412 216.

12.2 Financial Calendar for 2007-08 (Indicative) Adoption of Quarterly Results for

Quarter ending	in the month of
June 30, 2007	: July 2007
September 30, 2007	: October 2007
December 31, 2007	: January 2008
Annual Accounts	: May 2008
28 th Annual General Meeting	: July 2008

12.3 Book Closure : July 24, 2007 to July 31, 2007.

12.4 Listing on Stock Exchange

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

The Company has paid the listing fees up to the year 2007-08 to the Stock Exchange.

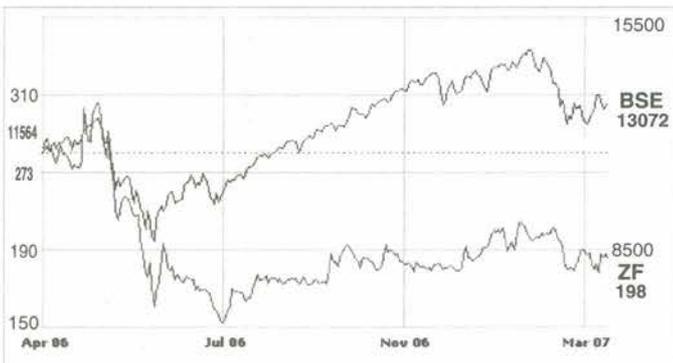
12.5 (a) Stock Code : 505163 (BSE)

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

12.6 Stock Market Data :

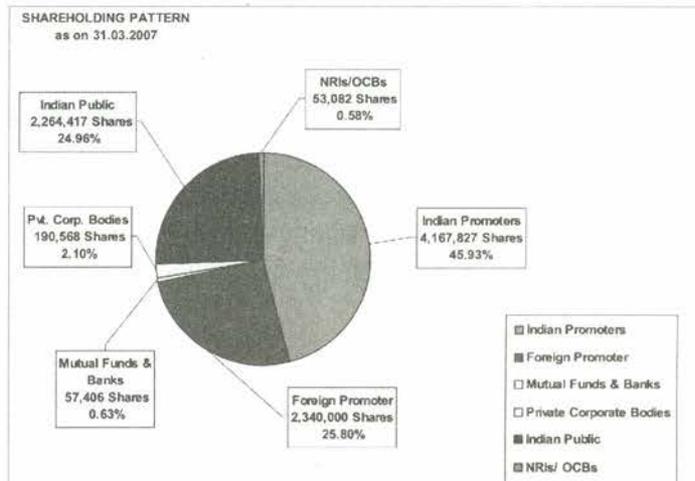
Market Price of company's Share at BSE			
Month	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
APRIL 2006	298.00	250.00	93,751
MAY 2006	321.00	220.00	145,291
JUNE 2006	248.90	155.00	81,123
JULY 2006	193.00	152.00	37,144
AUG 2006	199.00	167.00	52,498
SEPT 2006	204.00	179.00	83,336
OCT 2006	217.00	190.10	63,264
NOV 2006	224.00	180.05	135,136
DEC 2006	209.90	186.60	68,608
JAN 2007	228.05	196.00	83,559
FEB 2007	240.00	203.00	92,389
MAR 2007	225.00	160.00	60,903

ZF Share Price and Sensex Movement



12.9 Shareholding pattern as on March 31, 2007

Category	No. of Shares of Rs. 10 each	Percentage of Shareholding
Indian Promoters	4,167,827	45.93
Foreign Promoter (ZF Germany)	2,340,000	25.80
Banks, Financial Institutions, Insurance Companies	3,100	0.03
Mutual Funds & UTI	54,306	0.60
Private Corporate Bodies	190,568	2.10
Indian Public	2,264,417	24.96
NRIs/ OCBs	53,082	0.58
Total	9,073,300	100.00
No. of Shareholders as on March 31	2007	2006
	7,119	6,885



Distribution of Shareholding (as on March 31, 2007)

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	6,204	87.15	922.463	10.17
501- 1000	519	7.29	389.993	4.30
1001-5000	326	4.58	655.504	7.22
5001-10000	27	0.38	187.903	2.07
10000 & above	43	0.60	6,917,437	76.24
Total	7,119	100.00	9,073,300	100.00

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

Mumbai Phone No. (022) 25963838
Fax No. (022) 25946969

Pune Phone No. (020) 65203395
Fax No. (020) 26053503

12.8 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.

12.10 Dematerialization of shares: About 54 % of the outstanding shares have been dematerialized up to March 31, 2007. 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)

12.11 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.

12.12 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 EDFIR website, the results are not sent to each household of the Shareholders.

12.13 Address for Investor Correspondence:

For transfer/ dematerialization of shares

Intime Spectrum Registry Ltd.,

C-3, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup- W, Mumbai- 400 078

For payment of dividend and other correspondence

Corporate office & Secretarial Department :

ZF Steering Gear (India) Ltd.

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 22, 2007

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 22, 2007

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, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange Limited.

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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

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 22, 2007

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, 2007, 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 (Auditors' 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, 2007, and taken on record by the Board of Directors, we report that no director is disqualified as on March 31, 2007 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, 2007
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For N. F. Karnavat & Co.
Chartered Accountants

N. F. Karnavat, Proprietor
Membership No.: 8369

Pune
May 22, 2007

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, 2007, 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, 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 has placed an inter-corporate deposit with a company covered in the register presented by the company under Section 301 of the Act. The maximum amount involved during the year was Rs. 500 lac and the year-end balance of the inter-corporate deposit granted to the said company was Rs. 5,01,48,745 (including accrued interest thereon).
- (b) In our opinion, the rate of interest and other terms and conditions on which inter-corporate deposit has been 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) According to the information and explanations given to us the company to whom loan and advance in the nature of loan have been given is repaying the principal amount as stipulated.
- (d) There is no overdue amount of loan granted to the company listed in the register maintained under Section 301 of the Companies Act, 1956.
- (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.
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, 2007, 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 1999-2000)	4,63,532	Deputy Commissioner Sales Tax, (Appeal) 2, Pune
Service Tax (Financial Year 2002-2003)	3,85,489	Commissioner of Central Excise Pune.- III
(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

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 22, 2007

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	As at March 31, 2007		As at
		Rs.	Rs.	March 31, 2006
				Rs.
SOURCES OF FUNDS :				
Share holders' Funds				
Share Capital	A	90,733,000		90,733,000
Reserves & Surplus	B	<u>808,754,235</u>		<u>613,933,255</u>
			899,487,235	704,666,255
Loan Funds				
Secured Loans	C	85,447,803		43,950,782
Unsecured Loans	D	<u>205,408,670</u>		<u>194,260,593</u>
			290,856,473	238,211,375
			<u>1,190,343,708</u>	<u>942,877,630</u>
APPLICATION OF FUNDS:				
Fixed Assets				
Gross Block		1,018,782,182		941,897,910
Less : Depreciation		<u>657,103,265</u>		<u>581,219,392</u>
Net Block	E		361,678,917	360,678,518
Investments	F		365,217,991	292,950,308
Net Deferred Tax Assets	P(8)		10,066,000	2,309,000
Current Assets, Loans and Advances				
Inventories	G	227,916,507		198,935,633
Sundry Debtors	H	262,653,749		231,100,131
Cash and Bank Balances	I	6,750,988		8,233,549
Other Current Assets	J	35,262,700		3,976,414
Loans and Advances	K	<u>79,293,738</u>		<u>49,813,351</u>
		611,877,682		492,059,078
Less : Current Liabilities and Provisions	L	<u>158,496,882</u>		<u>205,119,274</u>
Net Current Assets			453,380,800	286,939,804
			<u>1,190,343,708</u>	<u>942,877,630</u>
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 22, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot
Jinendra Munot
Utkarsh Munot

Managing Director
Jt. Managing Director
Executive Director

B.N. Deshmukh
D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
Walter Salvasohn

Directors

Satish Mehta

Company Secretary & DGM-Finance

Pune
May 22, 2007

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

		As at March 31, 2007		As at March 31, 2006
		Rs.	Rs.	Rs.
INCOME :				
Sales (Gross)		2,515,995,193		2,214,423,204
Less :- Excise Duty		<u>350,336,201</u>		<u>297,468,974</u>
			2,165,658,992	1,916,954,230
Other Income	M		<u>68,433,266</u>	<u>48,983,984</u>
			<u>2,234,092,258</u>	<u>1,965,938,214</u>
EXPENDITURE :				
Materials	N	1,454,070,821		1,286,104,773
Other Expenses	O	<u>272,592,710</u>		<u>247,605,477</u>
Depreciation		<u>97,020,005</u>		<u>99,425,385</u>
			<u>1,823,683,536</u>	<u>1,633,135,635</u>
Profit Before Tax			<u>410,408,721</u>	<u>332,802,579</u>
Provision for Taxation				
a) Current Year			140,000,000	115,000,000
b) Fringe Benefit Tax			1,560,000	1,519,000
c) Deferred			(7,757,000)	(13,920,000)
d) For earlier years			<u>1,018,098</u>	<u>4,175,156</u>
Profit After Tax			<u>275,587,623</u>	<u>226,028,423</u>
Add :- Balance in Profit & Loss Account brought forward			<u>18,200,255</u>	<u>16,833,271</u>
Profit available for appropriations			<u>293,787,878</u>	<u>242,861,694</u>
APPROPRIATIONS :				
Interim Dividend			72,586,400	--
Proposed Dividend			--	56,708,125
Corporate Dividend Tax			10,180,243	7,953,314
General Reserve			180,000,000	160,000,000
Balance carried to Balance Sheet			<u>31,021,235</u>	<u>18,200,255</u>
			<u>293,787,878</u>	<u>242,861,694</u>
Basic & Diluted Earnings per Share (Refer Note No. 17, Schedule "P")			30.37	24.91
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 22, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

B.N. Deshmukh D. S. Bomrah Manish Motwani Dr. Dinesh Bothra Walter Salvasohn	}	Directors
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Satish Mehta	Company Secretary & DGM-Finance
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Pune
May 22, 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(Pursuant to the Listing Agreement with Stock Exchange)

	2006-2007 Rs.	2005-2006 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax And Extraordinary Items (As Per Profit And Loss Account)	410,408,721	332,802,579
Add : Interest Paid	397,092	483,442
Add : Loss (Net) On Sale Of Assets	0	131,975
Less : Profit on Sale of Investment	(19,796,280)	(17,630,544)
Net Profit Before Tax And Extra Ordinary Items	391,009,533	315,787,452
Adjustments For :		
Depreciation (Net)	75,883,873	84,971,012
Interest/ Dividend Received	(30,460,662)	(12,067,877)
Operating Profit Before Working Capital Changes	436,432,744	388,690,587
Adjustments For :		
Trade And Other Receivables	(103,192,611)	(28,625,532)
Inventories	(28,980,874)	(63,304,487)
Trade Payables	13,231,226	(38,086,009)
Provisions And Other Liabilities	(59,853,618)	(23,437,618)
Cash Generated From Operations	257,636,867	235,236,941
Interest Paid	(397,092)	(483,442)
Direct Taxes Paid (Net)	(141,560,000)	(116,519,000)
Prior Period Adjustments Taxation	(1,018,098)	(4,175,156)
Cash Flow Before Extraordinary Items	114,661,677	114,059,344
Net Cash From Operating Activities (Sub. Total "A")	114,661,677	114,059,344
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase Of Fixed Assets	(99,111,348)	(132,367,371)
Sale Of Fixed Assets And Profit Thereon	22,227,076	15,286,526
Sale Of Investment And Profit Thereon	180,795,830	162,630,544
Advances On Capital Account	10,872,320	5,422,950
Purchase Of Investments	(233,267,233)	(150,000,000)
Interest Received	393,181	243,103
Dividend Received	30,067,481	11,824,774
Net Cash Used In Investing Activities (Sub Total "B")	(88,022,693)	(86,959,474)

	2006-2007 Rs.	2005-2006 Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds From Long Term Borrowings (As Per Profit And Loss Account)	41,497,021	(22,162,297)
Sales Tax Deferral	11,148,077	11,580,285
Wind Mill Capital - Subsidy	2,000,000	0
Dividend	(72,586,400)	(56,708,125)
Corporate Dividend Tax	(10,180,243)	(7,953,314)
Net Cash Used In Financing Activities (Sub. Total "C")	(28,121,545)	(75,243,451)
Net Increase In Cash And Cash Equivalents (Sub Total A+C-B)	(1,482,561)	(48,143,581)
Cash/ Cash Equivalents As At 01/04/2006 (01/04/2005) (Opening Balance)	8,233,549	56,377,130
Cash/ Cash Equivalents As At 31/03/2007 (31/03/2006) (Closing Balance)	6,750,988	8,233,549

As per our Report of even date attached.

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

N.F. KARNAVAT
Proprietor
Membership No. 8369

Pune
May 22, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dinesh Munot
Jinendra Munot
Utkarsh Munot

Managing Director
Jt. Managing Director
Executive Director

B.N. Deshmukh
D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
Walter Salvasohn

Directors

Satish Mehta

Company Secretary & DGM Finance

Pune
May 22, 2007

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
**SCHEDULE : A
SHARE CAPITAL**
Authorised :

10,000,000 Equity Shares of Rs. 10/- each

Issued, Subscribed and Paid up :

9,073,300* Equity Shares of Rs.10/- each

*(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
Add : Addition During the year
(Ref. Note No. 18, Schedule 'P')

Securities Premium Account

As per last Balance Sheet
Less: Utilised for Issue of Bonus Shares

General Reserve

As per last Balance Sheet
Add : Transferred from Profit and Loss Account

Profit and Loss Account
SCHEDULE : C
SECURED LOANS

Working Capital Loans from Banks

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
Schemes of Incentives
(Due within One Year Rs. 5,873,744/-
Previous Year Rs. 3,006,921/-)

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
	90,733,000	90,733,000
	<u>90,733,000</u>	<u>90,733,000</u>
	2,500,000	2,500,000
	<u>2,000,000</u>	
	4,500,000	
	23,233,000	68,599,500
	<u>--</u>	<u>45,366,500</u>
	23,233,000	23,233,000
	570,000,000	410,000,000
	<u>180,000,000</u>	<u>160,000,000</u>
	750,000,000	570,000,000
	31,021,235	18,200,255
	<u>808,754,235</u>	<u>613,933,255</u>
	85,447,803	43,950,782
	<u>85,447,803</u>	<u>43,950,782</u>
	205,408,670	194,260,593
	<u>205,408,670</u>	<u>194,260,593</u>

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

SCHEDULE : E

FIXED ASSETS (AT COST)

	LAND	BUILDING	PLANT & MACHINERY	ELECTRICAL INSTALLATION	FURNITURE FIXTURE & 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, 2006	3,302,906	76,151,902	716,092,198	7,028,560	19,127,917	35,264,427	84,930,000	941,897,910	821,236,231
ADDITIONS	--	18,183,581	61,553,981	1,279,522	12,550,256	5,544,008	--	99,111,348	136,080,180
DEDUCTIONS	--	--	20,098,794	--	--	2,128,282	--	22,227,076	15,418,501
COST AS AT MARCH 31, 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
DEPRECIATION									
AS AT APRIL 1, 2006	--	43,878,528	443,437,264	3,583,644	11,285,249	15,739,240	63,295,467	581,219,392	496,248,380
FOR THE YEAR 2006-2007	--	3,424,404	79,093,084	612,984	2,371,342	5,499,464	6,018,727	97,020,005	99,425,385
DEDUCTIONS	--	--	19,513,324	--	--	1,622,808	--	21,136,132	14,454,373
TOTAL DEPRECIATION AS AT MARCH 31, 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
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
NET BLOCK AS AT MARCH 31, 2006	3,302,906	32,273,374	272,654,934	3,444,916	7,842,668	19,525,187	21,634,533	360,678,518	324,987,851

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

SCHEDULE : F

INVESTMENTS (Non-Trade, Long Term)

As at March 31, 2007
Rs.

As at March 31, 2006
Rs.

AT COST :

In Mutual Fund Units (Units of Rs. 10/- each) - Unquoted				
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	-
977,995	(-)	Prudential ICICI Equity & Derivative Fund - Dividend	10,000,000	-
5,000,000	(-)	JM Arbitrage Advantage Fund - Dividend	50,000,000	-
1,955,990	(-)	Fidelity India Special Situations Fund - Dividend	20,000,000	-
1,000,000	(-)	Reliance Long-Term Equity Fund - Dividend	10,000,000	-
959,507	(-)	Sundaram Equity-Multiplier Fund - Dividend	9,595,068	-
1,000,000	(1,000,000)	Reliance Equity Fund - Dividend	10,000,000	10,000,000
977,995	(1,000,000)	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)	Tata Contra Fund - Dividend	20,000,000	20,000,000
1,000,000	(1,000,000)	Kotak Life-Style Fund - Dividend	10,000,000	10,000,000
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
1,000,000	(1,000,000)	Sundaram SMILE Fund-Dividend	10,000,000	10,000,000
-	(2,000,000)	Grindlays Fixed Maturity Plan - Growth	-	20,000,000
-	(2,000,000)	ING Vysya Fixed Maturity Plan - Growth	-	20,000,000
-	(9,991)	Benchmark Derivative Fund - Growth	-	10,000,000
-	(1,843,675)	DSP ML Floating Rate Fund - Growth	-	20,000,000
-	(4,000,000)	JM Floater Fund - Short Term Plan - Growth	-	40,000,000
-	(876,747)	Kotak Floater Short Term - Growth	-	10,000,000
-	(977,995)	Stanchart Classic Equity Fund - Dividend	-	10,000,000
-	(2,000,000)	Prudential ICICI Blended Plan A - Dividend	-	20,000,000
-	(500,000)	Reliance Pharma Fund-Dividend	-	5,000,000
-	(490,196)	Sundaram India Leadership Fund-Dividend	-	5,000,000
Total (A)			349,595,068	280,000,000
In Equity Shares - Quoted, fully paid-up :				
-	(5,900)	Bank of Maharashtra of Rs. 10 each	-	135,700
135,159	(135,159)	National Thermal Power Corporation of Rs. 10 each	8,379,858	8,379,858
6,108	(3,054)	Tata Consultancy Services Ltd.of Re. 1 each	2,595,900	2,595,900
2,500	(4,715)	Punjab National Bank of Rs. 10 each	975,000	1,838,850
23,149	(-)	Reliance Petroleum Ltd.of Rs. 10 each	1,388,940	-
30,443	(-)	Idea Cellular Ltd of Rs. 10 each	2,283,225	-
Total (B)			15,622,923	12,950,308
Total (A + B)			365,217,991	292,950,308

INVESTMENTS :

AGGREGATE VALUE OF :

Quoted Investments
Unquoted Investments

As at March 31, 2007		As at March 31, 2006	
Book Value Rs.	Market Value Rs.	Book Value Rs.	Market Value Rs.
15,622,923	33,513,501	12,950,308	26,372,350
349,595,068	---	280,000,000	---

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

	As at March 31, 2007	As at March 31, 2006
	Rs.	Rs.
SCHEDULE : G		
INVENTORIES		
(As taken, valued and certified by the Managing Director)		
Stores and Tools	3,860	6,531
Spares for resale	1,167,805	439,281
Work-in-Progress	35,380,304	32,010,373
Raw materials and components	189,227,602	163,924,749
Finished Goods	<u>2,136,936</u>	<u>2,554,699</u>
	<u>227,916,507</u>	<u>198,935,633</u>
SCHEDULE : H		
SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	3,632,033	6,614,480
Others	<u>259,021,716</u>	<u>224,485,651</u>
	<u>262,653,749</u>	<u>231,100,131</u>
SCHEDULE : I		
CASH AND BANK BALANCES		
Cash on hand	183,746	387,748
BALANCES WITH SCHEDULED BANKS		
In Current Accounts	<u>6,567,242</u>	<u>7,845,801</u>
	<u>6,750,988</u>	<u>8,233,549</u>
SCHEDULE : J		
OTHER CURRENT ASSETS		
Advance payment of Income Tax (Net of Provision for Tax)	31,137,159	--
Deposits	3,430,523	3,246,361
Other Sundry Receivables	<u>695,018</u>	<u>730,053</u>
	<u>35,262,700</u>	<u>3,976,414</u>
SCHEDULE : K		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
- Considered good	54,596,059	10,145,697
- Considered doubtful	<u>1,777,418</u>	<u>1,777,418</u>
	<u>56,373,477</u>	<u>11,923,115</u>
Less : Provision for Doubtful Advances	<u>1,777,418</u>	<u>1,777,418</u>
	54,596,059	10,145,697
Advances on Capital Account	6,192,430	17,064,750
Balances with Central Excise Authorities on Current account	<u>18,505,249</u>	<u>22,602,904</u>
	<u>79,293,738</u>	<u>49,813,351</u>
SCHEDULE : L		
CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors :-		
i) S.S.I. Undertaking(s) (Refer Note No. 16 , Schedule "P")	20,300,394	20,447,381
ii) Other than S.S.I. Undertaking(s)	108,919,400	95,541,186
* Unclaimed Dividends	1,871,600	1,362,026
Advances from Customers	<u>2,991,300</u>	<u>1,724,297</u>
* Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after seven years from the due date	<u>134,082,694</u>	<u>119,074,890</u>
Total A		
B. PROVISIONS		
Taxation (Net of Advance Tax & Tax Deducted at Source)	--	1,974,054
Proposed Dividend	--	56,708,125
Corporate Dividend Tax	--	7,953,314
Leave Encashment	7,071,053	5,527,370
Gratuity	<u>17,343,135</u>	<u>13,881,521</u>
	<u>24,414,188</u>	<u>86,044,384</u>
Total B		
(Total A + B)	<u>158,496,882</u>	<u>205,119,274</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year ended March 31, 2007		For the Year ended March 31, 2006
	Rs.	Rs.	Rs.
SCHEDULE : M			
OTHER INCOME			
Interest received on other than bank accounts (Gross)			
Tax Deducted at source Rs. 77,627/- (Previous Year Rs. 31,476/-)		393,181	243,102
Dividend on long-term Investments		30,067,481	11,824,774
Profit on sale of long-term Investments (Net)		19,796,280	17,630,544
Profit on sale of Assets (Net)		1,280,377	--
Release of Provision		2,432,289	--
Miscellaneous Income		6,949,527	5,489,345
Profit on Exchange Variation (Net)		718,910	8,510,147
Windmill Income		6,795,221	5,286,072
		<u>68,433,266</u>	<u>48,983,984</u>
SCHEDULE : N			
MATERIALS			
Stock at Commencement-			
Spares for resale	439,281		442,779
Finished Goods	2,554,699		1,772,373
Work-in-Progress	32,010,373		13,126,897
		<u>35,004,353</u>	<u>15,342,049</u>
Raw materials consumed-			
Stock at Commencement	163,924,749		119,763,540
Purchases	1,352,869,107		1,227,147,669
	1,516,793,856		1,346,911,209
Less : Closing Stock	189,227,602		163,924,749
		<u>1,327,566,254</u>	<u>1,182,986,460</u>
Purchases of Spares for resale		1,651,144	5,512,259
Fabrication and Processing charges		21,998,765	26,868,441
Stores and tools consumed		103,309,046	89,553,824
Freight, Octroi and Forwarding charges		3,226,304	846,093
		<u>1,492,755,866</u>	<u>1,321,109,126</u>
Less: Closing Stock			
Spares for resale	1,167,805		439,281
Work-in-Progress	35,380,304		32,010,373
Finished Goods	2,136,936		2,554,699
		<u>38,685,045</u>	<u>35,004,353</u>
		<u>1,454,070,821</u>	<u>1,286,104,773</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year ended March 31, 2007		For the Year ended March 31, 2006
	Rs.	Rs.	Rs.
SCHEDULE : O			
OTHER EXPENSES			
Payments to and Provisions for Employees			
Salaries, Wages and related payments	113,133,188		92,268,057
Contribution to Provident Fund and Other Funds	3,547,957		3,281,176
Staff and Labour Welfare Expenses	<u>7,537,714</u>	124,218,859	<u>8,271,636</u>
			103,820,869
Interest			
On Bank	206,098		461,943
Others	<u>190,994</u>		<u>21,499</u>
		397,092	483,442
Repairs			
Plant & Machinery	23,165,280		37,743,272
Building	7,368,952		8,576,660
Others	<u>5,461,747</u>		<u>7,451,158</u>
		35,995,979	53,771,090
Administration and Other Expenses			
Power and Fuel		43,247,014	32,191,497
Rates and Taxes		887,637	1,074,643
Miscellaneous Expenses		17,324,600	17,286,322
Bank charges and commission		4,699,960	5,136,992
Travelling and conveyance		13,833,186	11,663,261
Postage, Telegrams, Telephones and Telex		2,119,906	2,464,328
Selling and Distribution Expenses		13,803,475	11,380,809
Advertisement Expenses		492,693	493,988
Printing and Stationery		1,457,137	1,275,490
Directors' Fees and Allowances		220,000	175,000
Auditors' Remuneration		100,000	90,000
Insurance		2,149,534	2,404,038
Loss on sale of Assets (Net)		--	131,975
Windmill Expenses		2,774,638	2,095,839
Technical Fees / Technical know-how Fees		8,871,000	1,665,894
		<u>272,592,710</u>	<u>247,605,477</u>

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007 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.

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 & condition. Excise and customs duty are included in inventory costs when paid.

F) Employees Retirement Benefits :

Contribution to Provident Fund and Family Pension Fund are charged to Profit and Loss account as incurred. Benefits under Superannuation is accounted for under a scheme administered by the Life Insurance Corporation of India. Gratuity and leave encashment benefit is provided on the basis of the actual working made by the Company in respect of all the employees taking into account their leave balances and number of years worked by them in the Company. The Company also contributes under the Employees Group Gratuity Scheme of Life Insurance Corporation of India.

G) 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 except in cases where they relate to acquisition of imported fixed assets in which case they are adjusted to the carrying cost of such assets.

H) 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.

I) 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.

NOTES TO ACCOUNTS (Contd....)
Rs.

2. CONTINGENT LIABILITY (Not provided for) :	2006-2007	2005-2006
i) Income Tax matters in dispute in respect of penalty matter disputed before ITAT, Pune	32,631,743	32,631,743
ii) Co-acceptance of Import bills by the bankers	24,912,317	5,244,200
iii) Bank Guarantees on behalf of the Company	14,154,999	10,644,532
iv) Sales Tax matter under Appeal	803,532	803,532
v) Claims against the Company not acknowledged as debts	98,700	98,700
vi) Bills Discounted	2,41,025,598	2,97,910,825
3. Estimated amount of contracts remaining to be executed on capital account as on March 31,2007 and not provided for	5,774,914	3,073,175

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

	2006-2007	2005-2006
i) Salaries	5,285,736	4,232,580
ii) Commission	18,000,000	15,000,000
iii) Perquisites	5,097,114	3,050,061
	28,382,850	22,282,641
iv) Contribution to Provident Fund	229,569	507,910
TOTAL	28,612,419	22,790,551
Maximum Managerial remuneration restricted to 10% of Net Profit computed in accordance with Section 198 of the Companies Act, 1956.	41,564,765	33,420,299
	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.

	2006-2007	2005-2006
Net profit before appropriation as per Profit and Loss Account	410,408,721	332,802,579
Add : Depreciation as per accounts	97,020,005	99,425,385
Add : Managerial Remuneration including perquisites	28,612,419	22,790,551
Add : Directors' Sitting Fees	220,000	175,000
Add : Loss on Sale of Assets	--	131,975
	536,261,145	455,325,490
Less : Depreciation as per Section 350 of The Companies Act,1956	99,347,172	103,269,440
Less : Profit on sale of Assets	1,280,377	---
Less : Profit on sale of Investments	19,796,280	17,630,544
Less : Depreciation on Sale of Assets as per Section 349 of The Companies Act, 1956.	189,664	222,512
Net Profit	415,647,652	334,202,994

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

Class of Goods	Capacity		Prodn. Qty. Nos.	Opening Stock		Closing Stock		Sale	
	Licensed Nos.	Installed Nos.		Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.
Hydraulic Power Steering Gears including components/ spares	300,000 (150,000)	240,000 (150,000)	124,796 (102,159)	135 (30)	1,964,149 (460,350)	120 (135)	1,422,904 (1,964,149)	124,811 (102,054)	2,283,760,409 (2,001,379,793)
Mechanical Steering Gears including components/ spares	200,000 (150,000)	120,000 (100,000)	92,224 (79,471)	348 (753)	590,550 (1,312,023)	417 (348)	714,031 (590,550)	92,155 (79,876)	220,650,805 (204,299,768)
			217,020 (181,630)	483 (783)	2,554,699 (1,772,373)	537 (483)	2,136,935 (2,554,699)	216,966 (181,930)	2,504,411,214 (2,205,679,561)

- 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.)
9. Auditors' Remuneration :

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

		Rs.	
		2006-2007	2005-2006
		65,000	60,000
		25,000	20,000
		10,000	10,000
		100,000	90,000

10. Consumption of Raw materials and Components :

Description	Unit	2006-2007		2005-2006	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
A) Raw Materials :					
i) Alloy Steel Bars	MT.	1514.08	58,210,304	1493.64	60,450,562
B) Components :			1,395,860,517		1,225,654,211
			1,454,070,821		1,286,104,773

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

Description	2006-2007		2005-2006	
	Rs.	Percentage	Rs.	Percentage
A) Imported	302,530,988	20.81	244,169,796	18.99
B) Indigenous	1,151,539,833	79.19	1,041,934,977	81.01
	1,454,070,821	100.00	1,286,104,773	100.00

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

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

		Rs.	
		2006-2007	2005-2006
		278,069,113	277,546,564
		19,671,387	50,827,182

13. Expenditure in Foreign Currency

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

		2006-2007	2005-2006
		5,469,448	1,339,897
		7,943,538	1,358,681

14. Remittance of dividend in Foreign Currency

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

		2006-2007	2005-2006
		1	1
		2,340,000	1,170,000
		14,625,000	14,625,000
		18,720,000	0

- i) Accounting Year to which dividend relates
- ii) Interim Dividend

2005 - 2006	2004 - 2005
2006 - 2007	

15. Earnings in Foreign Currency

- F.O.B. Value of Exports

2006 - 2007	2005 - 2006
11,267,288	16,358,538

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, 2007 are :

A. G. PLAST	ACCURATE SALES & SERVICES P LTD	MANIKPREM INDUSTRIES	MICRO ENGINEERING
ACK ENGINEERS	ADITYA ENGINEERING WORKS	MUTHA FOUNDERS PVT. LTD.	NEELSAN INDUSTRIES
ART FAB	BEMCO INDIA PVT. LTD.	PRECIMACH	SEALANT ENTERPRISES
CHAMP ENGG. PVT. LTD.	INDUSTRIAL FASTENERS	SIDDHI CNC PVT. LTD.	VIRAJ ENGINEERS AND EXPORTERS

The outstandings are within the period of agreed terms.

NOTES TO ACCOUNTS (Contd.)
17. Earnings per Share :-

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

		Rs.
	2006-2007	2005-2006
Rs.	275,587,623	226,028,423
Nos.	9,073,300	9,073,300
Rs.	30.37	24.91

18. As per the Wind power Policy of the Government of Maharashtra, a Capital subsidy of Rs. 2 Million was received from Maharashtra Energy Development Agency (MEDA) during the year for the Company's Wind power project. This being in the nature of Promoters' Contribution, has been added to the Capital Reserve Account.

19. Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2007.

20. Figures in bracket relate to the previous year and have been regrouped wherever necessary.

21. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:
I) Registration Details :

Registration No.	23734	State Code:	11
Balance Sheet Date	March 31, 2007		

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

Public Issue :	-NIL-	Right Issue :	-NIL-
Bonus Share :	-NIL-	Private Placement	-NIL-

III) Position of Mobilisation and Deployment of Funds :

<u>Total Liabilities</u>	(Amount in Rs.)	<u>Total Assets</u>	(Amount in Rs.)
<u>Sources of Funds:</u>		<u>Application of Funds:</u>	
Paid up Capital	90,733,000	Net Fixed Assets	361,678,917
Reserves & Surplus	808,754,235	Investments	365,217,991
Secured Loans	85,447,803	Net Current Assets	453,380,800
Unsecured Loans	205,408,670	Net Deferred Tax Assets	10,066,000
Net Deferred Tax	-NIL-	Miscellaneous Expenditure	-NIL-
Accumulated Losses	-NIL-		

IV) Performance of the Company :

Turnover	2,234,092,258	Total Expenditure	1,823,683,536
Profit/Loss Before Tax	410,408,721	Profit/Loss After Tax	275,587,623
Earnings per Share	30.37	Dividend Rate	80.00%

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

Item Code No. (ITC Code)	Product Description
870894.00	Mechanical Steering Gear
870894.00	Power Steering Gear (8043)
870894.00	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 22, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

B.N. Deshmukh
D. S. Bomrah
Manish Motwani
Dr. Dinesh Bothra
Walter Salvasonn } Directors

Satish Mehta Company Secretary & DGM-Finance

Pune
May 22, 2007