



WHEELS INDIA LIMITED

Registered Office : 21, Patullos Road, Chennai - 600 002.

48TH ANNUAL REPORT

FACTORIES

PADI

CHENNAI – 600 050

TAMILNADU

22KM RAMPUR – TANDA ROAD

RAMPUR – 244 925, U.P.

PLOT NO C-1

RANJANGAON GROWTH CENTRE

KAREGAON VILLAGE, SHIRUR TALUK

PUNE DISTRICT – 412 220

MAHARASHTRA

PLOT NO 11-18, SECTOR 7

HSIDC GROWTH CENTER

BAWAL

REWARI DISTRICT - 123501

HARYANA

SRIPERUMBUDUR

KANCHIPURAM DISTRICT – 602 105

TAMILNADU

WEBSITE ADDRESS : www.wheelsindia.com

BANKERS

UNITED BANK OF INDIA

STATE BANK OF INDIA

STANDARD CHARTERED BANK

HDFC BANK LIMITED

AUDITORS

M/S SUNDARAM AND SRINIVASAN

CHARTERED ACCOUNTANTS

CHENNAI

STOCK EXCHANGE LISTING

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

“EXCHANGE PLAZA” 5TH FLOOR

PLOT NO C/1, G BLOCK

BANDRA KURLA COMPLEX

BANDRA (EAST)

MUMBAI – 400 051

BOARD OF DIRECTORS

S RAM – Chairman & Managing Director

S VIJI

T T RANGASWAMY

J M A AKERS

SRIVATS RAM – Joint Managing Director

T K SESHADRI

T S VIJAYARAGHAVAN

S PRASAD

AUDIT COMMITTEE

S PRASAD – Chairman

S VIJI

T T RANGASWAMY

T K SESHADRI

SHARE TRANSFER & INVESTOR RELATIONS COMMITTEE

T T RANGASWAMY – Chairman

S RAM

S VIJI

REMUNERATION COMMITTEE

T T RANGASWAMY – Chairman

T K SESHADRI

S PRASAD

VICE PRESIDENT (FINANCE) & SECRETARY

S SRIVATHSAN

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Notice to the Shareholders

NOTICE is hereby given that the Forty-Eighth Annual General Meeting of the Shareholders of the Company will be held on Tuesday, **14th day of August, 2007**, at **11.00 a.m.** at “**The Music Academy**”, 168 (Old No.306), T T K Road, Chennai 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statements of accounts for the year ended 31st March, 2007, and the reports of the Directors and Auditors thereon.
2. To record and confirm the interim dividends for the year ended 31st March, 2007.
3. To elect a Director in the place of Mr T S Vijayaraghavan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr S Prasad, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s Sundaram and Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

Regd. Office:
21, Patullos Road
Chennai - 600 002.
21st June, 2007

By order of the Board
S Srivathsan
Vice President (Finance) & Secretary



Notes:

- 1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend the meeting and vote instead of himself and such a proxy need not be a member. For appointment of a proxy to be effective, the proxy form (enclosed) shall be duly filled, stamped, executed and lodged with the Registered Office of the Company at least 48 hours before the time fixed for the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 07.08.2007 to 14.08.2007 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2001 and thereafter, which remain unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2001, or any subsequent financial year are requested to make their claim to the Share Department of the company at Padi, Chennai - 600 050. It may also be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie against the Fund or the Company in respect of such amount.

Encl : Proxy Form.

Directors' Report to the Shareholders

Your Directors present their Forty Eighth Annual Report and the Audited Accounts for the year ended 31st March, 2007.

Financial Results

Sales for the year under review were Rs.1003 crores compared to Rs.843 crores in the last year. The financial results of your Company for the year under review are as below:

	<u>2006-2007</u>	<u>2005-2006</u>
	(Rupees in Lakhs)	
Gross profit before interest and depreciation	8,593	7,826
Interest	2,052	1,743
Depreciation	2,672	2,316
Profit before tax for the year	3,869	3,767
Profit after tax for the year	2,603	2,637

Dividend

Two interim dividends totaling to 65% amounting to Rs.6,41,51,386/- were paid for the year ended 31st March, 2007. The Directors are not recommending any further dividend for the year ended 31st March, 2007.

Management Discussion and Analysis

The Indian economy saw a growth rate of 9.4% in the year under review compared to 8.4% in the earlier year. The growth was largely on account of manufacturing and services both of which had double digit growth. The agricultural sector grew at only 2.7% as against 6% in 2005-06.

In the commercial vehicle segment the market saw a growth of 35% fuelled by increasing conversions from single to multi-axle vehicles. This trend has been sustained following the Supreme Court ruling last year on overloading and the economics of higher fuel cost. The major part of the wheels requirement arising from this growth was met from supply of low cost wheels from China. However, your Company saw a growth of 17% in commercial vehicle wheels segment. In the coming year, demand for haulage trucks is expected to be lower.

The tractor segment following the higher agricultural growth in 2005-06 and government policies to increase rural funding registered a 23% growth. Your company grew with the market and maintained its position as the leading supplier to tractor manufacturers.

The passenger car segment witnessed a growth of 22% in the year under review. The higher interest rate which came into force would have some effect on the domestic demand for passenger cars. With a number of passenger car manufacturers having aggressive growth plans including those for exports, demand for passenger car wheels is expected to grow and your Company is expected to benefit from this.



The government has been concerned about the high inflation and has taken steps to control liquidity. This has resulted in hardening of interest rates compared to the last financial year.

We expect tightening of money supply to slow down segments such as commercial vehicles and agricultural tractors.

Your Company is the major supplier to the construction equipment industry in India and the year under review saw a 50% increase in off-take from the earlier year. This trend is likely to increase with infrastructure activity in the country speeding up and with global customers setting up export based plants in India.

Air Suspension system saw an increase of 45% in sales with higher level of OE fitment with Tata Motors and Ashok Leyland. Your Company is participating in a number of new bus programs including the City Low Floor buses. We see the growth in this segment sustaining in the coming year.

Your Company saw a 24% growth in its export sales coming mainly from the construction equipment industry worldwide. The industry is showing a double digit growth globally and your Company is well positioned to take advantage of this. On aluminium wheels, we have marketed our product to trailer manufacturers in major geographies through our existing distribution set-up. We are in early discussions with international OEMs on supply of forged aluminium wheels to them.

Your Company is starting two new plants in the coming year, one in Uttaranchal to service Tata Motors and Mahindra plants in the state, and one in Sriperumbudur to service the plants of the domestic construction equipment industry. These new plants should contribute to the sales of your Company in the latter part of the current year.

Your Company's products are steel intensive. The price levels in the country have remained high reflecting the demand-supply mismatch in the country. While your Company continues to work on cost reduction measures through value engineering methods, high steel prices and high interest rates will continue to put pressure on us in the coming year.

It has been through the team work and effort of your Company's employees that we have been able to manage our operations in these difficult times.

The internal control systems of the Company are adequate and are regularly reviewed by the internal and statutory auditors. The Internal audit is conducted at regular intervals at all the locations of the Company covering all key areas. The audit observations and follow-up actions are discussed with the management and the audit committee and reviewed at regular intervals.

Directors

Under Article 94(3) of the Company, Mr T S Vijayaraghavan and Mr S Prasad, retire from office by rotation, and being eligible, offer themselves for re-appointment.

Corporate Governance

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report is given elsewhere and forms part of this Report.

Directors' responsibility statement:

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv. the annual accounts have been prepared on a going concern basis.

Auditors

M/s Sundaram and Srinivasan, Chartered Accountants, Chennai retire at the conclusion of the Forty Eighth Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

Particulars of Employees

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

General

Particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are enclosed in the annexure and form part of this report.

The Directors wish to thank United Bank of India, State Bank of India, Standard Chartered Bank and HDFC Bank Limited for their continued support.

Your Company continues to enjoy the full cooperation of all its employees. The Directors wish to place on record their appreciation of the good work done by them.

Chennai
21st June, 2007

On behalf of the Board of Directors
S Ram
CHAIRMAN & MANAGING DIRECTOR



Report of the Auditors to the Shareholders

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

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

As required by the Companies (Auditor's Report) Order, 2003 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we enclose in the annexure a statement on the matters specified in the said order.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. As per information furnished to us, no Director of the Company is disqualified as on 31st March, 2007 from being appointed as Director under Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.:-
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

for SUNDARAM AND SRINIVASAN
Chartered Accountants
K. SRINIVASAN
Partner
Membership No.5809

Chennai
21st June, 2007

Annexure to the Report of Auditors

- I. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) These fixed assets have been physically verified by the Management at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
(c) The company has not disposed of substantial part of fixed assets during the year.
- II. (a) Physical verification of inventory has been conducted at reasonable intervals by the Management
(b) The procedures of 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 is maintaining proper records of inventory and the discrepancies noticed on physical verification which were not material, have been properly dealt with in the books of account.
- III. The company has neither granted nor taken any loans secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, the clauses (iii) (b) to (g) of the order are not applicable.
- IV. There is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. There is no continuous failure to correct major weaknesses in internal control system.
- V. (a) The particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under the section.
(b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI. The company has complied with the provisions of Section 58 A and 58 AA or any other relevant provisions of the Act and the Rules framed thereunder with regard to the deposits accepted from the public.
- VII. The company has an adequate internal audit system commensurate with its size and nature of its business.
- VIII. The company has made and maintained the accounts and records prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and we have broadly reviewed the same.
- IX. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.



- (b) The disputed Sales Tax amounting to Rs. 10.19 Lakhs has not been deposited on account of disputes which are contested in appeals and are pending before the Sales Tax Appellate Tribunal.
- X. The Company has no accumulated losses and has not incurred cash losses during this financial year or in the immediately preceding financial year.
- XI. The company has not defaulted in repayment of dues to a financial institution or bank.
- XII. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the order is not applicable to the company.
- XIV. The company is not dealing or trading in shares, securities, debentures and other investments.
- XV. The company has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI. The term loans were applied for the purpose for which the loans were obtained.
- XVII. Based on the balance sheet and fund flow statement of the company in our opinion the funds raised on short term basis have not been used for long term investments.
- XVIII. The company has not made any preferential allotment of shares during the year.
- XIX. The company has not issued any debentures during the year.
- XX. The company has not raised any money by way of public issues during the year.
- XXI. No fraud on or by the company has been noticed or reported during the year.

Chennai
21st June, 2007

for SUNDARAM AND SRINIVASAN
Chartered Accountants
K. Srinivasan
Partner
Membership No.5809

ACCOUNTS 2006 - 2007

		<i>Rupees in Lakhs</i>	
		As at 31.03.2006	
	Schedule		
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	I	986.94	986.94
b) Reserves and Surplus	II	15,003.12	13,131.57
		<u>15,990.06</u>	<u>14,118.51</u>
2. Loan Funds			
a) Secured loans	III	17,970.57	12,638.88
b) Unsecured loans	IV	6,022.22	8,332.09
		<u>23,992.79</u>	<u>20,970.97</u>
3. Deferred Tax Liabilities (Net)			
	V	2,586.00	2,300.00
		<u>42,568.85</u>	<u>37,389.48</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	VI	41,460.46	36,113.48
b) Less: Depreciation		19,199.14	16,617.58
		<u>22,261.32</u>	<u>19,495.90</u>
c) Net Block		22,261.32	19,495.90
d) Add: Capital Work-in-Progress	VII	3,183.17	2,764.47
		<u>25,444.49</u>	<u>22,260.37</u>
2. Investments			
	VIII	742.36	342.36
3. Current Assets, Loans and Advances			
a) Inventories	IX	11,544.02	9,598.93
b) Sundry Debtors	X	14,353.11	11,867.71
c) Cash and Bank Balances	XI	83.23	132.64
d) Other Current Assets	XII	0.14	0.11
e) Loans and Advances	XIII	5,159.02	4,678.17
		<u>31,139.52</u>	<u>26,277.56</u>
4. Less: Current Liabilities and Provisions			
a) Liabilities	XIV	14,659.84	11,096.93
b) Provisions	XV	97.68	393.88
		<u>14,757.52</u>	<u>11,490.81</u>
Net Current Assets		<u>16,382.00</u>	<u>14,786.75</u>
		<u>42,568.85</u>	<u>37,389.48</u>
Notes on Accounts	XVI		

S RAM
Chairman &
Managing Director

T T RANGASWAMY
Director

SRIVATS RAM
Joint Managing Director

As per our report attached
For SUNDARAM AND SRINIVASAN
Chartered Accountants

T K SESHADRI
Director

S PRASAD
Director

S SRIVATHSAN
Secretary

K SRINIVASAN
Partner
Membership No. 5809

Chennai
21st June, 2007

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



	Schedule	Rupees in Lakhs	
		2005-06	
Sales – Gross		114,171.59	95,380.12
Less: Excise Duty		13,844.72	11,044.29
Sales - Net		100,326.87	84,335.83
Other Income	XVII	1,234.66	2,372.10
		101,561.53	86,707.93
Raw Materials, Work-in-Process and Finished Goods	XVIII	70,839.45	61,049.60
Salaries and Wages, Stores consumed and other expenses	XIX	22,129.03	17,831.99
Interest on Fixed Loans		1,101.09	1,038.89
Others		950.67	704.48
Depreciation		2,051.76	1,743.37
		2,672.25	2,316.10
		97,692.49	82,941.06
Net Profit for the year		3,869.04	3,766.87
Less : Provision for Taxation - Incometax		932.00	924.00
Provision for Taxation - Deferred Tax		286.00	151.00
Provision for Taxation - Fringe Benefit Tax		48.00	55.00
Profit after tax for the year		2,603.04	2,636.87
Add: Balance transferred from previous year		533.11	427.73
Less:			
Dividend (I Interim) - Paid		296.08	296.08
Dividend (II Interim) - Payable			345.43
Dividend (II Interim) - Paid		345.43	
Dividend Tax - I Interim - Paid		41.53	41.53
II Interim - Payable			48.45
II Interim - Paid		48.45	
Transfer to General Reserve		1,800.00	1,800.00
		2531.49	2531.49
Balance Transferred to Balance Sheet		604.66	533.11

S RAM
Chairman &
Managing Director

T T RANGASWAMY
Director

SRIVATS RAM
Joint Managing Director

As per our report attached
For SUNDARAM AND SRINIVASAN
Chartered Accountants

T K SESHADRI
Director

S PRASAD
Director

S SRIVATHSAN
Secretary

K SRINIVASAN
Partner

Membership No. 5809

Chennai
21st June, 2007

		<i>Rupees in Lakhs</i>	
		As at 31.3.2007	As at 31.3.2006
I	CAPITAL		
	Authorised		
	2,00,00,000 Equity Shares of Rs 10/- each	<u>2,000.00</u>	<u>2,000.00</u>
	Issued, Subscribed and Paid-up		
	98,69,444 Equity Shares of Rs. 10/- each	<u>986.94</u>	<u>986.94</u>
	Includes		
a)	3,02,250 Equity Shares of Rs 10/- each issued and allotted for consideration other than cash		
b)	80,99,444 Bonus Equity shares of Rs 10/- each allotted by capitalisation of General Reserve to the extent of Rs 8,07,39,028/- and Share Premium Account of Rs 2,55,412/-		
II	RESERVES AND SURPLUS		
a)	Capital Reserve		
	As per last Balance Sheet	0.02	0.02
b)	General Reserve		
	As per last Balance Sheet	12,598.44	10,798.44
	Additions during the year	<u>1,800.00</u>	<u>1,800.00</u>
		14,398.44	12,598.44
c)	Surplus		
	Balance in Profit & Loss Account	<u>604.66</u>	<u>533.11</u>
		<u>15,003.12</u>	<u>13,131.57</u>



<i>Rupees in Lakhs</i>		
	As at 31.3.2007	As at 31.3.2006
III SECURED LOANS		
a) Term Loans		
From Banks (Note 1 (a) of Schedule XVI)	8,166.91	9,017.70
b) Cash Credit from Banks (Note 1 (b) of Schedule XVI)	9,803.66	3,621.18
	<u>17,970.57</u>	<u>12,638.88</u>
 IV UNSECURED LOANS		
a) Fixed Deposits	3,046.70	3,178.94
b) From State Government under Interest free Salestax Deferral Scheme	975.52	1,153.15
c) Term Loan from banks	2,000.00	4,000.00
	<u>6,022.22</u>	<u>8,332.09</u>
 V DEFERRED TAX LIABILITIES (NET)		
(a) DEFERRED TAX LIABILITY		
Depreciation and Others	2,691.00	2,362.00
(b) DEFERRED TAX ASSET		
Expenses allowable for tax purposes when paid	105.00	62.00
	<u>2,586.00</u>	<u>2,300.00</u>

VI FIXED ASSETS*Rupees in Lakhs*

Description	Land		Build-ings	Plant and Machi-nery	Furni-ture & Fixtures	Vehi-cles	Leased assets	Total	
	(Free hold)	(Lease-hold)						As at 31.03.2007	As at 31.03.2006

COST OF ASSETS

At the beginning of the year	175.70	156.43	3278.54	31433.74	983.15	81.79	4.13	36,113.48	31,521.07
Additions	-	38.74	510.95	4739.15*	187.27	0.69	-	5,476.80	4,859.65
Sales / transfers	0.02	-	-	86.42	24.55	14.70	4.13	129.82	267.24
Total	175.68	195.17	3789.49	36086.47	1145.87	67.78	-	41,460.46	36,113.48

DEPRECIATION

At the beginning of the year	-	16.36	932.76	14872.77	727.79	64.26	3.64	16,617.58	14,472.87
For the year	-	1.65	106.78	2440.41	118.73	4.62	0.06	2,672.25	2,316.10
Deduction on Sales/ Transfers	-	-	-	50.34	24.00	12.65	3.70	90.69	171.39
Total	-	18.01	1039.54	17262.84	822.52	56.23	-	19199.14	16617.58
Written down Value									
As at 31.03.07	175.68	177.16	2749.95	18823.63	323.35	11.55	-	22261.32	
As at 31.03.06	175.70	140.07	2345.78	16560.97	255.36	17.53	0.49		19,495.90

* includes expenditure during construction period relating to new projects capitalised during the year amounting to Rs.17.43 lakhs.

VII CAPITAL WORK IN PROGRESS - At cost

a) Buildings*	660.98	198.97
b) Plant and Machinery*	2,522.19	2,565.50
	3,183.17	2,764.47

* includes expenditure during construction period relating to new projects capitalised during the year amounting to Rs.19.61 lakhs and Rs.89.73 lakhs respectively.



		<i>Rupees in Lakhs</i>	
		As at 31.3.2007	As at 31.3.2006
VIII INVESTMENTS			
	Face Value		
Trade-Long term Un-Quoted Shares of Companies			
Axles India Limited 24,24,661 Equity Shares of Rs. 10/- each fully paid-up	242.47	272.36	272.36
Arkay Energy (Rameswaram) Ltd 7,00,000 Equity Shares of Rs. 10/- each fully paid-up	70.00	70.00	70.00
5.65% Rural Electrification Corporation Ltd. Capital Gains Tax Exemption Bonds (Acquired during the year) 4000 numbers of Non Convertible Redeemable taxable Bonds in the nature of debentures of Rs. 10,000/- each		400.00	0.00
		742.36	342.36
IX INVENTORIES - As certified by Managing Director			
a) Stores and Spares		1,025.87	797.16
b) Loose Tools		358.45	248.44
c) Raw Materials		6,517.79	5,210.73
d) Work-in-Process		3,295.23	3,117.78
e) Stock-in-Trade (Finished Goods)		223.77	191.10
f) Goods-in-Transit		122.91	33.72
		11,544.02	9,598.93
X SUNDRY DEBTORS - Unsecured - Considered Good			
a) Outstanding for a period exceeding six months		600.52	682.17
b) Others		13,752.59	11,185.54
		14,353.11	11,867.71
XI CASH AND BANK BALANCES			
a) Cash and Cheques on hand		4.67	6.66
b) With Scheduled Banks in :			
i) Current Accounts		45.24	111.61
ii) Fixed Deposits		2.52	-
iii) Unclaimed Dividend Accounts Balance with Banks			
- In Current Accounts		30.80	13.01
- In Fixed Deposits		-	1.36
		83.23	132.64

		<i>Rupees in Lakhs</i>	
		As at	As at
		31.3.2007	31.3.2006
XII	OTHER CURRENT ASSETS		
	Interest accrued on deposits	0.14	0.11
XIII	LOANS AND ADVANCES - Unsecured -Considered good		
a)	Advances recoverable in cash or in kind or for value to be received * @ includes Advance for purchase of capital goods - Rs. 1489.61 lakhs (Last year Rs. 831.67 lakhs)	3,581.67[@]	3,078.36 [@]
b)	Balance with Port Trust and Customs Authorities	0.14	0.96
c)	Balance with Central Excise Authorities	1,577.21	1298.52
d)	Advance Income Tax less provision for taxation	-	300.33
		<u>5,159.02</u>	<u>4,678.17</u>
* Includes Rs.1.10 lakhs due from an officer of the Company (Last year Rs.1.12 lakhs) (Maximum balance due at any time during the year Rs.1.12 lakhs -Last year Rs.1.15 lakhs)			
XIV	CURRENT LIABILITIES		
a)	Sundry Creditors	14,277.27	10,795.02
b)	Due to Directors	133.00	91.63
c)	Interest accrued but not due on loans	249.57	210.28
		<u>14,659.84</u>	<u>11,096.93</u>
XV	PROVISIONS		
a)	For taxation less advance tax	97.68	-
b)	Proposed Dividend	-	345.43
c)	Dividend Tax	-	48.45
		<u>97.68</u>	<u>393.88</u>
XVI	NOTES ON ACCOUNTS		
1	SECURED LOANS		
a)	Term Loans from Banks Secured by first charge by way of hypothecation of specific machinery.	8,166.91	9,017.70
b)	Cash Credit from Banks Secured by hypothecation by way of first charge on all movable assets present and future, consisting of stock of raw materials, work-in-process, finished goods, consumable stores and spares, goods-in-transit and book debts.	9,803.66	3,621.18



		<i>Rupees in Lakhs</i>			
		2006-07		2005-06	
2	a) Directors' Remuneration (Managing Director and Joint Managing Director)	(MD)	(JMD)	(MD)	(JMD)
	Salaries & Allowances	38.40	28.80	37.60	24.00
	Commission	55.00	78.00	34.40	57.23
	Contribution to Provident and Superannuation Funds	2.88	4.86	2.82	4.05
	Other benefits	0.20	0.22	2.77	2.26
	b) Sitting Fees to other Directors	5.60		4.15	
3	Computation of Net Profit in accordance with Section 198 read with Section 349 of the Companies Act, 1956 and calculation of Commission payable to Managing Director and Joint Managing Director				
	Profit after Taxation	2,603.04			
	Less: Profit on sale of Land	183.69			
		<u>2,419.35</u>			
	Add: Provision for Taxation	1,266.00			
	Managerial remuneration within the meaning of Section 198 of the Companies Act, 1956 (including Commission of Rs.133 lakhs to Managing Director and Joint Managing Director) (Last year Rs.91.63 lakhs)	<u>213.96</u>			
		1,479.96			
	Profit under Section 198 of the Companies Act, 1956	<u>3,899.31</u>			
		(MD)	(JMD)		
	Commission on net profit at 2%	78.00	78.00		
	Restricted to:	55.00			

<i>Rupees in Lakhs</i>					
		2006-07		2005-06	
		Quantity (M.T)	Value	Quantity (M.T)	Value
4	Raw Materials consumed				
i)	Basic Raw Materials - Steel Sections, Sheets/Coils and Plates	227,287	66,043.60	190,283	56,367.58
ii)	Intermediates and Components		5,005.97		4,527.87
			<u>71,049.57</u>		<u>60,895.45</u>
5	Consumption of Raw Materials and Components				
		% to total consump- tion	Value	% to total consump- tion	Value
a)	Raw Materials				
i)	Imported	11.06	7,305.78	5.14	2,897.48
ii)	Indigenous	88.94	58,737.82	94.86	53,470.10
		<u>100.00</u>	<u>66,043.60</u>	<u>100.00</u>	<u>56,367.58</u>
b)	Components				
i)	Imported	12.58	629.66	15.09	683.26
ii)	Indigenous	87.42	4,376.31	84.91	3,844.61
		<u>100.00</u>	<u>5,005.97</u>	<u>100.00</u>	<u>4,527.87</u>
6	Imports (CIF Value)				
i)	Raw Materials		7,240.50		3,207.51
ii)	Spare Parts		92.31		34.10
iii)	Capital Goods		1,271.52		1,060.61
7	Expenditure in Foreign Currency				
i)	Royalty and Know-how fees (Net of Tax)		32.22		35.82
ii)	Commission		150.15		122.52
iii)	Interest		401.62		372.79
iv)	Others		432.62		254.09
8	Amount remitted in Foreign Currency towards Dividend				
i)	Number of Non-Resident shareholders		1		1
ii)	Number of shares held		3,544,470		3,544,470
iii)	Dividend and years to which it relates				
	- II Interim	(2005-06)	124.06	(2004-05)	159.50
	- I Interim	(2006-07)	106.33	(2005-06)	106.33
	- II interim	(2006-07)	124.06		
9	Earnings in Foreign Exchange				
	Exports (on FOB basis)		18,221.17		14,721.19
	Others		56.19		30.96



		<i>Rupees in Lakhs</i>							
		2006-07		2005-06					
		Quantity Numbers	Value	Quantity Numbers	Value				
10	Sales by class of goods								
	i) Wheels for Commercial Vehicles, Passenger Cars, Jeeps and Tractors, Earthmoving and Construction Equipments	7,749,911	88,693.53	6,734,253	75,497.53				
	ii) Others		<u>11,633.34</u>		8,838.30				
			<u>100,326.87</u>		<u>84,335.83</u>				
11	Licensed, Installed Capacity (per annum) and Actual Production								
	a) Wheels (Nos)								
	Wheels for Commercial Vehicles, Passenger Cars, Jeeps, Tractors, Defence requirements, Earth Moving and Construction Equipments								
	i. Licensed/Registered Capacity		Delicensed		Delicensed				
	ii. Installed Capacity as certified by Managing Director		8,300,000		7,100,000				
	iii. Actual Production		7,756,804		6,703,361				
	b) Air Suspension System (sets)								
	i. Licensed Capacity		Delicensed		Delicensed				
	ii. Installed Capacity as certified by Managing Director		5,000		5,000				
	iii. Actual Production		1,248		984				
12	Opening and Closing stock of goods produced								
		2006-2007		2005-2006					
		Opening Stock		Opening Stock		Closing Stock			
		Qty.	Qty.	Qty.	Value	Qty.	Value		
		(Nos)	Value	(Nos)	Value	(Nos)	Value		
	Class of goods								
	Wheels for Commercial Vehicles, Passenger Cars, Jeeps and Tractors, Earthmoving and Construction Equipments	29,030	171.09	35,901	196.79	59,922	575.55	29,030	171.09
	Others		<u>20.01</u>		<u>26.98</u>		30.06		20.01
			<u>191.10</u>		<u>223.77</u>		<u>605.61</u>		<u>191.10</u>

		<i>Rupees in Lakhs</i>	
		As at 31.3.2007	As at 31.3.2006
13	Liability to Banks on Guarantees	254.49	180.90
14	Contingent liability towards bills discounted with banks	6971.58	7810.81
15	Estimated amount of contracts remaining to be executed on capital accounts and not provided for	4150.50	1893.25
16	Disputed amounts in respect of Salestax, Customs duty and Employee State Insurance contribution which are contested in appeal and not provided for (of which a sum of Rs.1.64 Lakhs - previous year Rs. 1.64 Lakhs - paid under protest appear under Advances recoverable in cash or in kind or for value to be received in the balance sheet)	13.52	23.68
17	Sundry creditors under current liabilities include:-		
	(i) Amount due to Small Scale Industrial Undertakings	380.29	349.64
	(ii) Names of the Small Scale Industrial Undertakings to whom company owes any sum which is outstanding for more than 30 days. Akshaya Industries; Aero Pistons Pvt Ltd; Devi Metal Process; Industrial Wire Products; L.V. Traders; Sri Rai Engineering; Radha Plastics & Engg. Works; Satya Engineering Enterprises; Sri Sathya Sai Industries; Sun Steels; Sri Sai krupa Industries; Sudarshan Engineering; Sree Industries; Surya Hard Chrome; Wave Current Automotive Ltd; Mak glit chem; Prashant Engineering; Primo Automation system P Ltd; Technocraft Engineers; Accurate Industries		
	The above information regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than the prescribed time limit under the Micro, Small and Medium Enterprises Act. The Micro, Small and Medium Enterprises had been identified on the basis of information available with the company. This has been relied upon by the auditors.		
	(iii) Unpaid dividend	30.80	14.37
	(iv) Unclaimed matured fixed deposits	32.03	25.98
	(v) Cheques issued for interest warrants and matured deposits but not encashed	17.39	12.92
	Amount due and outstanding to be credited to Investor Education and Protection Fund - Nil (Previous year - Nil).		
18	Expenditure during construction period:		
	Salaries, wages, bonus and commission	14.15	56.54
	Contribution to Provident Fund and other funds	0.36	1.55
	Staff and workmen welfare expenses	0.70	3.46
	Cost of Stores & Tools consumed	1.12	0.65
	Power and fuel	4.92	25.89
	Insurance	3.00	5.79
	Rent, Rates and taxes	1.19	5.20
	Repairs - Building	0.54	2.63
	Plant and machinery	2.69	41.41
	Other expenses	10.66	72.30
	Interest	87.44	130.92
		<u>126.77</u>	<u>346.34</u>



		<i>Rupees in Lakhs</i>	
		2006-07	2005-06
19	Export incentive under other income includes income on ‘Duty Entitlement Pass Book under Duty Exemption Scheme’ amounting to Rs.363 Lakhs (Previous year Rs.355.22 Lakhs) and Target Plus Scheme amounting to Rs. 206.31 lakhs (Previous year - Rs.582.33 lakhs).		
20	Expenditure incurred on Scientific Research and Development		
	a) Revenue Expenditure	409.99	329.93
	b) Capital Expenditure	62.32	353.68
21	Interest on fixed deposits to Managing Director	4.77	2.47
22	The company has not provided for excise duty on closing stock of finished goods at the factory and customs duty on raw materials in bonded warehouse amounting to Rs.39.32 lakhs (previous year Rs.29.75 lakhs) and accordingly not included the same in the value of said inventories. However, this has no impact on the net profit for the year.		
23	Disclosure on Foreign currency transactions in accordance with AS 11 issued by Institute of Chartered Accountants of India (ICAI). Exchange Loss / (Gain) (Net) debited to profit and loss account of which Rs. 18.34 lakhs (gain) - (Previous year Rs. 109 lakhs (loss) relating to derivative instruments).	(127.27)	257.56
24	Borrowing costs in accordance with AS 16 issued by ICAI. Borrowing costs capitalised during the year relating to new projects	87.44	130.92
25	Segment Information for the year ended 31st March, 2007 in accordance with AS 17 issued by ICAI:		
	(i) Primary segments:		
	The Company operates in only one segment viz., automotive components.		
	(ii) Revenue by Geographical Segment		

Rupees in Lakhs

	2006 - 2007			2005 - 2006		
	India	Outside India	Total	India	Outside India	Total
External	82,097.91	18,228.96	100,326.87	69,614.64	14,721.19	84,335.83
Inter-segment	-	-	-	-	-	-
Total	82,097.91	18,228.96	100,326.87	69,614.64	14,721.19	84,335.83
Carrying amount of segment assets	57,413.26	18.11	57,431.37	48,913.70	28.59	48,942.29
Additions to fixed assets	5,476.80	-	5,476.80	4,859.65	-	4,859.65

The geographical segments considered for disclosure are follows:
 Sales within India include sales to customers located within India.
 Sales outside India include sales to customers located outside India.

		<i>Rupees in Lakhs</i>			
		2006-07	2005-06		
26	Related Party disclosures in accordance with AS 18 issued by ICAI.				
	Associates:-				
	T.V.Sundram Iyengar & Sons Ltd.				
	Axles India Ltd.				
	Titan Europe Plc.				
	Nature of transactions	Total amount	Total amount		
	Purchase of goods	16.07	3.43		
	Sale of goods	525.91	366.40		
	Sale of fixed assets	-	0.97		
	Rendering of services	6.30	8.31		
	Receiving of services	158.86	279.92		
	Agency Arrangements	0.19	0.20		
	Lease or HP arrangements	-	1.32		
	Management contract including deputation of employees	0.50	5.50		
	Dividend received during the year	24.25	36.37		
	Dividend paid during the year	600.00	450.00		
	Total	1332.08	1152.42		
	Balance outstanding	95.19	38.11		
	Key Managerial Personnel:				
	Name of the person:				
	Mr. S Ram				
	Mr. Srivats Ram				
	Nature of transactions	Volume of transactions	Balance outstanding	Volume of transactions	Balance outstanding
	Remuneration, Commission Perquisites and sitting fees	Details are furnished in Note No.2 of Schedule XVI	Details are furnished in Schedule XIV	Details are furnished in Note No.2 of Schedule XVI	Details are furnished in Schedule XIV
	Fixed Deposits accepted, Interest thereon	6.65	92.88	4.23	58.56
	Dividend paid during the year	0.75		0.56	
27	Disclosures relating to leases in accordance with AS 19 issued by ICAI.	Total Minimum Lease	Present Value	Total Minimum Lease	Present Value
	Finance Lease				
	As at Balance Sheet date	-	-	0.11	0.11
	Not later than 1 year	-	-	0.11	0.11
	Operating Lease				
	As at Balance Sheet date	185.90		163.92	
	Not later than 1 year	57.17		43.05	
	Later than 1 year and not later than 5 years	128.73		120.87	
	Lease rentals paid during the year	48.65		33.47	



		<i>Rupees in Lakhs</i>	
		2006-07	2005-06
28	Earnings per share in accordance with AS 20 issued by ICAI.		
	Net profit as per P & L account	2,603.04	2,636.87
	Number of shares	9,869,444	9,869,444
	Basic earnings per share - Rupees	26.37	26.72
29	Disclosure on Accounting for intangible assets in accordance with AS 26 issued by ICAI:		
	Computer software :		
	Gross carrying amount at the beginning of the year	42.64	16.89
	Acquired during the year	44.84	25.75
	Gross carrying amount at the end of the year	87.48	42.64
	Gross amortisation at the beginning of the year	10.68	1.52
	Amortised during the year	18.07	9.16
	Gross amortisation at the end of the year	28.75	10.68
	Net carrying amount at the beginning of the year	31.96	15.37
	Net carrying amount at the end of the year	58.73	31.96
30	Previous Year's figures have been regrouped wherever necessary to conform to this year's classification.		
31	Significant Accounting Policies :		
	(i) General :		
	The financial statements have been prepared on the historical cost convention in accordance with generally accepted accounting principles.		
	(ii) Fixed Assets & Depreciation :		
	a) Fixed assets are stated at historical cost net of cenvat credits as reduced by accumulated depreciation.		
	b) Depreciation on fixed assets has been provided -		
	(i) at the rates specified in Schedule XIV of the Companies Act, 1956		
	- on straight line method for plant and machinery and buildings and		
	- on written down value method for electronic data processing machines and other fixed assets.		
	(ii) - on the basis of estimated life of the capital tools.		
	c) Leasehold land:		
	Premium paid on leasehold land is amortised over the lease period.		
	d) The cost of intangible assets being computer software is amortised over the estimated useful life.		
	e) (i) The expenditure during construction period relating to the new projects till the commencement of commercial production is capitalised and allocated to fixed assets.		
	(ii) In accordance with AS 16 - Borrowing costs issued by the ICAI, the borrowing cost attributable to the new projects is capitalised till the commencement of commercial production and included in expenditure during construction period and allocated to fixed assets and other borrowing cost is recognised in the year in which it is incurred.		
	(iii) Investments :		
	Investments are valued at cost or market value whichever is lower.		
	(iv) Inventories :		
	The stock of raw materials, stores, loose tools and goods in transit are valued at cost (net of cenvat credits on weighted average basis). The stock of finished goods and work-in-process are valued at cost (net of cenvat credits including appropriate overheads) or market value whichever is lower.		
	(v) Staff terminal benefits :		
	a) The monthly contributions to Provident Fund and yearly contributions to Superannuation Scheme and Gratuity Scheme administered by LIC of India are charged against revenue. Provisions for leave encashment benefit to staff has been made on actuarial basis.		
	b) The amount paid to employees under Voluntary Retirement Scheme is written off over 5 or 4 years as the case may be.		

- (vi) Research & Development expenses:
Revenue expenditure on Research & Development is charged to profit & loss account in the year in which it is incurred.
- (vii) Foreign Currency Transactions:
a) Foreign currency transactions outstanding at the year end are accounted for at year end rates and the profit/loss so determined and also the realised exchange gains or losses are recognised in the profit & loss account. In respect of forward exchange contracts the difference between the forward rate and the exchange rate at the date of inception of the contract is recognised as income or expense over the period of the contract. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or expense for the year.
- viii) Export Incentives
Export incentives in respect of 'Duty Entitlement Pass Book under Duty Exemption Scheme' and Target Plus Scheme are recognised as revenue on registration of licences with the customs authorities.
- ix) Derivative Contracts
The profit/loss arising on derivative contracts is accounted for as income/expenditure on the date of settlement of the contract.
The outstanding derivative contracts are revalued at the end of the year and while the loss arising therefrom is debited to profit and loss account, the unrealised gain is ignored.
- x) Derivative Instruments:-
Category-wise quantitative data about derivative instruments that are outstanding at the balance sheet date:-

	2006-07	2005-06
	Amt. in millions	Amt. in millions
Option to sell between Rs. 44/- per USD and Rs. 44.83 per USD	USD 3.00	USD 5.50
The purpose, viz., hedging or speculation, for which such derivative instrument have been acquired:- To hedge export receivables.		
	<i>Rupees in Lakhs</i>	
Foreign Currency exposures that are not hedged by a derivative instrument or otherwise	2,879.02	4,613.03
	2006-07	2005-06
XVII OTHER INCOME		
Miscellaneous Income	373.31[@]	788.62 [@]
[@] includes Rs. 87.21 lakhs (Previous year Rs.477.76 lakhs) due to part prepayment of liability under Salestax deferral scheme.		
Export Incentives	575.96	937.55
Interest **		
On Deposits and Advances	65.61	96.78
** (Tax deducted at source - Rs. 10.59 lakhs Last year Rs.10.34 lakhs)		
Dividend(Gross)	24.25	36.37
Profit on sale of Assets(Net) *	195.53 *	512.78 *
	1234.66	2372.10

* (includes Rs. 183.69 lakhs (last year Rs.530.09 lakhs) being income on account of acquisition of company's land by National Highways)

SCHEDULES (Contd.)



		<i>Rupees in Lakhs</i>	
		2006-07	2005-06
XVIII	RAW MATERIALS, WORK-IN-PROCESS AND FINISHED GOODS		
	Opening Balances		
	Raw Materials	5,210.73	7,030.40
	Work-in-Process	3,117.78	2,857.42
	Finished Goods	191.10	605.61
		8,519.61	10,493.43
	Add: Purchase of Raw Materials	72,356.63	59,075.78
		80,876.24	69,569.21
	Less: Closing Balances		
	Raw Materials	6,517.79	5,210.73
	Work-in-Process	3,295.23	3,117.78
	Finished Goods	223.77	191.10
		10,036.79	8,519.61
		70,839.45	61,049.60
XIX	SALARIES & WAGES, STORES CONSUMED AND OTHER EXPENSES		
	Salaries, Wages, Bonus and Commission	7,039.16	5,290.62
	Contribution to Provident Fund and Other Funds	384.20	369.36
	Staff and Workmen Welfare Expenses	653.83	461.07
	Cost of Stores and Tools consumed	2,956.92	2,143.02
	Power and Fuel	3,918.49	3,160.51
	Rent including lease rent	95.17	85.31
	Insurance	243.28	224.70
	Rates and taxes	457.51	473.01
	Repairs *		
	Buildings	313.35	210.17
	Plant and Machinery	1,447.19	1,269.41
	Other Assets	340.74	225.72
	*(Includes stores consumed Rs. 1057.99 lakhs - last year Rs.920.88 lakhs)		
	Auditors' remuneration		
	For Audit	8.50	6.50
	Certification Fees	1.50	1.75
	Taxation Matters	2.75	1.35
	(Includes Rs.1.75 lakhs for Tax Audit - Last year Rs. 1.35 lakhs)		
	Expenses	2.04	1.37
	Directors' Sitting Fees	5.60	4.15
	Discounts	311.83	81.67
	Commission	177.10	162.20
	Freight	1,781.04	1,583.32
	Other expenses	1,988.83	2,076.78
		22,129.03	17,831.99

S RAM
Chairman &
Managing Director

T T RANGASWAMY
Director

SRIVATS RAM
Joint Managing Director

As per our report attached
For SUNDARAM AND SRINIVASAN
Chartered Accountants

T K SESHADRI
Director

S PRASAD
Director

S SRIVATHSAN
Secretary

K SRINIVASAN
Partner
Membership No. 5809

Chennai
21st June, 2007

48TH ANNUAL REPORT

CASH FLOW STATEMENT IN ACCORDANCE WITH AS 3 ISSUED BY ICAI ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2007

	<i>Rupees in lakhs</i>	
	2006-2007	2005-2006
A. Cash Flow from Operating Activities:		
Net Profit before Tax and extraordinary items	3,869.04	3,766.87
Adjustments for:		
Depreciation	2,672.25	2,316.10
Profit on sale of assets(net)	(195.53)	(512.78)
Foreign exchange gain		
Reversal of Previous year Foreign Exchange gain		67.18
Interest income	(65.61)	(96.78)
Dividend income	(24.25)	(36.37)
Lease liabilities	58.60	57.12
Interest charges	2,051.76	1,743.37
	<u>4,497.22</u>	<u>3,537.84</u>
Operating profit before working capital changes	8,366.26	7,304.71
Adjustments for:		
Receivables and advances	(3,268.57)	(1,644.88)
Inventories	(1,945.09)	1,961.30
Payables	3,523.62	4,797.14
	<u>(1,690.04)</u>	<u>5,113.56</u>
Cash generated from operations	6,676.22	12,418.27
Taxes paid	(581.99)	(1,034.25)
Net Cash from operating activities (A)	<u>6,094.23</u>	<u>11,384.02</u>
B. Cash Flow from Investing Activities:		
Purchase of fixed assets	(5,895.50)	(6,570.06)
Purchase of Investments	(400.00)	(70.00)
Sale of fixed assets	234.66	608.63
Interest received	65.61	96.78
Dividend received	24.25	36.37
Net cash used in investing activities (B)	<u>(5,970.98)</u>	<u>(5,898.28)</u>
C. Cash Flow from Financing Activities:		
Proceeds from Long Term Borrowings	3,159.53	5,600.56
Repayment of Long Term Borrowings	(3,187.95)	(3,119.71)
Repayment of Lease Liabilities	(58.60)	(57.12)
Proceeds from Short Term Borrowings	10,773.42	11,689.46
Repayment of Short Term Borrowings	(13,905.66)	(15,156.79)
Increase in Working Capital	6,182.14	(1,863.73)
Interest paid	(2,010.17)	(1,750.21)
Dividend paid	(986.94)	(740.21)
Dividend tax paid	(138.43)	(99.57)
Net cash used in Financing activities (C)	<u>(172.66)</u>	<u>(5,497.32)</u>
Net increase in cash and cash equivalents (A + B + C)	(49.41)	(11.58)
Cash and cash equivalents at the beginning of the year	132.64	144.22
Cash and cash equivalents at the end of the year	83.23	132.64

Chennai
21st June, 2007

For and on behalf of the Board
S. Ram
Chairman & Managing Director

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of Wheels India Limited derived from the audited annual accounts for the year ended March 31, 2007 and the year ended March 31, 2006, and found the same to be drawn in accordance therewith and also with the requirements of the listing agreement with Stock Exchange.

Chennai
21st June, 2007

For SUNDARAM AND SRINIVASAN
Chartered Accountants
K. SRINIVASAN
PARTNER
Membership No. 5809

Annexure to the Directors' Report

Conservation of Energy

Your Company has been shifting towards non conventional energy sources. Currently, 20% of our main plant at Padi's energy requirements are met by wind generators.

We have also increased the level of natural lighting at our plant to double last year's level and have started the process of converting to turbo ventilation which does not require power.

In addition, energy conservation audits are taken up and optimal use of energy is ensured in utility equipment like compressors, chillers & fluid heaters.

Technology Absorption

During the year under review, your Company has successfully developed 237 new wheels to meet customer requirements using in-house design facilities.

In addition, your company has developed air suspension systems for ultra low floor city bus applications that are coming up in the country.

Expenditure on R & D

	(Rs. in lakhs)
Capital	62.32
Revenue	409.99
	<hr/>
	472.31
	<hr/>
Total as a percentage of turnover	0.47%

Foreign Exchange Earnings and Outgo

The foreign exchange outgo to the Company during the year under review was Rs.9999 lakhs and the foreign exchange earned was Rs.18277 lakhs.

Chennai
21st June, 2007

S.Ram
Chairman & Managing Director



Report on Corporate Governance

Your Company believes that Corporate Governance is a blend of law, ethics, regulation and voluntary practices that would help in maximising the stakeholders' value.

Board of Directors

All Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct approved and adopted by the Board of Directors.

The Board of Directors consists of 8 Directors, headed by the Chairman.

Name	Category	No. of Directorship in other public limited companies in India	No. of Memberships in Committees of Boards of other Companies
Mr S Ram	Executive, Chairman & Managing Director	8	3
Mr S Viji	Non Executive	7	3
Mr T T Rangaswamy *	Non Executive	Nil	Nil
Mr J M A Akers	Non Executive	Nil	Nil
Mr Srivats Ram	Executive, Joint Managing Director	2	Nil
Mr T K Seshadri *	Non Executive	Nil	Nil
Mr T S Vijayaraghavan*	Non Executive	1	3
Mr S Prasad *	Non Executive	Nil	Nil

* Independent Directors

Attendance at Board Meetings and last Annual General Meeting:

The Board Meetings of the Company were held on 27.04.2006, 28.06.2006, 31.07.2006, 14.08.2006, 31.10.2006, 30.01.2007 & 16.03.2007 and the last Annual General Meeting was held on 14th August, 2006.

Directors	Attendance at Board Meetings	Attendance at Last AGM
Mr S Ram	7	Yes
Mr S Viji	7	Yes
Mr T T Rangaswamy	6	Yes
Mr J M A Akers	2	Yes
Mr Srivats Ram	6	Yes
Mr T K Seshadri	7	Yes
Mr T S Vijayaraghavan	7	Yes
Mr S Prasad	6	Yes

Pecuniary Transactions with Non Executive Directors

(Rs. in lakhs)

Name of the Director	Nature of Transactions	No of Shares held	Amount	Interest
Mr S Viji	Fixed Deposits	-	123.89	10.09
Mr T T Rangaswamy	Dividend	1596	0.16	-
Mr S Prasad	Dividend	450	0.05	-

Audit Committee

The terms of reference of the Audit Committee pertains to the areas referred to in Sec 292 A of the Companies Act and Clause 49 of the Listing Agreement with the Stock Exchanges. The Audit Committee comprises of four Non-Executive Directors, Viz. Mr S Prasad (Chairman), Mr S Viji, Mr T T Rangaswamy and Mr T K Seshadri. The Committee met 5 times during the year on 06.04.2006, 27.06.2006, 28.07.2006, 30.10.2006 & 29.01.2007:

Members	No. of Committee Meetings held	No. of Committee Meetings Attended
Mr S Prasad	5	5
Mr S Viji	5	3
Mr T T Rangaswamy	5	5
Mr T K Seshadri	5	5

Remuneration of Directors

The Board of Directors at their meeting held on 30.10.2002 constituted the Remuneration Committee with Mr T T Rangaswamy (Chairman of the Committee) and Mr T K Seshadri. The Committee met on 28.03.2007 wherein both the Directors were present.

The Committee approved a salary of Rs.2 lakhs per month and HRA @ 60% to Mr Srivats Ram, Joint Managing Director with no change in other terms and conditions. The Committee approved payment of commission of Rs.55 lakhs to Mr S Ram, Chairman & Managing Director and Rs.78 lakhs (2% of Net Profit) to Mr Srivats Ram, Joint Managing Director.



Details of the remuneration to the Directors are given below.

(Rs. in lakhs)

Name of Directors	Salary	Perquisites / Benefits	Commission	Contribution to Funds	Sitting fees
Mr S Ram	38.40	0.20	55.00	2.88	-
Mr S Viji	-	-	-	-	1.10
Mr T T Rangaswamy	-	-	-	-	1.25
Mr J M A Akers	-	-	-	-	0.20
Mr Srivats Ram	28.80	0.22	78.00	4.86	-
Mr T K Seshadri	-	-	-	-	1.25
Mr T S Vijayaraghavan	-	-	-	-	0.70
Mr S Prasad	-	-	-	-	1.10

SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

This Committee consists of three Directors with Mr T T Rangaswamy, a non-executive Director, as the Chairman, Mr S Ram and Mr S Viji being the other members. The Committee met on 10.07.2006 & 12.01.2007, wherein all the directors were present. The Board has authorised Mr S Srivathsan, the Secretary of the Company to approve the share transfers.

Mr S Srivathsan, Vice President (Finance) & Secretary is the Compliance Officer.

No of Shareholders complaints received during the year	- 18
No. not solved to the satisfaction of shareholders	- NIL
No. of pending share transfer	- NIL

SHAREHOLDER INFORMATION ANNUAL GENERALBODY MEETINGS

YEAR	DATE	LOCATION	TIME
2005-06	14.08.2006	Mayor Sri Ramanaathan Chettiar Centre (R.Ramaswamy Hall), 75/2, Santhome High Road, MRC Nagar, RajaAnnamalaipuram, Chennai 600028	11.00 A.M
2004-05	11.08.2005	The Music Academy No.168, TTK Road, Chennai – 600 014	11.00 A.M
2003-04	18.08.2004	The Music Academy No.168, TTK Road, Chennai – 600 014	11.00 A.M

Special Resolutions conducted through postal ballot in the above meetings - NIL

DISCLOSURES:

Details of transactions entered into with related parties during the year under review have been given in the notes forming part of Accounts.

The Company has been complying with the SEBI Regulations and the Listing Agreement with the Stock Exchanges on issues related to capital market.

DISCLOSURE REGARDING RE-APPOINTMENT OF DIRECTORS

Given below are the brief resumes of the Directors proposed to be re-appointed in this Annual General Meeting:-

Mr T S Vijayaraghavan

Age: 67 years

Qualification: BE (Electrical and Mechanical), Graduate in Metallurgy, Doctor of Science (Honoris Causa)

Expertise in specific functional areas: After working at a private sector steel company for a short period, he joined the Indian Administrative Service and worked in State and Central Governments. In Central Government, he worked at different levels in the Heavy Industry ministry and retired as Secretary to Government of India in the Industries Department. He was closely associated with the development of automotive industry in India and has good knowledge of the industry.

Directorship in other Companies :

Director : SPEL Semi Conductors Limited

Chairman/Member in other companies Committee :

Audit Committee	: SPEL Semi Conductors Limited
Remuneration & Compensation Committee	: SPEL Semi Conductors Limited
STIG Committee	: SPEL Semi Conductors Limited

Mr S Prasad

Age: 58 years

Qualification: FCA

Expertise in specific functional areas: Started his career in the year 1971 and served in various capacities in finance and general management in various companies. In 1981 started practicing as a Chartered Accountant and is now the Senior Partner of M/s Prasad & Srinath, a firm of Chartered Accountants.

Directorship in other Companies : Nil

Chairman/Member in other companies Committee : Nil



MEANS OF COMMUNICATIONS

Quarterly results are published in Business Line (English) & Dinamani (Tamil - vernacular). The Company published the audited results for the year 2005-06 within the stipulated time.

The unaudited quarterly results and the audited results for the full year are displayed in the Company's website www.wheelsindia.com and EDIFAR in SEBI website www.sebi.gov.in.

GENERAL SHAREHOLDER INFORMATION

Date of AGM : 14th August, 2007
Venue : The Music Academy
No 168, TTK Road
Chennai – 600 014

Financial Calendar for the year ending 31st March, 2008:

Unaudited results for the first quarter	Last week of July, 2007
Unaudited results for the second quarter	Last week of October, 2007
Unaudited results for the third quarter	Last week of January, 2008
Audited results for the full year	Last week of June, 2008

Dividend Payment :

First Interim :

Record date for payment	14.02.2007
Date of payment	28.02.2007

Second interim :

Record date for payment	23.03.2007
Date of payment	30.03.2007

Date of Book Closure: 07.08.2007 to 14.08.2007 for the purpose of Annual General Meeting.

Listing on Stock Exchanges: The equity shares of the Company are listed on the National Stock Exchange Ltd. Further, the Company has been permitted for dealings on Bombay Stock Exchange under "Permitted Securities" Category.

ISIN Code in NSDL and CDSL – INE 715A01015

Registrar and Share Transfer Agent:

Presently the Share Transfers which are received in physical form are processed and the share certificate returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. Cameo Corporate Services Ltd, Chennai is the Company's Registrar and Share Transfer Agent and are entrusted with the work relating to share registry in terms of both physical and electronic mode.

Registrar and Transfer Agents :

Cameo Corporate Services Limited

“Subramanian Building”

1, Club House Road, Chennai - 600 002.

Phone: 044 - 28460390 ; Fax: 044 – 28460129

E - Mail : cameo@cameoindia.com

Distribution pattern :

No. of Shares Held	Shareholders		No. of Shares	
	Number	%	Held	%
Upto - 500	3,597	90.92	457,594	4.64
501 – 1000	187	4.73	146,641	1.49
1001 – 2000	98	2.48	141,319	1.43
2001 – 3000	35	0.88	83,517	0.85
3001 – 4000	11	0.28	38,111	0.38
4001 – 5000	7	0.18	32,574	0.33
5001 – 10000	7	0.18	50,516	0.51
10001 and above	14	0.35	8,919,172	90.37
Total	3,956	100.00	9,869,444	100.00

Categories of Shareholders	No. of shares Held	Percentage
Promoters*	8,458,248	85.70%
Directors/ Relatives	7,519	0.08%
Insurance Companies	337,740	3.42%
Financial Institutions / banks	-	-
Corporate Bodies	158,240	1.61%
Non-Resident Indians	17,174	0.17%
Foreign Institutional Investors	-	-
Resident Individuals	890,523	9.02%
TOTAL	9,869,444	100.00%

* - includes persons acting in concert

Dematerialisation of shares and liquidity :

According to SEBI guidelines, the shares of the Company are to be traded in the demat form with effect from 26.03.2001. Out of 1,411,196 shares held by shareholders other than the promoters, 1,048,342 shares (forming 74.29% of the non promoters shareholding) have been dematerialised upto 31st March, 2007.



Plant Locations:

- | | |
|---|--|
| <p>1 Padi
Chennai - 600 050
Tamil Nadu</p> <p>2 22KM Rampur - Tanda Road
Rampur - 244 925
Uttar Pradesh</p> <p>3 Plot No.11-18, Sector 7
HSIDC Growth Center
Bawal - 123501
Haryana</p> | <p>4 Plot No. C - 1
Ranjangaon Growth Centre
Karegaon Village
Shirur Taluka
Pune District - 412 220
Maharastra</p> <p>5 Sriperumbudur
Kancheepuram District - 602 105
Tamil Nadu</p> |
|---|--|

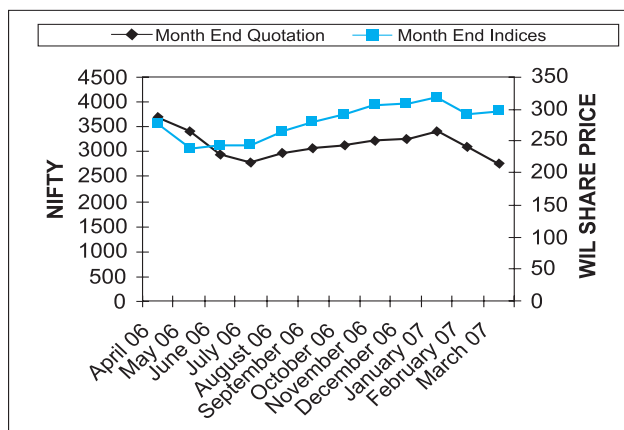
Address for Investors' correspondence:

Cameo Corporate Services Limited
 "Subramaniam Building"
 No. 1, Club House Road
 Chennai - 600 002
 Phone : 044 - 28460390
 Fax : 044 – 28460129
 E - Mail : cameo@cameoindia.com

Mr S Srivathsan
 Vice President (Finance) & Secretary
 Wheels India Limited
 Padi, Chennai - 600 050.
 Phone : 044 - 26258511 Extn: 2003
 Fax : 044 - 26257121
 E- Mail : srivathsan@wheelsindia.com

Market price data :

Month '06-'07	Quotation at NSE	
	HIGH	LOW
April	322.80	277.50
May	320.00	249.00
June	268.50	201.05
July	244.00	203.50
August	244.25	209.00
Sept	250.00	222.50
October	271.50	225.75
Nov	289.90	237.00
Dec	278.00	242.25
January	293.50	258.30
Feb	283.00	237.00
March	242.00	210.00



Performance in Comparison to broad based indices

CERTIFICATE

To the Members of **WHEELS INDIA LIMITED**

We have examined the compliance of conditions of corporate governance by Wheels India Limited, for the year ended on 31.03.2007, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 the above mentioned Listing Agreement.

We state that no investor grievance(s) is pending for a period exceeding one month against the company as per the records maintained by the Share Transfer & Investor Relations Committee.

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.

Chennai
21st June, 2007

For and on behalf of
SUNDARAM AND SRINIVASAN
Chartered Accountants
K. Srinivasan
Partner
Membership No.5809



FINANCIAL SUMMARY - LAST TEN YEARS

	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01	31.03.00	31.03.99	31.03.98
	<i>Rupees in Lakhs</i>									
Sales Turnover (including other income)	101562	86708	79088	53082	37268	32087	33627	32769	26372	27743
Paid-up Capital	987	987	987	987	987	987	987	987	987	987
Reserves	15003	13132	11226	9198	7657	6798	8107	7372	6609	6069
Profit before tax	3869	3767	4279	3328	1756	1030	1102	1170	911	1320
Profit after tax	2603	2637	2865	2154	1170	829	1007	1037	814	1105
Dividend - Amount	641.51	641.51	740.21	542.82	276.34	246.74	246.74	246.74	246.74	246.74
- Percentage	(65)	(65)	(75)	(55)	(28)	(25)	(25)	(25)	(25)	(25)
Book Value per Share	162.02	143.05	123.75	103.20	87.58	78.88	92.14	84.70	76.96	71.49
Earning per Share	26.37	26.72	29.03	21.82	11.86	8.40	10.20	10.51	8.25	11.20