

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure and development

The Indian Economy posted a GDP growth rate at 8.7% in 2007-08, thereby maintaining 9% average growth rate in the previous four years.

The year 2007 was a stabilization of the buoyancy in the Indian economy. Indian automotive market also had a mixed performance in the year 2007-08. The interest rate hike due to inflation pressure contributed to the decline in growth rate, particularly in 2 wheeler market, which is very much sensitive to interest rate.

The growth of auto component industry is directly linked with the growth of the auto industry. As the 3W and 2W market have reported declining growth due to hike in interest rate and also due to shift in customer preference to 4W automobiles, the growth of Indian auto component industry has also declined. However, inspite of the automobile sector low growth, your company has maintained its position stable in terms of sales and profit margin during the year.

Opportunities

The Company has a strong R&D (Technological) base and capabilities to design and develop new product(s) for newer model(s) of automobiles. Therefore, the company is well positioned to take advantage of the buoyancy in the economy. Entering in the new product segments like automobile batteries and blow moulded products will further boost up the growth of the Company.

Global auto majors are introducing new models and also upgrading their existing ones to expand their market in days to come is also one of the opportunities

to the Indian auto industry and in turn to auto ancillaries.

The cost pressure on global auto makers and suppliers would drive them to out-source from low cost countries like India.

The company has plans to buy sick plants in Europe/North America and other parts of world and operate them in a cost-effective manner.

Threats/Challenges

The Companies business faces severe competition locally and globally manufacturers of auto components. The growth potential in Indian auto market attracts most of global OEMs to set up auto components ancillaries in India. Therefore, sourcing strategy adopted by these OEMs are a threat/ challenge for the Company.

Our success will depend on our ability to innovate and manage our cost to stay ahead in competition. Therefore, maintaining a balance in such a scenario will be a challenge for the company. The company needs to take following challenges in the years to come.

- 1) Enhancement of R&D competencies.
- 2) Localization of import content.
- 3) Maximize use of existing resources to its fullest extent.
- 4) Continuously improve our quality and delivery standards and services.
- 5) To attract, retain and motivate talent.

The company is continuously and successfully maintaining and operating efficiencies and striven to improve quality by benchmarking its products and is constantly improving its financial performance by use and implementation of BEST (Business Excellence through Simple Techniques), Quality Circles, Kaizen, 5S, TEI 100, 100 PPM level through Total Employee Involvement.

Segment-wise performance

Your company is engaged in the manufacturing of automotive parts such as electrical switches, lightings and batteries. All products are carrying similar risk and returns. Hence, there is no separate reportable segment.

Company's ongoing efforts on cost reduction, productivity and efficiency improvements in all areas of operations, that should help the Company stay in good stead to continue growing at a healthy rate in the years to come.

Outlook

The growth of automotive market in long term is in fact positive. The OEMs are planning to make India a hub for 2W and Small Cars for local consumption and export market. Union Budget 2008 reduced the excise duty on small cars from 16% to 12% to strengthen small car growth. This will affect the company share of business in its segment due to more buying of cheaper cars. Low price vehicle segment is being made by major OEMs, which is expected to see strong growth in coming years. Accordingly, the Company obtained the precious order for supplying its products to most talked project of NANO Car by Tata Motors Ltd. Budget 2008 also reduced the excise duty for most of products including auto components from 16% to 14% which will give further fillip to the overall automobile market.

Risk and Concerns

Apart from intensified competition, which results in pressure on sales, increasing input cost may also affect the profitability of the Company.

High interest rates and increasing crude oil prices also remain a concern for the Indian automobile industry in the short term.

The Company also foresees high cost cut pressure for products in low price vehicle segment. The Company operates in the economic environment, where any slowdown in the economy would have its impact on the new business opportunities for the Company and consequently on its growth.

Internal Control Systems

The Company has a proper and adequate system of internal controls for financial reporting of various transactions, efficiency of operations and compliance with applicable statutes and regulations. In order to ensure that all checks and balances are in place and all internal control system are in order, transactions are authorized as per the accounts manual, recorded and reported promptly and correctly.

The audit committee of the company is reviewing the internal controls including the internal audit reports, financial results of the company at least once in every four months and provides its support to all operational and finance functions of the company through regular monitoring and suggestions.

The company has exhaustive budgetary control system. Actual performance is reviewed with reference to budget by the management review committee on an ongoing basis.

Financial performance with respect to operational performance.

3W market has registered negative growth of around 10 % over last year and whereas 2W market has registered negative growth of around 4.95% over last year.

Inspite of the negative growth in the operating segment, the company is able to maintain its position stable as of previous year in terms of sales and profit. The Company has reported sales/turnover of Rs. 45908 Lacs during the year 2007-08, as against Rs. 44,413 Lacs during the previous year registering a

marginal growth of 3.37 %.

The Profit after tax for the Financial Year under review was Rs. 1572 Lacs as against Rs. 1353 Lacs for the previous year, registering an increase of 16.17%.

Human Resources Management System/IR front

Company conducted an Employees Engagement Survey during the year to obtain feedback on various aspects. The action points have been drawn up for the key points of feedback given by the employees and are under implementation

The Company is providing a fair compensation amongst industry of like nature, a clear career path, reward for performance and regular training and development for each level of employee. Job enrichment is ensured through job rotation / transfer, so that the employees are motivated and gain experience in different functional areas.

The company employ 1735 employees across India in its various plants. The objective of whole HR process is one team, one dream.

Industrial relation among employees at all plants of the company continued to be cordial. The Directors places on record their sincere appreciation for dedicated teamwork by employees at all levels to meet the quality, cost, delivery aspects of customers / OEMs in growing market.

For effective communication among employees across the group companies, your company issues an in-house journal titled "Jagriti" once in every four months to cover all events and achievements across the group. Jagriti enables the employees to have global idea about the events and achievements in the group companies and is an effective tool of communication.

HR policy covering all aspect of welfare, benefits and administration of employee is already in place.

Cautionary Statement

The above statement describing the company's objective, projections, estimates, expectations or predictions may be forward looking statement within the applicable laws and regulations. These are based on certain assumptions and expectations of future events. Actual results may differ materially from those expressed or implied, written since the company's operations are influenced by external factors beyond the control of the company. Company assumes no responsibility to publicly amend, modify or revise any forward looking statement. Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their own judgment in assessing the risk associated with the company.