



# VOLTAS

A **TATA** Enterprise

**Annual Report**  
2006-2007



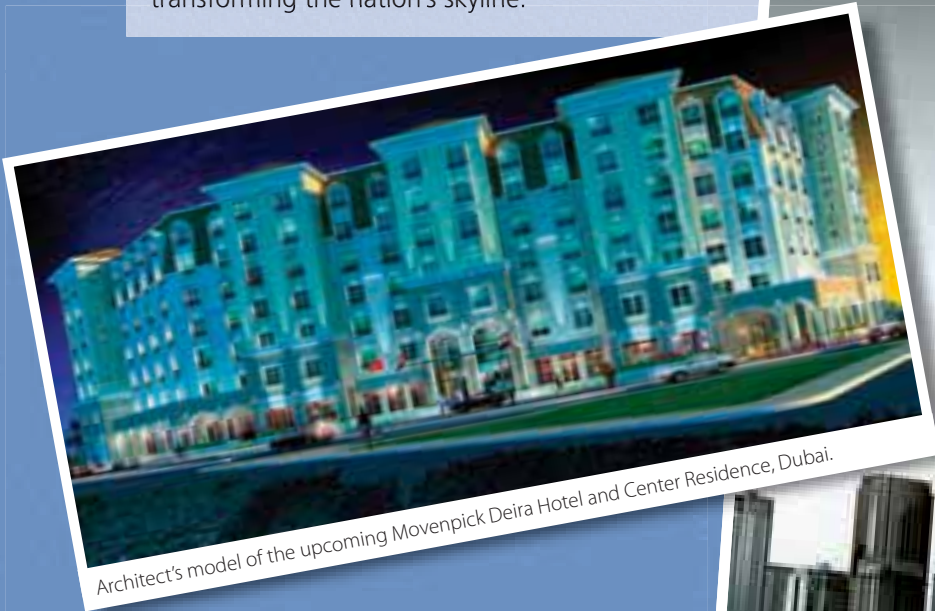
**Putting their heads together:** A Voltas engineer and project manager on-site at an on-going project in Chennai. In 31 countries overseas, such teams have long been providing electro-mechanical services for multi-million dollar projects. Now, they're serving India's boom in construction and infrastructure.

## ***Global horizons on the domestic front***

For over three decades, Voltas has been executing electro-mechanical projects overseas. With its impeccable record of success and reliability – often in projects of substantial size, complexity and prestige – Voltas has earned a name as a ‘preferred provider’ of engineering services in demanding markets in the Middle East, Far East and Asia Pacific.

Today, as India pursues global standards in a wide array of segments and applications, more and more domestic projects demand ‘one-window’ engineering solutions of world-class quality.

That’s why Voltas now brings its global model to the domestic arena – by upgrading to a new identity. As a solutions provider in Mechanical, Electrical & Public Health, integrating HVAC, Process Refrigeration, Building Management Systems, Power Management, Indoor Air Quality, and Fire Safety & Security, among others. On these pages, you’ll see some of our finest projects abroad, as well as those which are transforming the nation’s skyline.



Architect's model of the upcoming Movenpick Deira Hotel and Center Residence, Dubai.



Architect's model of the Burj Tower in Dubai, to be the world's tallest building.



Architect's model of the upcoming Bahrain City Centre.



Galleria Mall, Navi Mumbai.



Villaggio Mall, Qatar.



Fortis Hospital, New Delhi.



Architect's model of the upcoming Etihad Tower, Abu Dhabi.



CINEMAX, Mumbai.



Architect's model of the upcoming TCS IT Park, near Chennai.



## BOARD OF DIRECTORS

<b>Chairman</b>	Ishaat Hussain
<b>Managing Director</b>	A. Soni
<b>Directors</b>	N. M. Munjee
	N. J. Jhaveri
	S. D. Kulkarni
	Ravi Kant
	N. D. Khurody
	N. N. Tata
<b>General Manager - Taxation &amp; Company Secretary</b>	V. P. Malhotra

## AUDIT COMMITTEE

Chairman	N. J. Jhaveri
	N. M. Munjee
	S. D. Kulkarni

## REMUNERATION COMMITTEE

Chairman	S. D. Kulkarni
	N. M. Munjee
	N. J. Jhaveri

## SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Chairman	N. N. Tata
----------	------------

## CORPORATE MANAGEMENT

Managing Director	A. Soni
Executive Vice Presidents	P. N. Dhume
	M. M. Miyajiwala
	Sanjay Johri
	S. Venkatraman
	A. K. Joshi
Vice Presidents	A. J. Gole
	S. Bilgi

## Solicitors

Messrs Mulla & Mulla and  
Craigie, Blunt & Caroe

## Auditors

Messrs S.B. Billimoria & Co.,  
Chartered Accountants

## Bankers

### In India

State Bank of India  
Bank of India  
Punjab National Bank  
Citibank N.A.  
BNP Paribas  
State Bank of Hyderabad  
Export - Import Bank of India

### Overseas

Emirates Bank International pjsc (UAE)  
Union National Bank (UAE)  
Abu Dhabi Commercial Bank (UAE)  
HSBC Bank Middle East Limited (UAE, Qatar, Bahrain)  
The Commercial Bank of Qatar (Qatar)  
Standard Chartered Bank (Singapore)

## Registered Office

Voltas House 'A',  
Dr. Babasaheb Ambedkar Road,  
Chinchpokli,  
Mumbai 400 033

## Share Service Centre

T.B. Kadam Marg,  
Mumbai 400 033  
email: shareservices@voltas.com

**Annual General Meeting :**  
**Monday, 6th August, 2007 at 3.30 p.m.**  
**at Birla Matushri Sabhagar,**  
**19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.**

## HIGHLIGHTS

		2006-07	2005-2006	2004-2005	2003-2004	2002-2003
1. <b>SALES AND SERVICES</b>	Rs.	<b>245078</b>	<b>190418</b>	<b>144143</b>	<b>132994</b>	<b>123041</b>
2. <b>OTHER INCOME</b>	Rs.	<b>3095</b>	<b>2431</b>	<b>1953</b>	<b>1688</b>	<b>1413</b>
3. <b>COST OF SALES AND SERVICES</b> (incl. Excise Duty)	Rs.	<b>186100</b>	<b>145162</b>	<b>108570</b>	<b>100562</b>	<b>101926</b>
4. <b>OPERATING, ADMINISTRATION AND OTHER EXPENSES</b>	Rs.	<b>46561</b>	<b>35899</b>	<b>32264</b>	<b>30422</b>	<b>20122</b>
5. Staff Expenses (included in 3 & 4)	Rs.	(23997)	(17623)	(14435)	(12619)	(12573)
Number of Employees (including Contract Staff)	Nos.	5848	5390	5747	4484	5147
6. <b>EXCEPTIONAL INCOME/(EXPENSES)</b>	<b>Rs.</b>	<b>6771</b>	<b>(2619)</b>	<b>504</b>	<b>989</b>	<b>499</b>
7. <b>PROFIT/(LOSS) BEFORE TAXATION</b>	Rs.	<b>22283</b>	<b>9169</b>	<b>5766</b>	<b>4687</b>	<b>2905</b>
Percentage to Sales	%	9.1	4.8	4.0	3.5	2.4
Percentage to Total Assets	%	48.1	29.3	19.2	17.2	11.5
8. <b>TAXATION</b>	Rs.	<b>3675</b>	<b>2120</b>	<b>725</b>	<b>784</b>	<b>347</b>
9. <b>PROFIT/(LOSS) AFTER TAXATION</b>	Rs.	<b>18608</b>	<b>7049</b>	<b>5041</b>	<b>3903</b>	<b>2558</b>
Percentage to Sales	%	7.6	3.7	3.5	2.9	2.1
Percentage to Shareholders' Funds	%	48.9	29.2	26.1	20.6	15.9
10. <b>RETAINED PROFIT</b>	Rs.	<b>14737</b>	<b>4785</b>	<b>3155</b>	<b>2783</b>	<b>1624</b>
11. <b>DIVIDEND ON EQUITY CAPITAL</b>	Rs.	<b>3309</b>	<b>1985</b>	<b>1654</b>	<b>993</b>	<b>827</b>
Percentage	%	100	60	50	30	25
12. <b>FIXED ASSETS (AT COST)</b>	Rs.	<b>24493</b>	<b>28074</b>	<b>24858</b>	<b>24751</b>	<b>23987</b>
13. <b>DEPRECIATION</b>	Rs.	<b>11506</b>	<b>14592</b>	<b>16615</b>	<b>12491</b>	<b>11799</b>
14. <b>INVESTMENTS</b>	Rs.	<b>13741</b>	<b>6103</b>	<b>4622</b>	<b>4547</b>	<b>3626</b>
15. <b>NET CURRENT ASSETS</b>	Rs.	<b>16594</b>	<b>9089</b>	<b>14974</b>	<b>9396</b>	<b>7107</b>
16. <b>DEFERRED TAX ASSET</b>	Rs.	<b>2967</b>	<b>2668</b>	<b>2153</b>	<b>1021</b>	<b>1375</b>
17. <b>DEFERRED REVENUE EXPENDITURE</b>	Rs.	—	—	—	—	<b>899</b>
18. <b>TOTAL ASSETS</b>	Rs.	<b>46289</b>	<b>31342</b>	<b>29992</b>	<b>27224</b>	<b>25195</b>
19. <b>SHARE CAPITAL</b>	Rs.	<b>3307</b>	<b>3306</b>	<b>3305</b>	<b>3305</b>	<b>3305</b>
20. <b>RESERVES AND SURPLUS</b>	Rs.	<b>34768</b>	<b>20835</b>	<b>16046</b>	<b>15595</b>	<b>12811</b>
21. <b>SHAREHOLDERS' FUNDS</b>	Rs.	<b>38075</b>	<b>24141</b>	<b>19351</b>	<b>18900</b>	<b>16116</b>
Equity per Share	Rs.†	<b>*11.50</b>	72.96	58.48	57.12	48.7
Earnings per Share	Rs.†	<b>*5.62</b>	21.3	15.2	11.8	7.7
Number of Shareholders	Nos.	<b>96312</b>	52365	53674	60622	72174
Share prices on Stock Exchange – High	Rs.†	<b>*120</b>	1088	248	159	66
– Low	Rs.†	<b>*75</b>	218	88	50	42
22. <b>BORROWINGS</b>	Rs.	<b>8214</b>	<b>7201</b>	<b>10641</b>	<b>8324</b>	<b>9079</b>
Debt/Equity Ratio (Percentage to Shareholders' Funds)	%	<b>22</b>	30	55	44	56

Notes: All amounts are Rupees in lakhs except those marked †  
\* Face Value of Re. 1 each



Rs. in Lakhs

2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1994-1995	1984-1985	1974-1975	1964-65	1954-55	
94066	85372	78639	98428	109907	81089	26607	15934	4223	991	1
1243	1211	1653	1451	781	759	150	40	5	2	2
74302	66223	60253	77135	84709	60368	21080	13856	3468	815	3
19190	18641	19349	23936	27004	19225	5556	1955	522	153	4
(10982)	(10030)	(10939)	(14072)	(13077)	(9997)	(3170)	(1031)	(363)	(109)	5
5096	5314	6701	8796	10269	10667	8147	7252	5082	2324	
(146)	(1147)	(94)	2604	94	(78)	—	—	—	—	6
1671	572	596	1412	(931)	2177	121	163	238	25	7
1.8	0.7	0.8	1.4	—	2.7	0.5	1.0	5.9	2.5	
5.9	2.0	2.0	4.1	—	5.0	1.1	4.6	18.3	6.5	
(12)	14	46	133	24	5	Nil	83	141	11	8
1683	558	550	1279	(955)	2172	121	80	97	14	9
1.8	0.6	0.7	1.3	—	2.7	0.5	0.5	2.3	1.4	
9.0	3.6	3.6	8.4	—	13.2	4.1	6.7	17.6	9.1	
1088	120	109	839	—	997	23	5	59	6	10
596	397	397	397	—	1158	98	75	38	8	11
18	12	12	12	—	35	10	12	15	5.5	
23140	26328	23852	22605	39632	30651	5014	1232	447	53	12
10500	12097	10870	9914	16579	10718	1580	642	82	3	13
3139	3127	4230	9033	5454	8245	512	132	67	—	14
6241	5962	8140	12180	18479	14230	6583	2859	867	336	15
1169	—	—	—	—	—	—	—	—	—	16
5317	5634	4222	156	86	720	—	—	—	—	17
28506	28954	29574	34060	47072	43128	10529	3581	1299	386	18
3305	3305	3305	3305	3305	3428	978	623	255	150	19
15496	12202	12082	11973	11134	13048	2002	570	295	4	20
18801	15507	15387	15278	14439	16476	2980	1193	550	154	21
56.8	46.9	46.5	46.2	43.6	49.5	305	191	216	1027	
5.1	1.7	1.7	3.9	—	6.8	12	13	38	93	
76512	83615	87192	81750	83950	84180	45237	14395	7356	150	
57	60	142	142	60	176	470	211	276		
31	26	33	32	21	92	356	125	183		
9705	13447	14187	18782	32633	26652	7549	2388	749	232	22
52	87	92	123	226	162	253	200	136	151	

**CONTENTS**

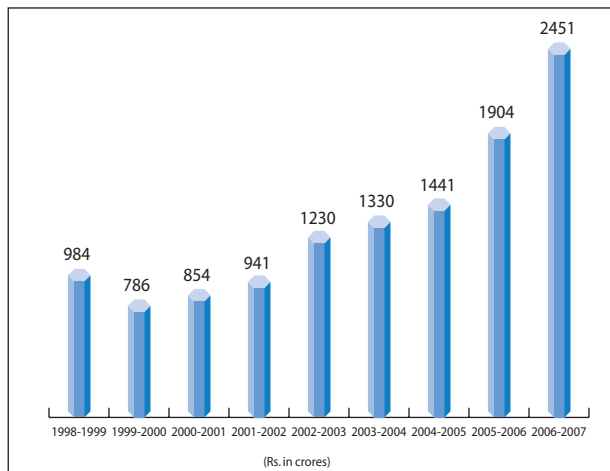
Significant Trends at Voltas	1-2	Consolidated Financial Statements	
Report of the Board of Directors	3-7	Auditors' Report	73
Annexures to the Directors' Report	8-11	Balance Sheet	74
Management Discussion and Analysis	12-22	Profit and Loss Account	75
Report on Corporate Governance	23-33	Cash Flow Statement	76
Auditors' Report	34-37	Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account	77-98
Balance Sheet	38	Details of Subsidiary Companies	99
Profit and Loss Account	39		
Cash Flow Statement	40		
Schedules forming part of the Balance Sheet and Profit and Loss Account	41-71		
Balance Sheet Abstract and Company's General Business Profile	72		



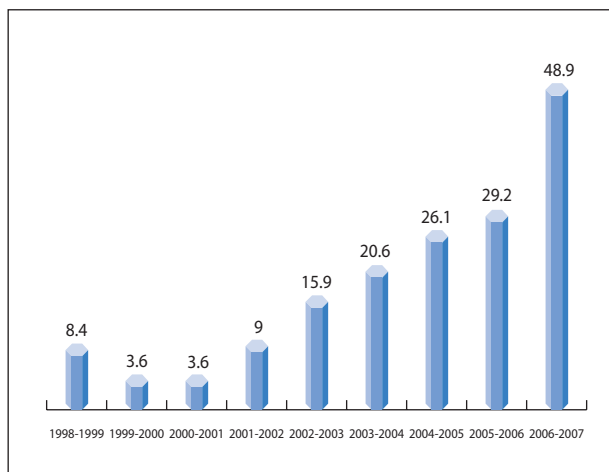


## SIGNIFICANT TRENDS AT VOLTAS

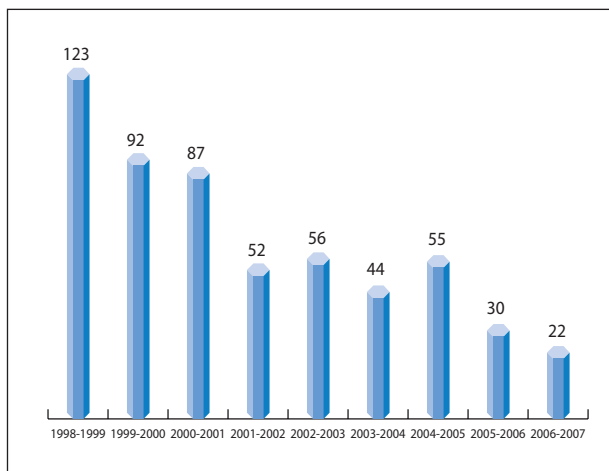
### SALES AND SERVICES



### PAT % TO SHAREHOLDER'S FUND

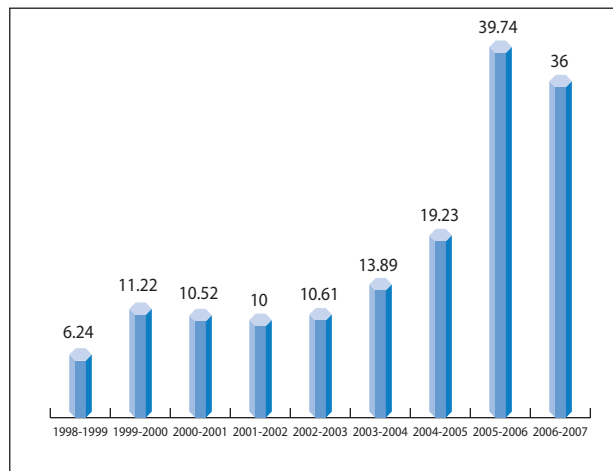


### DEBT/EQUITY RATIO - %

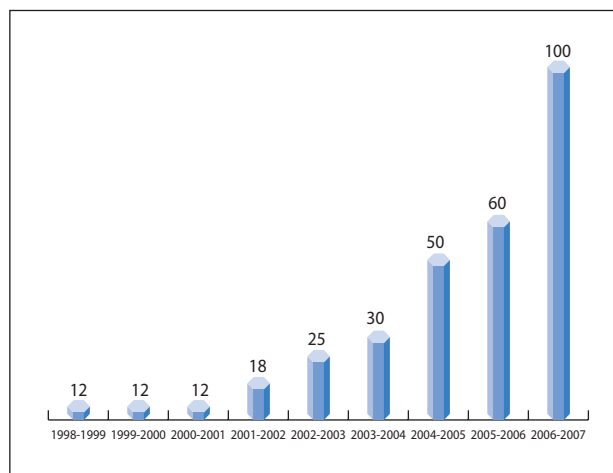


## SIGNIFICANT TRENDS AT VOLTAS

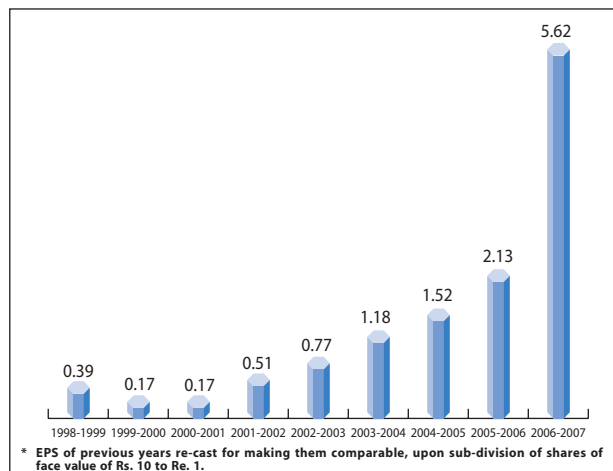
**ROCE %**



**DIVIDEND % ON EQUITY CAPITAL**



**EARNINGS PER SHARE (RS.)\***



\* EPS of previous years re-cast for making them comparable, upon sub-division of shares of face value of Rs. 10 to Re. 1.



## REPORT OF THE BOARD OF DIRECTORS

### To the Members

Your Directors have pleasure in presenting their Fifty-Third Annual Report and the Accounts for the year ended 31<sup>st</sup> March, 2007.

### FINANCIAL RESULTS

	<b>2006-2007</b>	2005-2006
	<b>Rs. in Lakhs</b>	Rs. in Lakhs
2. The Profit for the year after meeting all expenses but before financial items, depreciation and exceptional items	<b>13963</b>	12504
Adjusting from the above:		
Financial items	<b>(2781)</b>	(392)
Depreciation	<b>1232</b>	1108
Profit before exceptional items	<b>15512</b>	11788
Exceptional items	<b>6771</b>	(2619)
Profit before tax	<b>22283</b>	9169
Deducting provision for taxation including deferred tax	<b>3675</b>	2120
Profit after tax	<b>18608</b>	7049
Adding thereto:		
Balance brought forward from the previous year	<b>2485</b>	2000
Amount transferred from Foreign Projects Reserve	<b>344</b>	400
Profit available for appropriations:	<b>21437</b>	9449
Appropriations:		
General Reserve	<b>13566</b>	4700
Proposed Dividend	<b>3309</b>	1985
Tax on Dividend	<b>562</b>	279
Leaving a balance to be carried forward	<b>4000</b>	2485

**REPORT OF THE BOARD OF DIRECTORS, continued****DIVIDEND**

3. The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of conserving resources to meet the Company's investment needs. The Directors recommend a dividend of 100% for the year 2006-07 (2005-06 : 60%).

**OPERATIONS**

4. The Company's trend of operating performance continued to be good in the year 2006-07. The turnover grew by 29% and EBITDA margin was maintained at 7%. Profit before Exceptional items and Taxation increased by 32%. Net profit has increased by 164% from Rs. 7049 lakhs to Rs. 18608 lakhs.

5. The performance of international projects was adversely affected during the first three quarters of the year under review primarily owing to completion of two large projects towards the end of 2005-06 and new projects being in the early stages of execution. However, activities picked up during the last quarter with improved profitability, though lower than the previous year.

6. The growth in domestic electro-mechanical business was better on all fronts. Similarly, engineering businesses continued their pace of healthy growth with the Materials Handling business once again recording its highest ever manufacturing output, revenue and profitability. Textile Machinery, Mining & Construction Equipment and Machine Tools businesses have performed well and the demand/growth potential continues to be encouraging.

7. One of the significant achievements in 2006-07 was in Unitary Cooling Products business. The Company achieved a volume growth of over 30% in the room and split air conditioner market. Two new plants at Pantnagar in Uttarakhand for central air conditioning equipment and commercial cooling products were commissioned during the year under review.

**FINANCE**

8. Despite significant rise in interest rates, the interest costs of the Company remained unaffected as a result of

fixed interest rate loan taken in the past for working capital requirements and also partly due to a low level of borrowings. At the end of the year, the Debt:Equity ratio of the Company had reduced to 0.2:1. This gives the Company enough leverage for future expansion. The Company also holds substantial liquid resources.

9. The resources requirements of the Company for its businesses have gone up due to the prevailing economic environment and engagement of funds in working capital, especially for overseas business.

10. Substantial fluctuations in the exchange rate has resulted in the Company incurring an exchange loss. Management of exchange risk as well as commodity price risk have become a challenge for most companies. The Company has taken steps to reinforce the mechanism for effectively managing these risks.

**TATA BUSINESS EXCELLENCE MODEL (TBEM)**

11. The Company's Business Excellence continued with focus of attention being placed on achieving Sustainable Excellence, with the thrust of activities around creating a culture of continuous improvement and total participation in Business Excellence initiatives at all levels of the Company.

12. Given the dynamic business environment, the emerging opportunities and its own strategic objectives, the Company undertook several key initiatives. These included making the Balanced Scorecard and its review mechanism more robust. The Company also adopted structured processes for formulating goals and objectives for all the business units. The TBEM assessment process, which was put in place in previous years, played an important role in providing useful feedback to business units on improvement areas. Select divisions of the Company participated in external assessment through Tata Quality Management Services. The outcome of such external assessments indicates good progress in TBEM deployment.

**IT INITIATIVES**

13. The strategic outsourcing of the IT function to a specialized IT consultancy organization with proven expertise in this domain was implemented effective



## REPORT OF THE BOARD OF DIRECTORS, continued

April 2006. A number of new processes under the IT Governance framework have been introduced and deployed, with the objective of strengthening IT processes in the areas of Hardware, Network and Software Operations.

14. Many new IT projects have been implemented for the Company's new plants at Pantnagar. The implementation of these IT projects has confirmed the robustness of the new processes introduced by the IT consultancy organization and the effective deployment of the same by the business units.

### COMMUNITY DEVELOPMENT AND ENVIRONMENTAL PROTECTION

15. Corporate Social Responsibility at Voltas is driven by a Cross Functional Team headed by the Vice-President - Corporate Human Resources and including two Executive Vice Presidents, acting through the Company Community Facilitator. The Company has a well-defined framework for implementing its Community Development philosophy. The framework envisages the application of the Company's core competencies towards social development. From large organized community projects at Voltas, the emphasis has shifted towards the institutionalizing of individual volunteering and organizing the activities of its over 1000 volunteers in locally relevant projects across the Company. Voltas volunteers continued visiting the Shepherd Widows Home, ANZA Special School, SOS Children Village, Primary Health Centre and Ramakrishna Sarda Ashram. The Akanksha mentoring programme is now in its 6th year of successful operation. The volunteering trips are now more focused and the volunteering man hours have steadily increased from 3000 to over 6500. The quality of life of inmates of old age homes and orphanages were improved by much-needed renovations. Volunteers organized cricket matches and educational trips for the orphans.

16. In its core competency project, Voltas partners with Joseph Cardijn Technical School in Mumbai to impart hands-on technical education in air conditioning and refrigeration to the underprivileged and those not academically inclined. The programme harmonizes fittingly with Voltas' core business. Eleven batches of students have successfully

completed this course with the Joseph Cardijn Technical School. 10% of these students come from the ST/SC class. Voltas has its own full-time instructor at the School. A joint training session was organized between the Customer Support Team of Voltas and the Dealers Association to take care of more practical sessions for the students.

17. The Voltas Organisation of Women (VOW), exclusively run by lady employees and the wives of male employees, continued to reach out by way of medical and educational relief. Health camps were organized for the underprivileged. Voltas volunteers once again participated in the 'dream run' in the Mumbai Marathon 2006 to raise funds for VOW. Regina Pacis, an orphanage for girls, has been adopted by VOW in 2006.

18. The Company also extended financial support in the form of donations and contributions to institutions, including the Tata Council for Community Initiatives (TCCI), Leslie Sawhny Endowment, Cancer Patients Aid Association and Bombay Environmental Action Group.

### GLOBAL COMPACT

19. The Company had earlier signed the Global Compact with the United Nations. The Compact lays down ten key principles based on universally agreed and internationally applicable values and goals in the areas of Human Rights, Labour Standards and Environment. Workshops were conducted to enhance the awareness regarding Global Compact among all employees.

### CORPORATE SUSTAINABILITY REPORT

20. In the year under review, the Company embarked upon a new initiative to further reinforce its commitment to "improving the quality of life of communities we serve," by adopting the GRI framework for Corporate Sustainability Reporting. While the Company has been already working towards sustainability by instituting systems to balance the needs of all stakeholders as enshrined in the Tata Business Excellence Model, the GRI framework brings a sharper focus of attention on the implications for Voltas' business of the emergent global debate on sustainable development.

**REPORT OF THE BOARD OF DIRECTORS, continued****STATEMENT OF EMPLOYEES' PARTICULARS**

21. As required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement of information relating to employees has been given by way of an Annexure to this Report.

**APPOINTMENT OF COST AUDITOR**

22. As per the directions given by the Central Government, the Company has, based on an application made, received the Government's approval for re-appointment of M/s. Sagar & Associates, a firm of Cost Accountants as the Cost Auditors of the Company for the year ending 31st March, 2008 in respect of refrigerator products manufactured by the Company.

**SUB-DIVISION OF SHARES**

23. To facilitate easy accessibility to the Company's equity shares by the investors and enhance liquidity of the Company's shares on the Stock Exchanges, the Company has sub-divided its equity shares of Rs. 10 each into 10 equity shares of Re. 1 each which was approved by the members at the Fifty-Second Annual General Meeting of the Company held on 7th August, 2006. Upon completion of the required corporate actions by the Company, the sub-divided shares were credited by NSDL and CDSL on 30th September, 2006 in the demat account of the respective shareholders holding shares in demat mode. The Company has dispatched physical share certificates of Re. 1 each to those shareholders who have surrendered the share certificates of Rs. 10 each for cancellation.

**SUBSIDIARIES AND JOINT VENTURES**

24. Pursuant to the Accounting Standard - 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of its subsidiary companies, namely Metrovol FZE, VIL Overseas Enterprises B.V. (VOEBV), Voice Antilles N.V. (VANV), Weathermaker Limited (WML), Simto Investment Company Limited (Simto) and Auto Aircon (India) Limited. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account,

Directors' Report, Auditors' Report and other documents of the aforesaid subsidiary companies for the year ended 31st March, 2007 (31st December, 2006 in case of WML), have not been attached to the Balance Sheet of the Company. However, the Annual Accounts of these subsidiary companies are open for inspection by any member/investor and the Company will make available these documents/details upon request by any member of the Company or its subsidiaries interested in obtaining the same.

25. Metrovol, WML, VOEBV, VANV (foreign subsidiaries) and Simto have reported higher turnover/income as compared to the previous year. Metrovol, WML, VANV and Simto have also paid/declared dividends. The Company and Simto have on 22nd March, 2007 divested their shareholding in Simtools Limited and accordingly, Simtools Limited ceased to be a subsidiary of the Company effective that date.

26. Universal Comfort Products Private Limited (UCPL), a joint venture company between Voltas and Fedders is engaged in the business of manufacturing air conditioners and has its plant at Dadra. The existing paid-up capital of UCPL of Rs. 2764.20 lakhs is held in equal proportion of Rs. 1382.10 lakhs each by Voltas and Fedders. UCPL is in the process of establishing a new manufacturing facility with annual capacity of 300000 units at Pantnagar in Uttarakhand, which is expected to become operational in 2007-08. UCPL's investment is partly being financed through bank borrowings and partly through Promoters equity participation in equal proportion by Voltas and Fedders. The Company has paid share application money of Rs. 432.50 lakhs with equal contribution from Fedders. UCPL has reported a higher turnover of Rs. 25431 lakhs and a profit after tax of Rs. 213 lakhs for the year ended 31st March, 2007.

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

27. Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy and technology absorption is given by way of an Annexure to this Report. As regards the information in respect of foreign exchange earnings and outgo, the same has been given in the notes



## REPORT OF THE BOARD OF DIRECTORS, continued

forming part of the accounts for the year ended 31st March, 2007.

### DIRECTORS' RESPONSIBILITY STATEMENT

28. Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied their recommendations consistently. The policies on post retirement medical benefits and liability for leave encashment have been modified in line with the requirements of the revised Accounting Standard - 15 on "Employee Benefits", issued by the Institute of Chartered Accountants of India. They have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (c) they have taken proper and sufficient care to the best of their knowledge and ability, 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;
- (d) they have prepared the annual accounts on a going concern basis.

### CORPORATE GOVERNANCE

29. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report. A declaration signed by the Managing Director in regard to compliance with the Code of Conduct by the Board Members

and Senior Management personnel forms part of the Annual Report.

### DIRECTORATE

30. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Ishaat Hussain, Mr. A. Soni and Mr. N. J. Jhaveri retire by rotation and being eligible, offer themselves for re-election.

### AUDITORS

31. At the Annual General Meeting, members will be required to appoint Auditors for the current year. Messrs. S. B. Billimoria & Co., the present Auditors of the Company have communicated that they are not seeking re-appointment at the ensuing Annual General Meeting. The Company has received a special notice from a shareholder of the Company, in terms of the provisions of the Act, signifying the intention to propose the appointment of Messrs. Deloitte Haskins & Sells (DHS) as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed and have confirmed that their appointment would be in conformity with the provisions of Section 224(1B) of the Act. The approval of the members is also sought for the appointment of the Branch Auditors of the Company, in consultation with the Company's Auditors.

### GENERAL

32. The Notes forming part of the Accounts are self-explanatory or to the extent necessary, have been dealt with in the preceding paragraphs of the Report.

On behalf of the Board of Directors

**ISHAAT HUSSAIN**  
*Chairman*

Mumbai, 14th May, 2007

**ANNEXURE TO THE DIRECTORS' REPORT**

**INFORMATION AS PER SECTION 217 (2A) (b) (ii), READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007**

NAME, AGE, DESIGNATION, NATURE OF DUTIES, REMUNERATION RECEIVED GROSS (Rs.), NET (Rs.), QUALIFICATION, DATE OF COMMENCEMENT OF EMPLOYMENT, EXPERIENCE YEARS, LAST EMPLOYMENT HELD, DESIGNATION, PERIOD FOR WHICH POST HELD

**SECTION I - MANAGEMENT STAFF**

ACHAR CHANDRASHEKHARA\*, 61, CHIEF MANAGER-PLANT ENGINEERING, 1320872, 960271, B.E., 01/12/77, 29, NIL

AHMED KHALID, 48, SR. PROCUREMENT MANAGER, UNITED ARAB EMIRATES, 3313946, 3313946, B.E.(Elec), 29/09/05, 26, SIEMENS L.L.C., ABU DHABI, PROJECT MANAGER, (2 YEARS)

AMBEKAR VISHWAS\*, 59, ASSISTANT SYSTEMS MANAGER, 728520, 625511, D.M.E., B.Sc., 06/06/74, 35, M/S. FAMATEX INDIA (PVT.) LIMITED, (2 YEARS)

BAJWA JEET PRITAM, 53, CONSTRUCTION SECTION IN CHARGE, UNITED ARAB EMIRATES, 2407309, 2407309, B.E.(Mech), 17/07/05, 30, SATCO INTL, DOHA, QATAR, MEP DIVISIONAL MANAGER, (5 YEARS)

BALASUBRAMANIAM V\*, 58, PROJECT DIRECTOR, BAHRAIN BRANCH, 4519281, 4519281, Dip. Mech., 15/04/06, 35, TURNER INTERNATIONAL LLC, DUBAI, MEP MANAGER, (1 YEAR)

BEHAL TARUN, 34, CHIEF PROJECT MANAGER, QATAR BRANCH, 2894788, 2894788, B.E. (Mech.), M.B.A, 26/03/02, 12, INTERNATIONAL ELECTRON DEVICES, PROJECT ENGINEER, (1 YEAR)

BHOLE RAHUL, 36, PROJECT MANAGER, UNITED ARAB EMIRATES, 2557797, 2557797, B. E.(Mech), 05/10/98, 15, KIRLOSKAR PNEUMATIC, ASSISTANT MANAGER, (6 YEARS)

BILGI SATISHCHANDRA, 55, VICE PRESIDENT & CIO (IT), 3135305, 1894174, B.Sc., DIPLOMA IN O&M, M.M.M., 02/07/01, 6, HIRANDANI SOFTWARES & SYSTEMS, MUMBAI, VP(IT), (10 MONTHS)

CHANDRA SEKHARE \*, 45, F&C, 1034710, 960280, B.Com, 14/11/84, 22, NIL  
COUTINHO SIMON\*, 61, ERECTION ENGINEER, 1073576, 889153, S.S.C., 05/05/69, 38, NIL

DANDEKAR SATISH, 51, PROJECT DIRECTOR, UNITED ARAB EMIRATES, 4583770, 4566328, B. E. (Mech), 06/05/88, 28, BLUE STAR LTD., SR. SALES ENGINEER, (1 YEAR)

DEO D. G. \*, 60, GENERAL MANAGER (LEGAL SERVICES), 3255295, 2291265, B.Sc., LL.B., 01/09/75, 33, GOVT. OF MAHARASHTRA, CIVIL JUDGE & CJM, (2 YEARS)

DEY S., 48, CHIEF PROJECT MANAGER, QATAR BRANCH, 3713962, 3713962, D.M.E., 02/07/02, 27, EMIRATES TRADING AGENCY DUBAI, PROJECT MANAGER-PLUMBING, (6 YEARS)

DHONDE M. S., 47, REGIONAL FINANCIAL CONTROLLER, MIDDLE EAST REGION, 4874431, 4874431, B.Com., A.C.A, 01/02/88, 24, BATLIBOI & PUROHIT, CHARTERED ACCOUNTANTS, SENIOR ASSISTANT, (5 YEARS)

DHUME P. N., 59, EXECUTIVE VICE PRESIDENT & COO (IOBG), MUMBAI, 6502355, 4063516, B.E.(Elec.), D.B.M., P.G.D.I.M., M.F.M., 11/02/75, 33, LARSEN & TOUBRO LTD., JUNIOR ENGINEER, (1 YEAR)

D'SOUZA RALPH, 41, BUSINESS DEVELOPMENT MANAGER, UNITED ARAB EMIRATES, 4060269, 4060269, B.E. (Elec.), 14/10/91, 18, GENERAL ELECTRIC COMPANY., MUMBAI, PROJECT ENGINEER, (2 YEARS)

FU SEE KWONG FRANK, 58, GENERAL MANAGER- HONG KONG BRANCH 6240233, 6, 170393, B.Sc., 19/09/01, 33, SHUN CHEONG ENGINEERING LTD., HONG KONG, DIRECTOR, (2 YEARS)

GAGNEJA SWATANTRA\*, 44, GENERAL MANAGER & SPL PROJ., 1832024, 1256726, AMIE, D.M.E, 06/07/01, 22, CARRIER AIRCON LTD., DIVISIONAL SERVICE MANAGER/BM, (16 YEARS)

GEHANI SANJAY, 39, PROJECT MANAGER, UNITED ARAB EMIRATES, 3136567, 3136567, B.E.(Elec.), 14/07/92, 17, NIL

GHANEKAR PRASHANT, 40, FINANCIAL CONTROLLER, BAHRAIN BRANCH, 2540713, 2540713, B.Com., A.C.A., 07/02/02, 17, BOSTON EDUCATION & SOFTWARE TECHNOLOGIES LTD., MANAGER ACCOUNTS, (1 YEAR)

GHOSH RANJAN KUMAR, 52, HVAC MANAGER, UNITED ARAB EMIRATES, 2651011, 2590942, B.Sc. (Elec), 31/07/78, 29, NIL

GOLE ANIL, 47, VICE PRESIDENT (HUMAN RESOURCE), 3692935, 2067278, B.Sc., MLS, 01/06/01, 6, OTIS INDIA LTD., GM-HR, (8 MONTHS)

GOPIKRISHNA M., 48, VICE PRESIDENT (OPERATIONS) - AC&RBG, 3144697, 1975488, M.E., B.E., 19/06/83, 24, NIL

HIBBITT STANLEY, 61, PROJECT DIRECTOR, UNITED ARAB EMIRATES, 5271075, 5271075, B.Sc., Elec. Engg., 05/04/03, 29, BIRSE STADIA, HULL, UK, M & E MANAGER, (1 YEAR)

IQBAL MOHD FAIZAN, 39, SR. PROJECT MANAGER-MECHANICAL, UNITED ARAB EMIRATES, 3199376, 3199376, B.Sc., Elec. Engg., 17/05/93, 17, USHA MARTIN INDUSTRIES LTD., RANCHI, TRAINEE ENGINEER, (1 YEAR)

JASSAWALA C. J. \*, 49, VICE PRESIDENT (OPERATIONS)-HU, 4528339, 3099484, B.Sc., PGDBM, 01/06/83, 23, NIL

JAWA K. J. \*, 47, SENIOR VICE PRESIDENT - OPERATIONS (UPBG), NEW DELHI, 4839096, 3307889, B.E.(Mech.) P.G.D.M., 07/05/01, 26, CARRIER AIRCON LTD., SALES MANAGER, (13 YEARS)

JOHRI SANJAY, 54, EXECUTIVE VICE PRESIDENT & COO (UPBG, M&CE & MHBD), HO, MUMBAI, 5432213, 2558749, M.A, B.A.(Hons), 06/09/04, 32, RDI PRINT & PUBLISHING LTD., MD, (25 YEARS)

JOSHI A.K., 54, EXECUTIVE VICE PRESIDENT & COO (AC&RBG), MUMBAI, 4572740, 2420225, B.E. (Mech.), 08/06/79, 28, KIRLOSKAR PNEUMATIC CO. LTD., PUNE, PROJECT ENGINEER, (4 YEARS)

JOSHI VIRENDRA\*, 59, VICE PRESIDENT (EMD), 4214807, 2897272, B.E. (Elec.), 01/08/84, 33, NIL

KARANTH P.N.S., 44, PROJECT MANAGER-MECHANICAL, BAHRAIN BRANCH, 3039230, 3039230, B.E. (Mech), 01/10/01, 22, EMIRATES VOLTAS LLC., DUBAI. U.A.E, PROJECT MANAGER, (1 YEAR)

KHANNA DINESH\*, 42, PROJECT MANAGER, UNITED ARAB EMIRATES, 1641740, 1641740, B.E. (Mech), 01/08/06, 19, UNIVERSAL VOLTAS LLC, ABU DHABI, PROJECT MANAGER, (6 YEARS)

KRISHNAN P.K., 44, ACCOUNTS & ADMIN. OFFICER, UNITED ARAB EMIRATES, 2466210, 2466210, B.Com., D.M.S., 02/04/03, 24, ELGI EQUIPMENTS LTD COIMBATORE, SENIOR ASSISTANT, (10 YEARS)

KUMAR AMOD, 51, SR. CONSTRUCTION MANAGER, QATAR BRANCH, 3327949, 3327949, B.E.(Elec.), 23/09/02, 27, EMIRATES TRADING AGENCY, DUBAI, PROJECT MANAGER-PLUMBING, (6 YEARS)

LARI KHALID, 37, PROJECT MANAGER, UNITED ARAB EMIRATES, 2991566, 2991566, B.Tech.(Elec), 14/04/98, 15, TAYLOR WOODROW, MALAYSIA, ELECTRICAL COORDINATOR, (8 YEARS)





**INFORMATION AS PER SECTION 217 (2A) (b) (ii), READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEARENDED 31ST MARCH, 2007**

NAME, AGE, DESIGNATION, NATURE OF DUTIES, REMUNERATION RECEIVED GROSS (Rs.), NET (Rs.), QUALIFICATION, DATE OF COMMENCEMENT OF EMPLOYMENT, EXPERIENCE YEARS, LAST EMPLOYMENT HELD, DESIGNATION, PERIOD FOR WHICH POST HELD

**SECTION I - MANAGEMENT STAFF (Contd.)**

LAWRENCE ANDREW \*, 58, COMMERCIAL MANAGER, UNITED ARAB EMIRATES, 1729714, 1729714, NIL, 21/11/06, 40, DRAKE & SKULL, LONDON, BID & DESIGN MANAGER, (4 YEARS)

LAXMAIAH B.\*, 49, MANAGER - TOOL DESIGN, 1273996, 1121175, B.E. (Mech.), 16/04/84, 23, NIL

LEELA PRASAD RAO B. \*, 49, MANAGER - PLANT ENGG., 1343968, 1173083, B.E. (Elec.), 16/04/84, 23, NIL

MAHAJAN R. P., 57, VICE PRESIDENT (PDC & WMBD), 2924714, 1703213, B.Tech. (Agricultural Engg.), 24/12/75, 31, NIL

MANAY L.S., 43, CONSTRUCTION MANAGER, SINGAPORE BRANCH, 3928634, 3801819, B.E., D.E.E., 07/01/86, 25, ARMATIC ENGG., ERECTION ENGINEER, (3 YEARS)

MIR SHAUKAT ALI, 49, REGIONAL DIRECTOR - MIDDLE EAST REGION, 7002441, 7002441, B.E. (Mech.), 13/05/83, 24, NIL

MIYAJIWALA M.M., 56, EXECUTIVE VICE PRESIDENT (FINANCE), HO, MUMBAI, 4874685, 2730874, B.A., LL.B., A.C.A., 02/05/80, 36, DARA SORABJI, OFFICE INCHARGE, (1 1/2 YEARS)

MOUSA NIDAL \*, 36, PLANNING MANAGER, UNITED ARAB EMIRATES, 3812855, 3812855, B.E. (Elec.), 26/07/02, 14, THERMO LLC., DUBAI, PROJECT ENGINEER, (6 YEARS)

MURALIDHAR V. \*, 48, MEDICAL OFFICER - DISPENSARY, 1228722, 1111377, MBBS, 09/11/95, 11, NIL

MURTHY D.S., 42, SR. PROJECT MANAGER, UNITED ARAB EMIRATES, 2720306, 2720306, B.E. Civil, 06/09/89, 21, B.E. BILLIMORIA & CO., SITE ENGINEER, (3 YEARS)

NAGESWARA RAO D. \*, 53, ASSISTANT - STORES, 1325671, 1176135, B.Com., PGDCS, 10/10/73, 33, NIL

PADMAIAH V. \*, 52, JUNIOR EXECUTIVE - F&C, 1087498, 996718, B.Com., 21/11/79, 27, NIL

PANT C.D., 52, REGIONAL MANAGER, QATAR BRANCH, 6806421, 6806421, B.Tech. (Elec.), 01/04/02, 28, TURNER STEINER INTERNATIONAL, SHARJAH U.A.E., CONSULTING ENGINEER (M&E), (3 YEARS)

PATIL S.N., 39, CHIEF PROJECT MANAGER, QATAR BRANCH, 2809200, 2809200, B.E. (Mech.) D.M.E., 26/03/02, 16, NIL

PRABHUAJGAONKAR BALKRISHNA, 49, CFO - IOBG, 2449010, 1553613, B.Com., A.C.A., 01/02/84, 26, L. K. MANJREKAR & CO., ACCOUNTS ASSISTANT, (3 YEARS)

PRITMANI S., 49, GENERAL MANAGER, FAR EAST & SOUTH EAST ASIA REGION, SINGAPORE, 8386418, 7952318, B.E. (Mech.), 09/02/84, 26, BATLIBOI ENGINEERS LTD., PROJECT ENGINEER, (3 YEARS)

RAMA MURTHY Y. \*, 50, F&C, 977504, 929377, B.Com., 28/06/85, 21, NIL

RAMNANI MOHANLAL \*, 61, DIVISIONAL MANAGER-PUMPS, 1910155, 1350730, B.Sc., B.E., 19/08/72, 34, NIL

RANE SANDEEP, 41, PROJECT MANAGER, HONG KONG BRANCH, 3016134, 2946294, B.E. (Mech.), 01/03/02, 14, CHOUGULE ENGINEERS LTD, PROJECT ENGINEER, (2 YEARS)

RANGA DASS G. \*, 45, SENIOR MANAGER - TOOL DESIGN, 1428767, 1233862, B.E. (Mech.), MBA, 25/05/85, 22, NIL

RAO HANUMANTHA \*, 61, SR. PROJECTS MANAGER, 1339078, 1100194, H.S.C., ITI, 14/05/75, 31, NIL

REDDY CHANDA SEKHARA P. \*, 46, MANAGER - I. E. D., 1303470, 1126847, A.M.I.E (Mech.), 18/11/83, 23, NIL

REDDY G. R. N. \*, 37, ENGINEER, 838526, 797536, L.M.E., 25/05/95, 11, NIL

REDDY SRINIVASA K. \*, 37, ENGINEER - PL ENGG., 859002, 800021, M.E. (Mech.), 01/12/95, 11, NIL

ROY DIPAK, 58, GENERAL MANAGER (CHEMICALS), 2651357, 1666164, M.Sc., PGDM, 24/06/74, 33, NIL

SAHANE MILIND, 44, VICE PRESIDENT - M&CE & MHBD, 2801318, 1773957, PGDM, M.S., B.Tech., 09/04/01, 6, TELCO CONST. EQUIPMENT CO. LTD., DIVISIONAL MANAGER, (10 YEARS)

SAMPATH D., 52, DIRECTOR- PROJECTS, UNITED ARAB EMIRATES, 7436840, 7436840, D.M.E., 24/05/02, 32, BUMI JAYA CORPN SDN BHD, BRUNEI, GENERAL MANAGER, (11 YEARS)

SANYAL ASHIM \*, 48, PROJECT MANAGER, BAHRAIN BRANCH, 1281743, 1281743, B.Sc. (Mech.), 04/10/06, 24, VANDERWELL ENGINEER MASSACHUSSETS, BOSTON, USA, MECHANICAL ENGINEER, (1 YEAR)

SARATHI S.P. \*, 37, ASSISTANT MANAGER, 201428, 199336, B.E., 07/02/99, 12, H.E.M.M.S, ASST TRAINEE ENGR, (3 YEARS)

SARDESAI D. B. \*, 61, GENERAL MANAGER-BUSINESS EXCELLENCE, 3487431, 2351084, B.E., 01/12/73, 33, NIL

SEETHARAM REDDY G. \*, 52, F&C, 1124059, 997957, B.Com., 22/09/79, 27, NIL

SESHA SREE B. \*, 50, ASST.OFFICER - PERSONNEL, 1243121, 1119891, B.Com., 23/10/80, 26, NIL

SHARMA BRIJENDRA KUMAR \*, 45, ENGINEER - CUSTOMER CARE, 324085, 287282, ITI, H.S.C., 05/10/87, 18, NIL

SHARMA GOPAL, 46, SR. MANAGER BUSINESS EXCELLENCE, UNITED ARAB EMIRATES, 3309372, 3309372, B.E. (Mech), 01/08/02, 23, SHAIKH SUROOR OFFICE, ABU DHABI, MEP MANAGER, (3 YEARS)

SHARMA HARISH, 47, PLANNING & QA/QC MANAGER, QATAR BRANCH, 3330288, 3330288, B.E. (Mech), 15/07/02, 23, EMIRATES TRADING AGENCY. DUBAI, SR. ENGINEER, (4 YEARS)

SHEEHAN MIKE \*, 50, PROJECT DIRECTOR, UNITED ARAB EMIRATES, 2158058, 2158058, PG Dip.PM, 10/08/02, 34, VA TECH ELIN GMBH, GERMANY, BUILDING SERVICES ENGINEER, (2 YEARS)

SHENOY SESHAGIRI \*, 61, DEPUTY DIVISIONAL MANAGER, 1425084, 1150358, D.M.E., 01/06/84, 22, NIL

SIDHWANI S., 52, CHIEF PROJECT MANAGER-SINGAPORE BRANCH, 5079491, 4684894, B.E. ( Civil), M.Sc (Environ), C.Engg., MICE, 31/01/03, 27, MAUNSELL CONSULTANTS (ASIA) LTD., HONG KONG, RESIDENT ENGINEER, (1 YEAR)

SONI ASHOK, 62, MANAGING DIRECTOR, HO, MUMBAI, 9413329, 5063305, B.Sc., A.C.A., 01/04/90, 38, INMARK PVT. LTD., SR.VICE PRESIDENT, (2 YEARS)

SUBBA RAJU D. V. V. \*, 47, JUNIOR EXECUTIVE - PURCHASE, 933511, 903588, B.Com, 19/11/84, 22, NIL

TAN C. K. \*, 48, CONTRACTS MANAGER, SINGAPORE BRANCH, 2305239, 2063822, MBA, 12/01/04, 21, RIDER HENT LEVETT & BAILEY, PROJECT MANAGER, (3 YEARS)

**INFORMATION AS PER SECTION 217 (2A) (b) (ii), READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEARENDED 31ST MARCH, 2007**

NAME, AGE, DESIGNATION, NATURE OF DUTIES, REMUNERATION RECEIVED GROSS (Rs.), NET (Rs.), QUALIFICATION, DATE OF COMMENCEMENT OF EMPLOYMENT, EXPERIENCE YEARS, LAST EMPLOYMENT HELD, DESIGNATION, PERIOD FOR WHICH POST HELD

**SECTION I - MANAGEMENT STAFF (Contd.)**

THOMAS O. K., 47, CHIEF PROJECT MANAGER, QATAR BRANCH, 4849858, 4849858, B.E. (Elec.), D.E.E, 02/11/92, 26, CENTRAL PUBLIC WORKS DEPT., JUNIOR ENGINEER, (11 YEARS)

TRINATH K.\*, 42, C S - STORES, 1013805, 948505, I.T.I. (Fitter), 03/03/87, 20, NIL

UMA KUMARI R. \*, 49, F&C, 965098, 928521, B.Com, 13/08/86, 20, NIL

USHA KUMARI B.\*, 46, EXECUTIVE ASSISTANT, 1250962, 1096029, B. Sc., DIPLOMA IN MANAGEMENT, 18/10/83, 23, NIL

VARMA N. R., 56, PROJECT DIRECTOR, UNITED ARAB EMIRATES, 5021393, 5021393, D.E.E., 01/09/82, 34, MAHARASHTRA STATE ELECTRICITY BOARD, MAINTENANCE ENGINEER, (1 YEAR)

VELLANIKARAN S., 40, REGIONAL FINANCIAL CONTROLLER, SINGAPORE, 4280226, 4280226, A.C.A. 29/05/95, 15, SRIMAN PETROCHEMICALS LTD., ASST. MANAGER- FINANCE, (1 YEAR)

VENKATARAMAN S., 59, EXECUTIVE VICE PRESIDENT & COO (TMD & MTD), COIMBATORE, 4554174, 2842332, B.Tech.(Textiles), P.G.D. IN ENGG., 20/01/97, 37, KOTHARI INDUSTRIAL CORPORATION LTD., GROUP GM (TEXTILE), (2 YEARS)

VENUGOPAL R.\* , 58, AREA MANAGER - STORES & MATERIALS, 1157355, 873194, SSC, 18/04/71, 36, NIL

VIRMANI KULDEEPAK\*, 44, SENIOR GENERAL MANAGER - UPBG SALES, 2265459, 1623353, D.M.E., AMIE, 01/08/01, 23, CARRIER AIRCON LTD., GENERAL MANAGER, (16 YEARS)

VISWESWARAN K., 48, DEPUTY PROJECT DIRECTOR, BAHRAIN BRANCH, 3467790, 3467790, B.E. Mech, 24/06/02, 24, GULF ENGINEERING, KUWAIT, PROJECT MANAGER, (1 YEAR)

WAI KIM PING, 45, SR. MECHANICAL ENGINEER, HONG KONG BRANCH, 2486519, 2416679, GRAD. ENGG, 02/02/05, 16, AMEC E&M ENGINEERING LTD., SR. MECHANICAL ENGINEER, (4 YEARS)

WORSLEY WILLIAM, 63, CONSTRUCTION SUPERINTENDENT, UNITED ARAB EMIRATES, 4303959, 4303959, M.I.E.T, 01/07/02, 41, M/s. ASTER, ABU DHABI, CONSTRUCTION SUPERINTENDENT, (3 YEARS)

**SECTION II - OTHER STAFF**

AJAY SEN \*, 58, Clerk, 981455, 943306, M.Com., 23/08/71, 35, NIL

MOIZUDDIN AHMAD \*, 61, Clerk, 424919, 383923, M. Com., 10/02/75, 31, NIL

\* EMPLOYED FOR PART OF THE YEAR

- NOTES: (1) The nature of employment in all cases is contractual. The other terms and conditions are as per the Company's Rules.  
 (2) Remuneration includes salary, dearness allowance, bonus, other allowances, contribution to provident fund and superannuation fund, leave travel assistance, house rent allowance, compensation under VRS, etc. The value of perquisites has been calculated as per Income Tax Rules, 1962.  
 In addition to the above remuneration, managerial staff are also entitled to gratuity and medical insurance benefits, while non-management staff are entitled to gratuity as well as certain medical assistance in accordance with the Company's Rules.  
 (3) Net remuneration is shown after deduction of member's provident fund contribution and income tax from the gross remuneration.  
 (4) None of the employees mentioned above is a relative of any Director of the Company.

**Abbreviations used :**

AC&RBG	-	Air Conditioning and Refrigeration Business Group
CIO	-	Chief Information Officer
COO	-	Chief Operating Officer
CFO	-	Chief Financial Officer
EMD	-	Electro Mechanical Division
F&C	-	Finance and Commercial
HO	-	Head Office
HU	-	Hyderabad Unit
IOBG	-	International Operations Business Group
IED	-	Industrial Engineering Department
MHBD	-	Materials Handling Business Division
M&CE	-	Mining and Construction Equipment
MTD	-	Machine Tools Division
PDC	-	Property Development Cell
PPBD	-	Pumps and Projects Business Division
QA/QC	-	Quality Assurance/Quality Control
TMD	-	Textile Machinery Division
UPBG	-	Unitary Products Business Group
WMBD	-	Water Management Business Division

On behalf of the Board of Directors

**ISHAAT HUSSAIN**  
Chairman

Mumbai, 14th May, 2007



## ANNEXURE TO THE DIRECTORS' REPORT

### FORM B

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

#### 1. Specific areas in which R&D carried out by the Company

- (i) Development of high co-efficient of performance (COP) Vapour Absorption Machine (VAM).
- (ii) Development of VAM for Brine Chilling (outlet temperature upto minus 5 deg.C).
- (iii) Development of Co-generation VAM.
- (iv) Development of energy efficient and eco friendly insulation systems for commercial refrigeration products.
- (v) Redesigning of automated foaming fixtures for commercial refrigeration applications.
- (vi) Development of computerised online performance testing systems to ensure consistent product quality.
- (vii) Development of indigenous Power shift Transaxle for 3 tonne capacity Forklift truck.
- (viii) Development of indigenous Screen, vibro feeder and grizzly feeder and belt conveyor capacity upto 200 TPH.
- (ix) Development of Trailer.

#### 2. Product and processes developed through in-house technology

- (i) Development of high COP VAM with Plate Heat Exchangers.
- (ii) Development of four models co-generation VAM in the range of 135 TR to 500 TR.
- (iii) Development of Airhandling Units (2000 CFM to 30000 CFM).
- (iv) Development of 3TR packaged airconditioner for specialized applications.
- (v) Development of 0.9 TR packaged airconditioner for telecom shelters (Sensicool).
- (vi) Development of new range of chocolate coolers.
- (vii) Development of new range of freezers with improved aesthetics and eco friendly foaming systems.
- (viii) Development of 1.5 tonne capacity Electric Stacker.
- (ix) Development of 40 tonne capacity Rough Terrain Crane with indigenous components.

- (x) Development of 3 tonne capacity Electric Forklift truck with Alternating Current (AC) drive.
- (xi) Development of Push Pull attachment to Forklift truck.
- (xii) Development of 200 TPH three stage wheel mounted plant.
- (xiii) Development of 200 ton capacity static plant.
- (xiv) Development of 200 TPH electric operated wheel mounted screening plant.

#### 3. Imported Technology :

Technology Imported	Year of Import	Has technology been fully absorbed
---------------------	----------------	------------------------------------

4 Models of small size, direct fired absorption machines of capacities 40 TR – 80 TR from Hitachi Airconditioning Systems Co. Ltd., Japan – Phase II (manufacturing welded components indigenously)

2001 Yes

#### 4. Expenditure on R&D

The expenditure on R&D for the year 2006–2007 was Rs.154.64 lakhs. In relation to the turnover of own manufactured products, the R & D expenditure was 0.61% of turnover.

#### 5. Energy Conservation

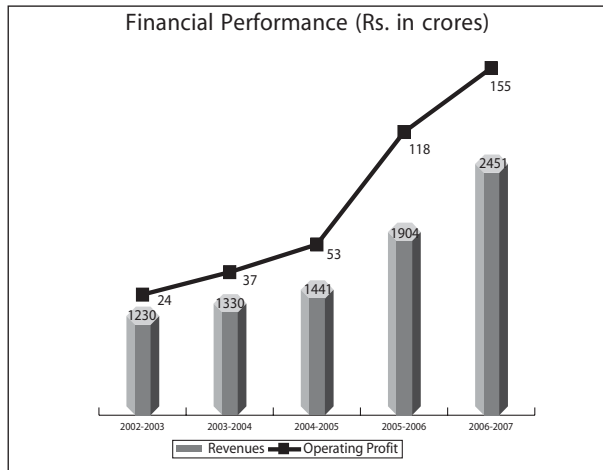
R & D continues to explore the possibility of reducing the energy consumption in the products manufactured by the Company. Redesigning freezers and airconditioners has resulted in products with lower energy consumption. The Company has undertaken the development of (i) high COP VAM which will reduce the steam consumption from the current level of 4.2 per kg/per hour/per ton to 3.9 per kg/per hour/per ton. (ii) development of exhaust fired VAM which uses the waste exhaust from any internal combustion engine whereby the waste heat is used for airconditioning and refrigeration purposes. (iii) use of transparent polycarbonate sheets on the roofs for natural lighting in day time. (iv) 55KW AC variable speed drive is used on VAM test bed condenser pump for saving electrical energy. (v) Electric Forklift, crushing plant and screening plant powered by AC drive has brought down the power requirements.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**OVERVIEW**

1. The Company continued on its path of accelerated growth, with most businesses performing at high levels and consolidated the foundation for sustained growth, over the next several years.

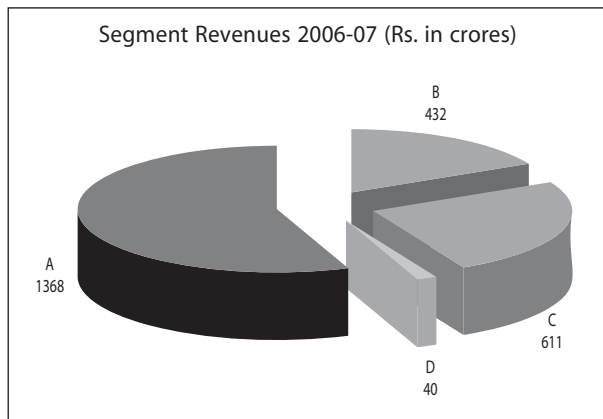
*Voltas operating profits have grown 192% over the last two years*



2. The Company focused its attention on strengthening its competitive advantage and aligning itself towards emerging growth opportunities, by offering solutions in engineering projects, value-added products and services, reducing delivery lead times, increasing productivity and further improving after-sales service.

3. The business segments of the Company are:

- (A) Electro-mechanical Projects and Services
- (B) Engineering Products and Services
- (C) Unitary Cooling Products for Comfort and Commercial Use
- (D) Others



**ELECTRO-MECHANICAL PROJECTS AND SERVICES**

4. In a continuing climate of economic buoyancy, the domestic market for Heating, Ventilation, Air Conditioning & Refrigeration (HVAC&R) registered a growth of 28% over the previous year. By seizing emerging opportunities in a timely manner, the Company offered innovative solutions in air conditioning and refrigeration for varied applications, especially in the service sector led by multiplexes, hospitality, health care, IT/ITeS, as well as the industrial sector with its process refrigeration, airports, metal and power segments.

5. Additionally, in anticipation of emerging customer requirement for agencies offering comprehensive capabilities and single-point responsibility in the electrical, mechanical and public health areas, the Company proactively transformed its structure to handle Mechanical, Electrical and Public Health Systems (MEP) projects.

6. The Company’s domestic Air Conditioning and Refrigeration (AC&R) business witnessed growth in revenue of 48% over the previous year, as compared to industry growth of 28%. This growth was achieved due to focused approach of securing large value projects, product sale through its ‘System Solution Provider’ network, significant contribution from process refrigeration projects and thrust in customer care operations. These were achieved despite severe competition from local and international players. The sales volume of Packaged and Ductable Split units grew by 42% in tonnage terms over the previous year. The newly launched Variable Refrigerant Flow (VRF) systems surged ahead with 70% growth over the previous year. Significant contributions were made by larger projects of over Rs. 5 crores in the HVAC segment. A promising beginning was made in MEP projects, by obtaining pre-qualification from major project consultants.

7. In the Cold Chain area, the Company has secured orders for the needs of Agro parks promoted by the states of Rajasthan, Chhatisgarh and Maharashtra. This will significantly encourage the propagation of such facilities across the country. The Company has also acquired capabilities for manufacture and execution of cryogenic chillers upto minus 73 deg C.

8. The Company has taken several initiatives to align itself to market opportunities in HVAC&R. These include investments in manufacturing to augment the capacity at all its facilities, viz. Thane, Dadra, and the greenfield Pantnagar facility commissioned this year. The customer/consultant alignment was strengthened through the concept of key account management. The Company also addressed specific HR needs in its HVAC&R business, by developing a training facility at Hyderabad, as well as other measures for competency enhancement, training and development, to mitigate risks of attrition and create a talent pipeline.



9. The Company consolidated its international Electro-mechanical business, in preparation for meeting expectations from this segment as part of its overall growth plan over the next few years. The Company maintained its thrust in projects in overseas markets and retained its position as one of the key players in select Middle East geographies such as UAE, Qatar and Bahrain, where the Company has a major presence.

10. The Company successfully secured some large and prestigious projects. These include the Bahrain City Centre project, deemed to be one of the largest mall-cum-entertainment facilities being developed in the region; the Etihad Tower township, a mixed development of high-rise office, hotel, residences and service apartments in Abu Dhabi; Movenpick Hotel & Service Apartments, Dubai; and Interim Doha Convention Center in Doha, Qatar.

11. Despite significant design and other changes instituted by the client, the Company maintained steady progress in the Burj Tower Project, Dubai as well as the Bahrain City Centre project, based on work fronts available and clearances received. The Company achieved completion of the Villaggio Mall in Doha, Qatar within the envisaged time limit. The Company also achieved substantial completion of the fast-tracked Intercontinental Hotel Refurbishment project in Abu Dhabi. At the same time, due to delay on part of the Clients and major changes in the scope of work, the revenues and profits in some of the other projects were adversely affected.

12. A major accomplishment by the Company's international Electro-mechanical business was in achieving substantial completion of the C3C Liquid Module of Changi Water Reclamation Plant Project (CWRPP), Singapore. Already one section comprising the North Train of CWRPP has been commissioned and the plant is treating waste water brought to the Head Works, while testing and balancing on the second section (South Train) is in an advanced stage of completion. This facility will be under mandatory performance testing for 12 months. Being one of the world's largest and the most state-of-the-art infrastructure projects in water treatment, it has added considerable prestige to the Company's track record.

13. With a combination of new order booking during the year and unexecuted works on hand, the international Electro-mechanical business has a carry-forward order book position in excess of Rs. 1600 crores. The order book position could have been much better but for postponement of final decision on certain large value enquiries. However, the Company is pursuing new enquiries and is in discussions/negotiations for converting these into firm orders.

14. The international Electro-mechanical business, which has consistently received recognition over the years, has once again won three awards for excellent export

performance under various category criteria, from Project Export Promotion Council of India, set up under the aegis of Ministry of Commerce, Government of India. Besides this, the Company has retained key customers through adequately satisfying their expectations and requirements and has been able to secure repeat business in many instances, apart from receiving positive referrals.

#### **ENGINEERING PRODUCTS AND SERVICES**

15. The Engineering Products and Services cluster has shown remarkable growth, evenly spread among all its constituent businesses.

16. The Company's Textile Machinery business capitalised on investments arising from the extension of the Technology Upgradation Fund scheme, registering a growth of 52% in machinery sales, as well as a healthy order book position for spinning machinery.

17. In the Post Spinning sector, the Company's efforts in association with newly added principals have started yielding results. Revenues grew by 32% over the previous year. The Company's strategic investment in Terrot of Germany proved to be a positive factor in terms of both results and penetration in the market with their Circular Knitting Machines. The Company addressed the market with added strength and support from principals and initiated the process of complementing its market skills by adding appropriate talent and resources.

18. The demand for mining equipment continued to grow due to investments in capacity expansion by mining companies in various sectors - coal, steel, cement and other minerals like zinc, bauxite, etc. Iron ore mining witnessed substantial growth to meet the demand for ore from steel producers in India and China and led to high investments for equipment like dump trucks, mining excavators and crushing/screening plants. The Company successfully sold large capacity excavators and wheeled loaders to mining customers, by providing value added services such as maintenance contracts and financing arrangements along with the equipment.

19. The Construction sector witnessed substantial investments and expenditures by Government and bodies such as NHAI and power companies driving robust growth in demand for construction equipment like cranes, excavators, crushing and screening plants. The Company obtained large orders for various construction equipment despite severe competition from lower priced machines manufactured locally. The Company successfully launched and sold wheeled and static crushing/screening plants manufactured locally at Thane factory. This was a major achievement in indigenisation, with sale of four large-value machines in the very first year.

20. Demand was strong for materials handling equipment such as forklifts, pallet/reach trucks, tyre mounted cranes, driven by investments in manufacturing in various sectors, especially automobiles, steel, engineering and petrochemicals. The Company's Materials Handling business showed a revenue growth of 90% in value and 62% in terms of volume of equipment sold. The Company registered its highest ever-sales as well as manufacturing output, and increased its market share for forklifts over the previous year.

21. The sale of warehousing equipment also showed strong growth stimulated by high investments in sectors like retail, pharmaceuticals, food and beverages. The Company is undertaking projects for design and development of various new models/products in forklifts, warehousing equipment and cranes and is also considering further expansion of its manufacturing facilities. The Company has entered into a distribution arrangement with TCM Corporation, Japan, a leader in innovations in materials handling, in order to offer customers a wider range of forklift trucks with state-of-the-art technology.

22. With the continuing growth in the capital goods sector, the Machine Tools business exhibited growth over the previous year. A notable event was the initiation of a Demo Centre in Pune with the participation of 3 principals, offering a robust platform for the future growth of the business.

**UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE**

23. The Indian air conditioner industry continued to register over 25% growth. A significant trend was the higher preference for Split air conditioners over Window air conditioners, in line with global trends. The household segment continued to grow rapidly and now accounts for 65% of the total market. The presence of more than 20 players in the market, including a few new entrants – both Indian and Chinese – ensured that selling prices of air conditioners remained steady despite cost pressures. There are indications that manufacturers are now increasingly inclined to pass on the cost increases to the consumer during the coming summer season.

24. The Company's Unitary Products business registered 31% growth in overall sales volume of air conditioners, resulting in an increased market share. A major contributor was the 51% growth in Split air conditioners. The Company sold greater numbers of Split air conditioners than Window air conditioners, making its product mix more profitable. Market reach was increased through an expanded network of dealers, distributors and retailers, penetrating into semi-urban and rural markets.

25. The sales performance of the Company's Room Air conditioner business was as under:

Category	Industry Sales (Nos.)			Company Sales (Nos.)			Company Share (%)	
	2006-07	2005-06	% growth	2006-07	2005-06	% growth	2006-07	2005-06
WRAC	1060000	900000	18	115000	100400	14.5	10.8	11.2
SAC	590000	400000	47	122000	80750	51.1	20.7	20.2
<b>Total</b>	<b>1650000</b>	<b>1300000</b>	<b>27</b>	<b>237000</b>	<b>181190</b>	<b>30.8</b>	<b>14.4</b>	<b>13.9</b>

WRAC: Window Room Air Conditioner; SAC: Split Air Conditioner

Source: Company estimates

26. The Company continued to leverage the rising levels of self-esteem and pride of consumers in 'Indian-ness' through its highly acclaimed and successful advertising campaign *India ka dil, India ka AC*, which was effective in stimulating the market and increasing the Company's market share.

27. Universal Comfort Products Private Limited, the joint venture company manufacturing unitary air conditioning products, is in the process of expanding its manufacturing capacity by establishing a state-of-the-art facility at Pantnagar in Uttarakhand.

28. In water coolers and dispensers, the Company achieved 34% growth and maintained its No. 1 market position. The growth was largely in water dispensers, which grew by 52%. The Commercial Refrigeration business registered sales growth of 34%, driven by the upsurge of demand and the timely commencement of production at the Company's modern Greenfield plant at Pantnagar in Uttarakhand. The plant also manufactures water coolers to international quality standards.

29. The Company shut down the manufacturing activities at Hyderabad Unit (HU) after acceptance of VRS by all the workmen/employees. HU had become increasingly unviable due to very high staff costs and overheads.

**OTHER BUSINESSES**

30. In the Chemicals business, the Company successfully secured large number of new agencies from USA, Europe and China. The agencies cover products in specialty, foods, pharma and perfumery chemicals segments. There was robust growth in paint, personal care and construction chemicals segments, in which the Company is strongly focused and which helped in developing new customers and achieving higher sales volumes. Some Principals, primarily in commodities segments, were unable to successfully sustain their India business against the prevailing lower market prices, though there is hope of revival in the coming years. The Company has taken steps to develop China as a significant source for chemicals. Appropriate suppliers have been identified principally for dye-intermediates, resins,



silicates, metal oxides and industrial chemical and sourcing has already commenced.

## **OPPORTUNITIES AND OUTLOOK**

### **ELECTRO-MECHANICAL PROJECTS & SERVICES**

31. There is presently a sizeable surge of investment in the infrastructure and realty segment giving impetus to emerging opportunities in the MEP area. Added to this is the Government's thrust in the development of SEZ, which could pave the way for providing District Cooling and BOOT Solutions. Further, there is tremendous potential in terms of retail, in which the Company could leverage its strengths to offer front-end and back-end solutions.

32. The outlook in HVAC business is highly encouraging, due to substantial investments in various segments, especially service sector, retail, IT, airports and pharma. The Company is poised to seize emerging opportunities through its offerings of HVAC projects and migration upwards to MEP, supplemented by increased revenues through product sale, thrust in Process refrigeration, and growth in Customer Care operations.

33. With the necessary strategic realignments in place and with a very healthy carry forward order book, high employee morale and investments in indigenous manufacturing, the Company expects to successfully realise its higher growth aspirations in its domestic Electro-mechanical business.

34. In the Cold Storage segment, business potential will be enhanced by the Government's continued support by offering incentives for investment in setting up Agri Export Zones and promoting Food Parks. The Company is ready to seize these emerging opportunities with its strengthened organizational capabilities.

35. Significant and sustainable opportunities continue to arise from economic growth in UAE, Qatar and Bahrain, in the sectors served by the Company's international Electro-mechanical business. There is a major and unprecedented spurt in construction activity, including malls, hotels, airports, hospitals and district cooling facilities, in all of which, the Company is well equipped to cater to.

36. Besides leveraging its presence in existing Middle East geographies such as UAE, Qatar and Bahrain, the Company's international Electro-mechanical projects business has prepared plans to tap opportunities in other regional growth markets such as Saudi Arabia and Kuwait, where major investments are being made in refurbishment and expansion of infrastructure for industry, power and water, among others. The Company will also focus on select emerging economies in Africa, with special attention to markets such as South Africa.

37. There are encouraging trends towards economic recovery in the Company's other markets in South East Asia and Far East, including Singapore, and Macau, contributing to the overall trend of opportunity in Electro-mechanical projects across all of the Company's chosen international geographies.

### **ENGINEERING PRODUCTS AND SERVICES**

38. With the continued growth in demand for spun yarn, for both export and indigenous consumption, the Government maintains its thrust to expand the textile industry from \$37 billion to \$85 billion by 2010. The Technology Upgradation Fund has been extended until 2010 in order to support this initiative, representing a sizeable opportunity for the Company. With a healthy order book position for Spinning Machinery, backed by Principal LMW's preparations, for enhancing capacity in a systematic manner, the Company looks forward to a robust growth. The Company will suitably gear up its capabilities with a system for better forecasting and improvement of logistics to maintain a high pace of delivery. With both supply and demand showing a positive trend, the Company has optimistic expectations.

39. The Government's sustained thrust in development in key sectors of mining and infrastructure continues to represent a significant opportunity for the Company. Construction equipment is in particular demand for highway and urban development. The Company is suitably placed to avail of these opportunities, through its well-established relationships and linkages to world-renowned principals supplying critical technology.

40. Prospects are bright for the Company's Materials Handling equipment, due to substantial capital investment planned in various sectors such as automobiles, engineering, steel, petrochemicals and retail. The Company expects to make considerable in-roads in forklifts for the above sectors, as well as in warehousing equipment for retail chains by major corporate players. Airport modernization and expansion projects will offer opportunities for the Company's cargo handling systems.

41. The Indian manufacturing sector's revival gained further momentum, especially in automobiles and component manufacture. This phenomenon continues to yield opportunities in capital goods such as machine tools. The growing manufacturing presence of the Company's principals in India will have a positive long-term effect on the performance of the Company's Machine Tools business.

### **UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE**

42. The market for air conditioners is expected to grow at a rate of 15%-20% per annum in volume. It is one of the

fastest growing segments in consumer durables, driven by rising aspirations and disposable incomes, high growth in all sectors of the economy and relatively low penetration levels. The Company continues to exploit this situation through sizable investments in brand building, marketing and distribution.

43. The Bureau of Energy Efficiency (BEE) under the Ministry of Power has launched a National Energy Labeling Program. The air conditioning industry is encouraged to introduce energy-efficient Window and Split air conditioners of capacity upto 3 Ton and declare the Star Rating based on performance in an approved test laboratory. The scheme, which is voluntary at present, is expected to become mandatory shortly. The Company has supported this initiative and has taken the lead by offering a range of 17 star rated models. The Company offers 1 Star and 2 Star rated economy models for the mass market, as well as 4 Star and 5 Star rated models to cater to the high end of the market. The Star Rating of air conditioners will bring about a paradigm shift in the industry. Indian consumers will benefit immensely as they will receive reliable information about the performance and energy efficiency of air conditioners. The Company welcomes this development and is helping the cause through advertisements directed towards spreading the awareness of energy-labeled products.

44. The Company's range of commercial refrigeration products has considerable long-term potential, stimulated by growth in organised retail, changing food habits and investments in food processing. The Company is poised to ride this boom, leveraging its new plant in Uttarakhand.

## **THREATS**

### **ELECTRO-MECHANICAL PROJECTS AND SERVICES**

45. The challenge of acquiring, retaining and mobilizing talent and manpower for the Company's needs of business on hand and aspirational growth envisaged cannot be overemphasized. India, the traditional catchment area for sourcing the type of staff required for international as well as domestic Electro-mechanical projects, is being tapped by practically all the competitors. In order to offset and mitigate this threat to ongoing and new commitments, the Company has initiated aggressive recruitment supplemented by competency development, regular training, coaching and mentoring to keep the work force motivated. A back office is being established in the Company's Head Office at Mumbai, for off-shoring of engineering and pre-bid activities on overseas projects and is expected to yield tangible results in the coming years.

46. The Company is also working closely with Vocational Institutes and Engineering Colleges to develop a system of

imparting trade/industry specific training to students before their passing out and guaranteeing to these colleges assured off-take of such trained candidates. Other HR initiatives taken by the Company are periodic benchmarking and review of compensation packages of staff, particularly for those working overseas, continuously improving appraisal, assessment, reward and recognition processes.

47. The severe shortage of appropriate human resources also applies to the Company's customer segment, mainly Consultants and Project Managers. This manifests itself in design and engineering being incomplete or inadequately finished at the time of project start-up, as used to be the case earlier. This does cause difficulties to the Company in smooth and timely progression in Project execution, entailing delays for reasons beyond the Company's control, resultant slippages from meeting of revenue targets and unavoidable contentious claim situations. The Company has been skillfully managing such issues and also evolving methodology/project mix to arrive at more secular growth projections.

48. Whilst there is a boom in business opportunities in the Middle East market, it is attracting newer but proven competitors from Europe, South East Asia and other regions where the opportunities for growth are limited. There is a tendency for some newer players to compete with lower pricing for market access. Such unrealistic pricing puts pressure on margins for established players like the Company and disturbs the optimum price regime.

49. The substantial growth in project activity in the Middle East has resulted in severe mismatch, with demand for products and services out-stripping supply, rendering EPC contractors vulnerable to the dictates of vendors.

50. Risk Assessment and Mitigation is a major aspect of the Company's international Electro-mechanical business. While there is a robust Risk Management framework in place, developed in consultation with an internationally reputed firm, the Company revisits and reviews its Risk Management process through interaction with experts in the field and constantly analyses and transfers the learnings and experiences from past and ongoing projects. Care and attention is given at the time of order acceptance itself to negotiate and incorporate safeguarding provisions in the contract documents to protect the Company's interest.

51. The domestic Airconditioning and refrigeration industry is dominated by the presence of all major international players apart from local players eager to share in the strong and growing Indian economy. This has fuelled intense competition not only for HVAC projects but also for integrated MEP solutions, putting severe pressures on margins. The Company has geared up for this challenge





through its aggressive strategies in terms of enhancing manufacturing capacities, strengthening project handling capabilities through MEP offerings and extension into the growing market of process refrigeration and cold storage applications. Apart from this, the Company is leveraging its large base of loyal customers established over decades and its strong brand image.

52. Volatility is once again a threat in the metal market, following a brief period of relative stability in prices of prime raw materials such as steel, copper and aluminium. Conversely, most customers insist on fixed pricing and lump sum contracts in order to pass the risk on to EPC contractors. This is a matter of serious concern, facing the Company with spiralling prices of input materials. In spite of measures like forecasted pricing, hedging and forward buying, there is great difficulty in adequately covering the risk of actual prices exceeding the estimates.

#### ENGINEERING PRODUCTS AND SERVICES

53. Indian exports of textiles are intensely linked to the US economy. Accordingly, any slowdown would affect Indian exports and consequently the textile industry would be threatened by rupee/dollar parity and pressure on realizations for textile mills. This would adversely affect investments in the textile sector and the Company's textile machinery business.

54. In Mining and Construction Equipment business, the Company could face adverse consequences of loss of agency lines, if its foreign Principals commence their own operations in the country. Further, in some product categories, the Company (as an agent), has the threat from other distributors and local manufacturers.

55. Due to the strengthening of the Rupee and low customs duties, the Company's Materials Handling business is vulnerable against competition from low-cost Chinese forklifts, as well as the possible entry of major international players. There is also a possibility of a slowdown in capex due to higher interest rates and squeeze on profitability caused by increased costs of inputs such as steel.

56. In the Machine Tools business, the Company has arrangements with European Principals. Any trend towards sourcing lower priced machines from non-European countries could adversely affect the Company's business.

#### UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE

57. The Room Air Conditioner industry in India is characterised by immense competition, with most of the leading multinationals competing in the market. In addition, margins are under pressure due to the rise in the cost of inputs like steel, copper and aluminium. While the Company

has taken steps to realize better prices from the market and changed its product mix in favour of higher margin products like Split air conditioners, its profitability remains vulnerable to cost push factors.

58. Organized retail is emerging as a threat to the traditional distribution channel in consumer durables including air conditioners. To some extent, it has the potential to shift the bargaining power to a select few big players, increasing the pressure on price realisations. The Company is working on strategies to address this challenge and strengthen its position in the market place.

#### FINANCIAL PERFORMANCE

59. Financial performance as a measure of operational performance

##### (a) Sales and Services (Segment Revenues):

	Rs. in crores			
	2006-07	2005-06	Change	Change %
Segment-A (Electro-mechanical Projects and Services)	1367.74	1132.49	235.25	21%
Segment-B (Engineering Products and Services)	432.49	252.82	179.67	71%
Segment-C (Unitary Cooling Products for Comfort and Commercial Use)	610.37	471.29	139.08	30%
Others	40.18	47.57	(7.39)	-16%
Total	2450.78	1904.17	546.61	29%

Sales and Services increased by 29% in 2006-07 to Rs.2450.78 crores from Rs.1904.17 crores in 2005-06. In Electro-mechanical Projects and Services segment, the increase in revenue was 21% from Rs.1132.49 crores in 2005-06 to Rs.1367.74 crores in 2006-07. Revenues of Engineering Products and Services segment was significantly higher by 71% and it increased from Rs.252.82 crores in 2005-06 to Rs.432.49 crores in 2006-07. The Company registered a growth of 30% in its Unitary Cooling Products for Comfort and Commercial Use segment and reported higher revenue of Rs.610.37 crores in 2006-07 as compared to Rs.471.29 crores in 2005-06. Revenue from 'Others' comprising Civil and Chemicals Trading businesses was lower by 16% in 2006-07 at Rs.40.18 crores as compared to Rs.47.57 crores in 2005-06.

##### (b) Other Income:

	Rs. in crores			
	2006-07	2005-06	Change	Change %
Other Income	30.95	24.31	6.64	27%

Other Income comprising rental income, profit on sale of fixed assets and miscellaneous income increased by 27% in 2006-07 to Rs.30.95 crores from Rs.24.31 crores in 2005-06.

**(c) Cost of Sales and Services:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Cost of Sales and Services	1810.77	1400.58	410.19	29%

Cost of Sales and Services comprises Opening Stock as on 1st April, 2006, Purchases and cost of jobs, manufacture and services during 2006-07 and Closing Stock as on 31st March, 2007. Cost of Sales and Services increased by 29% in 2006-07 to Rs.1810.77 crores from Rs.1400.58 crores in 2005-06 primarily due to larger business volumes.

**(d) Staff Expenses:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Staff Expenses	239.97	176.23	63.74	36%

Staff Expenses comprises salary, wages, bonus, Company's contribution to PF and other funds, retiring gratuity and welfare expenses. Staff expenses increased by 36% in 2006-07 to Rs.239.97 crores from Rs.176.23 crores in 2005-06, basically due to increase in manpower including contract employees for overseas projects, annual increments/revisions and partly due to impact of Accounting Standard-15 on 'Employee Benefits' issued by the Institute of Chartered Accountants of India. While Staff Expenses for domestic businesses increased by 22% in 2006-07 to Rs.131.83 crores from Rs.107.98 crores in 2005-06, the increase in international business was 58% at Rs.108.14 crores as compared to Rs.68.25 crores in 2005-06.

**(e) Forwarding Charges (Net):**

Rs. in crores

	2006-07	2005-06	Change	Change %
Forwarding Charges (Net)	13.94	9.83	4.11	42%

Forwarding Charges (Net) increased by 42% in 2006-07 to Rs.13.94 crores from Rs.9.83 crores in 2005-06 due to increase in sales volumes and despatch of larger number of heavy equipment like forklifts and cranes.

**(f) Commission other than to Sole Selling Agents:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Commission other than to Sole Selling Agents	23.43	17.22	6.21	36%

Commission other than to Sole Selling Agents increased by 36% in 2006-07 to Rs.23.43 crores from Rs.17.22 crores in 2005-06 due to larger volume of Unitary Products business through sales dealers. Commission also includes Agency fees and Sponsorship fees on overseas projects.

**(g) Rent Paid (Net):**

Rs. in crores

	2006-07	2005-06	Change	Change %
Rent Paid (Net)	15.42	15.60	(0.18)	- 1%

Rent paid (Net) was lower by 1% in 2006-07 at Rs.15.42 crores as compared to Rs.15.60 crores in 2005-06. Rent paid towards branch offices established overseas was Rs.10.92 crores.

**(h) Travelling and Conveyance Expenses:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Travelling	23.57	19.00	4.57	24%
Conveyance	11.10	9.26	1.84	20%

Travelling expenses increased by 24% in 2006-07 to Rs.23.57 crores from Rs.19.00 crores in 2005-06. Conveyance expenses increased by 20% in 2006-07 to Rs.11.10 crores from Rs.9.26 crores in 2005-06. The increase in travelling and conveyance expenses was due to larger volume of business including overseas travel for new projects in Bahrain and Qatar.

**(i) Stationery, Postage, Telex and Telephone:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Stationery, Postage, Telex and Telephone	13.86	12.51	1.35	11%

Stationery, Postage, Telex and Telephone expenses increased by 11% in 2006-07 to Rs.13.86 crores from Rs.12.51 crores in 2005-06 due to larger volume of business activities.

**(j) Legal and Professional Charges:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Legal and Professional Charges	11.76	8.58	3.18	37%

Legal and Professional Charges increased by 37% in 2006-07 to Rs.11.76 crores from Rs.8.58 crores in 2005-06. Legal and Professional Charges also includes fees paid to Internal Auditors and Consultants.

**(k) Other Expenses:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Other Expenses	86.48	54.55	31.93	59%

Other expenses increased by 59% in 2006-07 to Rs.86.48 crores from Rs.54.55 crores in 2005-06. Other expenses includes service maintenance charges, selling expenses, outside service charges, staff selection expenses, loss due to



foreign exchange variation, moving and shifting expenses, cash discounts and royalty. Increase in other expenses was basically on account of increased outsourced work due to larger volume of domestic business and exchange loss due to appreciation of Indian Rupee.

**(l) Interest (Net):**

Rs. in crores

	2006-07	2005-06	Change	Change %
Interest paid	7.33	4.60	2.73	59%
Less: Interest received	7.80	3.20	4.60	144%
Net Interest	(0.47)	1.40	(1.87)	-134%

Interest received in 2006-07 includes Rs.4.61 crores on Income-tax refunds.

**(m) Income from Investments:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Dividend Income	26.31	5.16	21.15	410%
Interest income on Investment	0.11	0.11	-	-
Income on current Investments	0.92	0.06	0.86	1433%
Total	27.34	5.33	22.01	413%

Income from Investments was significantly higher in 2006-07 at Rs.27.34 crores as compared to Rs.5.33 crores in 2005-06 due to higher dividend declared by subsidiaries/joint venture companies. Income on current investments is dividend received on units of mutual funds.

**(n) Depreciation on Fixed Assets:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Depreciation on Fixed Assets	12.32	11.09	1.23	11%

Depreciation charge increased by 11% in 2006-07 to Rs.12.32 crores from Rs.11.09 crores in 2005-06. The increase was primarily due to additions made in buildings/plant and machinery at the Company's new factories at Pantnagar in Uttarakhand.

**(o) Exceptional Items:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Exceptional Income	100.54	52.34	48.2	92%
Less: Exceptional Expenses	32.83	78.53	(45.7)	- 58%
Exceptional Items (Net)	67.71	(26.19)	93.9	359%

Exceptional income comprises profit from sale of trade investments and properties, transfer of development rights and surrender of tenancy rights. Exceptional expenses

comprises VRS cost, revision in estimated gratuity liability at the beginning of the year, provisions for contingencies and doubtful advances, diminution in value of investments and closure cost of factory at Hyderabad Unit. Exceptional income in 2006-07 significantly increased to Rs.100.54 crores from Rs.52.34 crores in 2005-06. Exceptional expenses in 2005-06 was higher due to substantial VRS cost of Rs.65.08 crores incurred by the Company last year. The VRS cost in 2006-07 was Rs.3.59 crores.

**(p) Profit Before Tax:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Profit Before Tax	222.83	91.69	131.14	143%

Profit Before Tax increased by 143% in 2006-07 to Rs.222.83 crores from Rs.91.69 crores in 2005-06 basically due to substantial exceptional income earned during 2006-07.

**(q) Provision for Taxation:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Provision for Taxation	36.75	21.20	15.55	73%

Provision for Taxation comprises provision for Current Income Tax including Foreign Income Tax, Deferred Tax, Wealth Tax and Fringe Benefit Tax (FBT). Current tax (net) was higher at Rs.32.73 crores for the year 2006-07 as compared to Rs.22.80 crores for 2005-06. Provision of Rs.1.10 crores was created towards Deferred Tax Asset as on 31st March, 2007 as compared to a Deferred Tax liability of Rs.5.15 crores in 2005-06. FBT which is payable on the value of benefits provided and/or deemed to have been provided to the employees was lower in 2006-07 at Rs.2.60 crores as compared to Rs.3.25 crores in 2005-06. Provision for Wealth Tax for 2006-07 was Rs.0.32 crore as compared to Rs.0.30 crore for 2005-06.

**(r) Profit After Tax (Net Profit):**

Rs. in crores

	2006-07	2005-06	Change	Change %
Profit After Tax (Net Profit)	186.08	70.49	115.59	164%

The Company's Net Profit for the year 2006-07 was significantly higher by 164% at Rs.186.08 crores as compared to Rs.70.49 crores for the year 2005-06.

**60. FINANCIAL POSITION**

**(i) Shareholders Funds:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Share Capital	33.07	33.06	0.01	0.03%
Reserves and Surplus	347.68	208.35	139.33	67%
Total	380.75	241.41	139.34	58%

The increase in Share Capital during 2006-07 is due to receipt of call money which were in arrears. The increase in Reserves and Surplus is basically in General Reserves on account of current profit transferred from Profit and Loss Account (Rs.135.66 crores).

(ii) **Secured and Unsecured Loans:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Secured Loans	82.14	47.01	35.13	75%
Unsecured Loans	Nil	25.00	(25.00)	- 100%
<b>Total</b>	<b>82.14</b>	<b>72.01</b>	<b>10.13</b>	<b>14%</b>

Secured Loans increased in 2006-07 primarily due to cash credit facilities availed from banks overseas for execution of large size projects in UAE, Singapore and Qatar. The Company did not have any Unsecured Loans in the form of commercial paper or other loans/advances as on 31st March, 2007. The overall borrowings increased by 14% to Rs.82.14 crores as at 31st March, 2007 as compared to Rs.72.01 crores as at 31st March, 2006.

(iii) **Fixed Assets:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Gross Block	238.89	269.76	(30.87)	- 11%
Less: Depreciation	115.05	145.92	(30.87)	- 21%
Net Block	123.84	123.84	-	-
Capital Work-in-Progress	6.03	10.98	(4.95)	-45%
<b>Total</b>	<b>129.87</b>	<b>134.82</b>	<b>(4.95)</b>	<b>- 4%</b>

Despite large capital expenditure incurred on building/plant and machinery for the new factories at Pantnagar, there was an overall reduction in fixed assets due to disposal of old plant and machinery consequent upon closure of Hyderabad Unit.

(iv) **Investments:**

Rs. in crores

	2006-07	2005-06	Change	Change %
<b>• Long Term Investments:</b>				
- Trade Investments	40.79	39.38	1.41	4%
- Investment in subsidiary companies	14.61	14.56	0.05	0.3%
- Other Investments	1.65	1.65	-	-
<b>Total Long Term Investments</b>	<b>57.05</b>	<b>55.59</b>	<b>1.46</b>	<b>3%</b>
<b>• Current Investments:</b>				
- Units of Mutual Funds	90.12	15.02	75.10	500%
- Government Securities	0.01	0.01	-	-
- Other Securities	0.43	0.43	-	-
<b>Total Current Investments</b>	<b>90.56</b>	<b>15.46</b>	<b>75.10</b>	<b>486%</b>
<b>Total Investments</b>	<b>147.61</b>	<b>71.05</b>	<b>76.56</b>	<b>108%</b>

During 2006-07, the Company generated significant amount of cash from sale of investments and properties which were invested in units of Mutual Funds. The Company has liquid investments in Mutual Funds of Rs.90.12 crores as at

31st March, 2007 as compared to Rs.15.02 crores as at 31st March, 2006. The increase in trade investments is on account of investment made in Terrot GmbH, Germany, which is engaged in manufacture of textile machinery.

(v) **Deferred Tax Asset (Net):**

Rs. in crores

	2006-07	2005-06	Change	Change %
Deferred Tax Asset (Net)	29.67	26.68	2.99	11%

Deferred Tax is recognized on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Major components of Deferred Tax Assets and Liabilities are depreciation, VRS cost, unpaid statutory liabilities, provision for doubtful debts and advances and provision for contingencies. The net Deferred Tax Asset as at 31st March, 2007 was Rs.29.67 crores as compared to Rs.26.68 crores as at 31st March, 2006.

(vi) **Inventories:**

Rs. in crores

	2006-07	2005-06	Change	Change %
• Raw materials, stores and components	87.83	65.03	22.80	35%
• Work-in progress (net)	245.77	112.85	132.92	118%
• Finished goods	148.91	121.36	27.55	23%
<b>Total</b>	<b>482.51</b>	<b>299.24</b>	<b>183.27</b>	<b>61%</b>

Inventories comprising raw materials, work-in-progress and finished goods increased by 61% as at 31st March, 2007. While increase in finished goods was primarily in the Unitary Products segment, significant increase in work-in-progress was in respect of contracts under execution in India and abroad.

(vii) **Sundry Debtors:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Gross Sundry Debtors	474.14	418.20	55.94	13%
Less: Provision for Doubtful Debts	34.33	24.65	9.68	39%
<b>Net Debtors</b>	<b>439.81</b>	<b>393.55</b>	<b>46.26</b>	<b>12%</b>

The increase in Sundry Debtors is primarily due to increase in business volumes of the domestic Air Conditioning and Refrigeration business and in Engineering Products and Services segment.

(viii) **Loans and Advances:**

Rs. in crores

	2006-07	2005-06	Change	Change %
Gross Loans and Advances	189.19	144.72	44.47	31%
Less: Provision for Doubtful Advances	18.66	16.55	2.11	13%
<b>Net Loans and Advances</b>	<b>170.53</b>	<b>128.17</b>	<b>42.36</b>	<b>33%</b>



Loans and Advances (Gross) as at 31st March, 2007 were higher at Rs.189.19 crores as compared to Rs.144.72 crores as at 31st March, 2006. The increase was primarily due to advances paid to suppliers and sub-contractors.

(ix) **Current Liabilities and Provisions:**

Rs. in crores

	2006-07	2005-06	Change	Change %
• Current Liabilities	894.11	725.64	168.47	23%
• Provisions	173.52	113.33	60.19	53%

Current Liabilities basically comprises Sundry Creditors and Advance payments/deposits received from customers. Due to increase in business volumes, Sundry Creditors were higher at Rs.516.06 crores as at 31st March, 2007 as compared to Rs.438.05 crores as at 31st March, 2006. Advance payments/deposits received from customers were also higher at Rs.270.82 crores as at 31st March, 2007 as compared to Rs.169.56 crores as at 31st March, 2007. The overall provisions made by the Company towards taxation, proposed dividend, trade guarantees, leave encashment, pension, gratuity, post retiral medical benefits were higher at Rs.173.52 crores as at 31st March, 2007 as compared to Rs.113.33 crores as at 31st March, 2006. The increase in provision for leave encashment, pension, gratuity, post retiral medical benefits was due to adoption of Accounting Standard-15 on 'Employee Benefits'. The Board of Directors have recommended higher dividend of 100% for 2006-07 as compared to 60% for 2005-06. The total payout on account of dividend including tax on dividend for 2006-07 would be Rs.38.71 crores as compared to Rs.22.64 crores for 2005-06.

**LIQUIDITY AND CAPITAL RESOURCES**

61. In view of the ongoing good performance of various businesses coupled with funds generated from divestments/ idle properties, the liquidity of the Company has improved substantially. The working capital borrowings were lower for domestic businesses and despite some increase in overseas borrowings for projects, the overall Debt:Equity ratio stands reduced to 0.2:1. The Company now has substantial flexibility in raising resources for its future endeavours with the low gearing and continuing comfortable cash flows.

**RISK AND CONCERNS**

62. There has been volatility in commodity prices, interest rates and foreign exchange rates in the last year. With the Indian economy being impacted by international events, this volatility is likely to continue. It is expected that commodity prices will continue to remain high though interest rates may soften towards the second half of the current year. The foreign exchange market is likely to see

short-term volatility with an overall bias towards a stronger Rupee. These uncertainties call for a very effective and pro-active management of risks in commodity prices, foreign exchange and interest rates.

63. Geopolitical stability of the Gulf region continues to be an area of concern though the risk perception has improved over the last one year. In view of the substantial business of the Company emanating from the Gulf region, there is a need for vigilance, agility and contingency planning to guard against any possible flare-ups. The Company is taking steps to spread its business geographies to improve the risk profile further.

64. Human Resources: As earlier mentioned the availability of trained human resources, their retention and their changing preferences are becoming a challenge in view of the very high demand for Indian professionals and trained workers in the international markets. This has been pushing up the salary levels of the employees of the Company and other Indian companies, as well. This reduces the competitive edge of the companies depending solely on cost as a competitive weapon. This trend, coupled with the restrictions on visas for Indian labour, would not only result in increase in the cost of running the business, but could in the worst case scenario, impact the Company's execution capabilities in the projects businesses.

65. In the case of international Electro-mechanical Business, the Company has instituted a very comprehensive risk management process for all its major projects. This covers pre-bidding stage, post-bidding acceptance of the project stage and thereafter the implementation phase. In view of increase in the size of the domestic Electro-mechanical and HVAC jobs, this process is also being extended to the domestic business.

66. Each of the business divisions and functions of the Company have prepared Risk Registers covering business risks and action plans for mitigation and Risk Managers have been appointed. The Risk Managers have been vested with the authority for initiating the process of reviewing the risk register from time to time to ensure that the risk coverage is comprehensive and the changes in risk as well as risk-perception are taken care of and mitigated.

67. Risks in the area of IT security has also been reviewed and appropriate steps are being taken for improving the controls.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

68. The Company has a proper and adequate system of internal controls geared towards achieving efficiency in its various business operations, safeguarding assets, optimum utilization of resources and compliance with statutory regulations.

69. The Company has continued its efforts to align its processes and controls with best practices and has put in place a process-wise internal control framework across the Company. It has also implemented SAP, a highly integrated ERP solution.

70. The Internal Auditors of the Company conduct audits of various departments based on an annual audit plan covering key area of operations, including overseas operations. Internal Audit reviews and evaluates the adequacy and effectiveness of internal controls, ensuring adherence to operating guidelines and systems and recommending improvements for strengthening them. The Company has put in place a Risk Assessment and mitigation process across all its business operations, which is reviewed by the Management and Board Audit Committee.

71. The Company's in-house Internal Audit Department comprises qualified CAs, MBAs, CISA, etc. In order to harness skills in areas like indirect taxation, supply chain management and engineering, the Company has during the year under review, appointed M/s. Mahajan & Aibara, Chartered Accounts to attend to the internal audit work pertaining to above mentioned areas.

72. Significant audit findings and suggestions along with the 'Action taken Reports' are regularly reported to the Board Audit Committee, which consists of three non-executive independent directors. The Board Audit Committee monitors and reviews the significant audit observations, compliance with accounting standards, risk management and control systems and the status of outstanding and inventory levels.

73. The Company has, with the assistance of PricewaterhouseCoopers Private Limited (PWC), formulated a robust internal control framework for the Company. Though Clause 49 of the Listing Agreement requires reporting on the internal control framework for financial processes only, the Company has covered the operational process as well, and the same has been linked to the compliance objectives, as per COSO framework. Moreover, in order to ensure the financial interface of the process, they have been mapped to the Company's Account Code Structure.

#### **HUMAN RELATIONS**

74. The Company successfully met the challenges of its business environment due to dedication, competence and commitment displayed by its employees. The Company appreciates the contribution made by all employees in ensuring better performance and achievements during the year. The Voltas Employees Federation, which is celebrating

its Platinum Jubilee in 2007-08, have expressed their whole-hearted support to the Company's long-term growth plan.

75. The Company continued to implement best practices and innovative initiatives to meet the challenges of acquiring and retaining talent against intense competitive pressures. Focus areas are: improved visibility of the Company at campuses, Employee Contact Programs, implementing specific initiatives to make the work environment lively, greater Employee Engagement and a more proactive work culture.

76. Human Resource capability remains a key source of the Company's competitive advantage. The need to reinforce the human resource capabilities has become more critical than ever, as the Company plans to expand its businesses and also undertake projects with greater complexities. The Company continued to place emphasis on training, skills enhancement and competency development of its people for meeting future challenges. Leadership Development and Managerial Effectiveness were major areas of focus during the year. The Company sustained its emphasis on imparting required training to its employees. This included internal and external training workshops, courses and seminars to suit the strategic objectives of the Company, to meet customers' requirements and also to achieve all round employee development and growth.

77. The improvement of workplace, health, safety and ergonomics standards are on going efforts to nurture a strong sense of well being and belonging among various sections of employees, as well as their commitment and efforts towards performance improvement.

78. The total staff strength as on 31st March, 2007 was 5848, including 2761 contract staff primarily for overseas projects.

#### **CAUTIONARY STATEMENT**

79. Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.



## Report on Corporate Governance

### 1. Company's philosophy on code of governance

Good Corporate Governance is an integral part of the Company's Management and business philosophy. The Company subscribes fully to the principles and spirit of good Corporate Governance and embeds the principles of independence, integrity, accountability and transparency into the value system driving the Company.

The Board of Directors exercise their fiduciary responsibilities towards all stakeholders by ensuring transparency and independence in the decision making process. The Company has adopted the Tata Business Excellence Model as a means of driving excellence and the Balanced Scorecard methodology for tracking progress on long term strategic goals. The Company has also adopted the Tata Code of Conduct which serves as a guide to each employee including the Managing Director, on the standards of values, ethics and business principles. The Whistle Blower Policy of the Company provides a mechanism for the employees to approach the Chairman of Board Audit Committee/Ethics Counsellor and disclose information that may evidence unethical or improper activity concerning the Company.

### 2. Board of Directors

#### (a) Composition

The present Board comprises 8 members: 7 Non-Executive Directors (NEDs) and the Managing Director. Of the 7 NEDs, 3 are Independent Directors. All the Directors of the Company are liable to retire by rotation and there is no permanent director. The Company does not have any Nominee Director.

The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The number of NEDs is more than 50% of the total number of Directors. The Company, therefore, meets with the requirements relating to the composition of Board of Directors.

#### (b) Non-Executive Directors' compensation and disclosures

The Sitting Fees paid to Non-Executive Directors, including Independent Directors for attending Board/Committee Meetings are within the limits prescribed under the Companies Act, 1956 (the Act). The shareholders have at the 50th Annual General Meeting (AGM) held on 27<sup>th</sup> August, 2004 passed the Special Resolution approving payment of commission to Non-Executive Directors not exceeding 1% per annum of

the net profits of the Company, to be calculated in accordance with the provisions of the Act. The aforesaid Resolution passed was for a period of five financial years, commencing from 1<sup>st</sup> April, 2005.

#### (c) Other provisions as to Board and Committees

The gap between two Board Meetings does not generally exceed 2 months as against the statutory requirement of the gap not exceeding 4 months. During the year 2006-07, nine Board Meetings were held on the following dates:

19<sup>th</sup> April, 2006; 11<sup>th</sup> May, 2006; 31<sup>st</sup> July, 2006; 31<sup>st</sup> August, 2006; 9<sup>th</sup> October, 2006; 20<sup>th</sup> October, 2006; 8<sup>th</sup> December, 2006; 22<sup>nd</sup> January, 2007 and 16<sup>th</sup> March, 2007.

The Annual Calendar of Board Meetings is agreed upon at the beginning of the year and the Notice for Board Meetings and detailed agenda papers are circulated to all the Directors well in advance to enable them to attend and take informed decisions at the Meetings. The information as required under Annexure - IA to Clause 49 of the Listing Agreement is made available to the Board. In addition, all proposals of investments, divestments and decisions in respect of properties of the Company, execution of overseas mega projects and credit facilities in respect thereof are placed before the Board for its consideration and appropriate decision in the matter. The annual budgets – Revenue, Capital as well as the Divisional Budgets/Strategic Business Plans are presented in detail to the Directors and their valuable inputs/suggestions are taken. Similarly, actions taken in respect of suggestions made and decisions taken at the Board Meetings and Board Audit Committee Meetings are reviewed by the Directors, periodically. Considerable time is spent by the Directors on discussions and deliberations at the Board Meetings and their active participation is borne out by the number of meetings held during the year and attended by the Directors.

None of the Directors on the Board hold directorship in more than 15 companies and no Director is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies of which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The Board periodically reviews compliance of all laws applicable to the Company, based on a certificate given by the Managing Director including the steps taken, to rectify instances (if any), of non-compliances.

**The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies (as on the date of the Directors' Report) are given below:**

Name of Directors	Category	Board Meetings Attended	Attendance at the last AGM held on 7 <sup>th</sup> August, 2006	Number of Directorships in other public limited companies (excluding private/foreign companies)	Number of Committee positions held in other public companies #	
					Chairman	Member
Mr. Ishaat Hussain (Chairman)	Promoter Not Independent Non-Executive	8	Yes	13	4	5
Mr. A. Soni (Managing Director)	Not Independent Executive	9	Yes	2	—	—
Mr. N. M. Munjee	Independent Non-Executive	6	Yes	14	4	5
Mr. N. J. Jhaveri	Independent Non-Executive	6	Yes	13	2	5
Mr. S. D. Kulkarni	Independent Non-Executive	9	Yes	4	2	3
Mr. Ravi Kant	Promoter Not Independent Non-Executive	7	Yes	5	—	1
Mr. N. D. Khurody	Not Independent Non-Executive	8	Yes	8	—	3
Mr. Noel N. Tata	Promoter Not Independent Non-Executive	7	Yes	5	—	—

# Comprises Chairmanship/Membership in Board Audit Committee and Shareholders'/Investors' Grievance Committee.

#### (d) Code of Conduct

The Board has adopted the Code of Conduct for the Directors and senior management of the Company and the same have been posted on the website of the Company. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct as on 31<sup>st</sup> March, 2007. A declaration to this effect, signed by Managing Director of the Company is annexed hereto. Senior management comprises the Division/Department/Functional Heads and the CFOs of the respective business clusters.

### 3. Audit Committee

#### (a) Composition, name of Members and Chairman

The Company has a Board Audit Committee comprising Non-Executive Independent Directors – Mr. N. J. Jhaveri, Mr. N. M. Munjee and Mr. S. D. Kulkarni. Mr. N. J. Jhaveri is the Chairman of the Board Audit Committee. All members of the Board Audit Committee are financially

literate and have relevant finance and/or audit exposure. Mr. S. D. Kulkarni is a Chartered Accountant by qualification. The Managing Director, the Executive Vice President (Finance), the Chief Internal Auditor and the Statutory Auditors attend the Meetings as Invitees. The Division Heads and other operating people also attend the Meetings, when required. The Cost Auditor attends the meetings at which Cost Audit related issues are discussed. The Company Secretary acts as the Secretary of the Board Audit Committee. The Minutes of the Board Audit Committee Meetings are circulated and discussed at the Board Meetings.

#### (b) Meetings and attendance during the year

Seven Board Audit Committee Meetings were held during the financial year 2006-07 on the following dates:

3<sup>rd</sup> May, 2006; 10<sup>th</sup> May, 2006; 27<sup>th</sup> July, 2006;  
31<sup>st</sup> August, 2006; 20<sup>th</sup> October, 2006;  
22<sup>nd</sup> January, 2007 and 22<sup>nd</sup> February, 2007.





The attendance of each member of the Committee is given below:

Name of Directors	No. of Meetings attended
Mr. N. J. Jhaveri	6
Mr. N. M. Munjee	3
Mr. S. D. Kulkarni	7

The quorum of Board Audit Committee Meetings is two members or one-third of the members, whichever is less. The Chairman of the Board Audit Committee also attended the last Annual General Meeting of the Company.

**(c) Terms of reference and role of Audit Committee**

The terms of reference, powers and role of Audit Committee are in accordance with Clause 49II(C), (D) and (E) of the Listing Agreement with the Stock Exchanges. The broad terms of reference includes the following:

- Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - (i) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - (ii) Changes, if any, in accounting policies and practices and reasons for the same.
  - (iii) Major accounting entries involving estimates based on the exercise of judgement by management.
  - (iv) Significant adjustments made in the financial statements arising out of audit findings.
  - (v) Compliance with listing and other legal requirements relating to financial statements.

- (vi) Disclosure of any related party transactions.
- (vii) Qualifications in the draft Audit Report.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on significant audit findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Board Audit Committee also periodically reviews the progress on execution of overseas projects including the Company's exposure on bank credit facilities and guarantees, the cash flow position and risk ratings of overseas projects, position of inventory and outstandings including the action plan for its realization.

**4. Subsidiary Companies**

The Company has six unlisted subsidiary companies, of which two are Indian subsidiaries. As defined in Clause 49 III of the Listing Agreement, none of the Indian subsidiary falls under the category of 'material non-listed Indian subsidiary'. However, the financial statements of all subsidiary companies including investments made, if

any, are periodically reviewed by Board Audit Committee. The performance of the subsidiary companies and the Minutes of Board Meetings of these subsidiary companies are discussed at the Board Meetings of the Company. Any significant transaction or arrangement entered into by the subsidiary company is also reported to the Board of Directors of the Company.

**5. Managerial Remuneration**

**(a) Remuneration Committee**

The Remuneration Committee comprises 3 Non-Executive Independent Directors - Mr. S. D. Kulkarni, Mr. N. J. Jhaveri and Mr. N. M. Munjee. Mr. S. D. Kulkarni is the Chairman of the Remuneration Committee. During the financial year 2006-07, three meetings were held on 11<sup>th</sup> May, 2006, 31<sup>st</sup> July, 2006 and 8<sup>th</sup> December, 2006. The Non-Executive Chairman of the Board attends the Meeting by invitation. The Minutes of the Remuneration Committee Meetings are circulated and discussed at the Board Meetings.

The attendance of each member of the Committee is given below:

Name of Directors	No. of Meetings attended
Mr. S. D. Kulkarni	3
Mr. N. J. Jhaveri	2
Mr. N. M. Munjee	2

**(b) Remuneration Policy**

The Remuneration of the Managing Director and Executive Director (if any) is reviewed by the Remuneration Committee based on certain criteria such as industry benchmarks, the Company's performance, the responsibilities shouldered, performance/goals and achievements of the concerned managerial person. The remuneration comprises salary, perquisites and allowances and incentive remuneration and/or commission. Annual salary increment and incentive remuneration is decided by the Remuneration Committee within the scales approved by the shareholders. The Remuneration Committee also decides on the commission payable to the Managing Director and Executive Director (if any), on determination of net profits of the Company for the financial year, within the overall ceilings prescribed under the Companies Act, 1956. The recommendation of the Remuneration Committee for annual salary increment, incentive remuneration and/or commission is placed before the Board for its approval. The

Remuneration Committee also reviews and recommends the revision in pension payable to the retired managerial personnel, under the Retirement Benefit Scheme adopted by the Company.

The remuneration by way of commission to the Non-Executive Directors is decided by the Board of Directors. The Members had, at the AGM held on 27<sup>th</sup> August, 2004, approved payment of commission to the Non-Executive Directors of the Company, of a sum not exceeding 1% per annum of the net profits of the Company, calculated in accordance with the provisions of the Act, for a period of five years commencing from 1<sup>st</sup> April, 2005. The commission for the financial year 2006-07 will be distributed amongst the said directors in accordance with the directives given by the Board.

A sitting fee of Rs. 10,000 for attending each meeting of the Board and Audit Committee and Rs. 5,000 for Remuneration Committee, Shareholders'/Investors' Grievance Committee was paid to the Non-Executive Directors during the year 2006-07. In view of increase in the responsibilities of the Remuneration Committee, the Board of Directors have in April 2007, increased the sitting fees payable to the members of Remuneration Committee from Rs. 5,000 to Rs. 10,000 for attending each such meeting. The maximum sitting fees permitted under the Companies Act, as applicable to the Company, is Rs. 20,000 for each Director per meeting of the Board/Committees.

**Remuneration to Directors**

The Directors' remuneration paid/payable and sitting fees paid in 2006-07 and their shareholding in the Company as on date is given below:

• **Non-Executive Directors**

Name of Directors	Commission for 2006-07* Rs. in Lakhs	Sitting Fees paid in 2006-07 Rs. in Lakhs	No. of Shares held
Mr. Ishaat Hussain	5.00	0.80	—
Mr. N. M. Munjee	5.00	1.00	—
Mr. N. J. Jhaveri	5.00	1.30	—
Mr. S. D. Kulkarni	5.00	1.75	1990
Mr. Ravi Kant	5.00	0.70	—
Mr. N. D. Khurody	5.00	0.80	—
Mr. Noel N. Tata	5.00	0.80	—

\* payable in 2007-08.



The Company did not have any pecuniary relationship or transactions with the Non-Executive Directors during the year 2006-07 except as stated above.

● **Remuneration of Managing Director**

(Rs. in Lakhs)

Name of Director	Salary	Perquisites and allowances including contribution to PF and Superannuation Fund	Commission for 2006-07*
Mr. A. Soni	22.80	31.33	55.00

\* payable in 2007-08.

**Notes:**

(a) Mr. A. Soni was reappointed as the Managing Director for a period between 25<sup>th</sup> September, 2005 and 22<sup>nd</sup> April, 2010. Either party is entitled to terminate the agreement by giving not less than six months notice in writing to the other party. No severance fees is payable.

(b) The Company has not introduced any stock options to its directors/employees.

(c) Mr. A. Soni does not hold any Equity Shares of the Company either singly or jointly.

**6. Shareholders/Investors Grievance Committee**

The Shareholders/Investors Grievance Committee, apart from reviewing the operations of in-house Share Service Centre also looks into the redressal of shareholder and investor complaints, compliances in respect of dividend payments and transfer of unclaimed amounts to the Investor Education and Protection Fund pursuant to the provisions of Section 205C of the Companies Act, 1956. Mr. Noel N. Tata, Non-Executive Director is the Chairman of the Committee. The Shareholders/Investors Grievance Committee Meeting is attended by the Company Secretary and the Share Manager. During the financial year 2006-07, two Meetings were held on 11<sup>th</sup> May, 2006 and 20<sup>th</sup> October, 2006. The Minutes of the Shareholders/Investors Grievance Committee Meetings are circulated and noted by the Directors at the Board Meetings.

The share registry work for physical as well as demat shares is carried out by the Company's in-house Share Service Centre. The Company has established direct connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India)

Limited (CDSL) – the Depositories in respect of shares in demat form. The Share Service Centre is prompt in attending to requests received from shareholders/investors for transfer, split, consolidation as well as for issue of duplicate certificates and completes the process and despatches the certificates quickly, well within the stipulated time. The demat requests are also processed well within the stipulated time. Requests for transfer of shares are processed and approved weekly. The number of complaints received from SEBI/ Stock Exchanges were very few, 11 during the financial year 2006-07 and the same have been suitably dealt with and resolved. The number of transfers pending as on 31<sup>st</sup> March, 2007 was 8.

Mr. V. P. Malhotra, General Manager – Taxation & Company Secretary and Mr. A. H. Khilnani, Share Manager liaise with SEBI and other Regulatory authorities in the matter of investors complaints. The Board has nominated Mr. V. P. Malhotra as the Compliance Officer of the Company for monitoring the share transfer process and other related matters.

**7. Other Committees**

In addition to the above Committees, the Board has constituted certain other Committees i.e. Board Committee, Investment Committee and Ethics and Compliance Committee.

(a) The Board Committee comprising any two Directors is authorized to approve routine matters such as opening/closing and changes in the operation of bank accounts of the Company, to grant limited power of attorney to the officers of the Company and for authorizing executives for signing sales tax and excise forms, declarations, etc.

(b) The Investment Committee comprising Mr. S. D. Kulkarni, Non-Executive Independent Director, Mr. A. Soni, Managing Director and Mr. M. M. Miyajiwala, Executive Vice President (Finance) and Chief Financial Officer of the Company, has been constituted to consider and take decisions for investment/deployment of surplus funds of the Company.

(c) The Ethics and Compliance Committee comprising Mr. N. M. Munjee and Mr. N. D. Khurody, NEDs has been constituted to oversee the implementation of the Code of Conduct adopted by

the Company for prevention of Insider Trading and Corporate Disclosure Practices formulated for Tata group companies in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Board of Directors have nominated Mr. M. M. Miyajiwala as the Compliance Officer to ensure due compliance of the aforesaid Code. Mr. B. N. Garudachar, General Manager (Corporate Communications) has been nominated as the Public Spokesperson of the Company for Corporate Disclosures.

**8. General Body Meetings**

The last three Annual General Meetings (AGMs) were held at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai – 400 020, as follows:

Date of AGM	Time	Special Resolutions passed	
		No.	Nature
50 <sup>th</sup> AGM - 27 <sup>th</sup> August, 2004	3.30 p.m.	2	(1) Commission to Non-Executive Directors (2) Appointment of Auditors
51 <sup>st</sup> AGM - 29 <sup>th</sup> August, 2005	3.30 p.m.	2	(1) Reappointment of Mr. A.Soni as Managing Director (2) Place of keeping and inspection of Registers and Returns
52 <sup>nd</sup> AGM - 7 <sup>th</sup> August, 2006	3.30 p.m.	1	Alteration in the Articles of Association in view of sub-division of equity shares of the Company

No Special Resolutions are proposed to be passed through postal ballot at the ensuing Annual General Meeting.

There was no Extraordinary General Meeting held during the financial year 2006-07.

**9. Details of Directors seeking appointment/reappointment as required under Clause 49 IV(G)(i) of the Listing Agreement entered into with Stock Exchanges**

As required under Clause 49 IV(G)(i), particulars of Directors seeking reappointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 6<sup>th</sup> August, 2007.

**10. Disclosures**

- During the year under review, besides the transactions reported in Notes to Accounts (Refer Point No. 39), there were no other related party transactions

with the promoters, directors, management and subsidiaries that had a potential conflict with the interest of the Company at large. The related parties do not vote on the related party transactions. The interest of Directors, if any, on transactions are disclosed at Board Meetings and the interested Director does not participate in the discussion or vote on such transactions. Details of transactions with related parties are placed before the Board Audit Committee on quarterly basis. All transactions with related parties were in the normal course of business.

- During the last three years, there were no strictures or penalties imposed by SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to capital markets.

- The Company has adopted a Whistle Blower Policy which enables the employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct. The mechanism provides for adequate safeguards against victimization of employees and provides a direct access to the Chairman of the Board Audit Committee on concerns relating to financial accounting matters. For all other concerns, if they pertain to employees below the Vice President level, the same gets referred to the Ethics Counsellor and for Vice Presidents and above, the same would be referred to the Chairman of the Board Audit Committee. Whistle Blower Policy has been communicated to the employees of the Company and its functioning is periodically reviewed by the Board Audit Committee.

- Senior management has made the disclosure to the Board and confirmed that they had no material financial and commercial transactions that could have a potential conflict with the interest of the Company at large.

- In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

- The Company has laid down procedures for the risk assessment and minimization procedures. This has been informed to the Board and reviewed to ensure that Executive Management controls risk through a means of a properly defined framework.



- The Company did not raise funds through public/ rights/preferential issues during the financial year 2006-07.
- In line with the requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a firm of practising Company Secretaries to confirm that the aggregate number of equity shares of the Company held in NSDL and CDSL and in physical form tally with the total number of issued/paid-up, listed and admitted capital of the Company.
- Management and Discussion Analysis Report (MDA) forms part of the Annual Report and includes discussions on various matters specified under Clause 49 IV (F) of the Listing Agreement. The Board Audit Committee has reviewed the MDA report for the financial year 2006-07.
- The Managing Director and Executive Vice President (Finance) (CFO) have certified to the Board in accordance with Clause 49 V of the Listing Agreement pertaining to CEO/CFO certification for the financial year 2006-07.
- The Company has complied with the Mandatory requirements of Clause 49 of the Listing Agreement. As regards Non-mandatory requirements, the Company has constituted a Board Remuneration Committee, adopted a Whistle Blower Policy and has unqualified financial statements. The Non-Executive Directors freely interact with the Management on information that may be required by them. The Management also shares with the Board, changes in relevant laws and regulations and its implication on the Company. The performance of Non-Executive Directors is based on the contributions at Board/Committee Meetings as well as time spent on operational matters other than at the Meetings. The Company has not adopted the Non-mandatory requirements in regard to maintenance of Non-Executive Chairman's office and sending half-yearly financial results to the shareholders at their residence.

#### 11. Means of Communication

- The quarterly and half-yearly results are published in widely circulated newspapers: Business Standard and DNA in English; Sakal and Mumbai Lakshyadeep in Marathi.

- As per the requirements of Clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern, annual report, etc. are uploaded on the SEBI's EDIFAR website [www.sebidifar.nic.in](http://www.sebidifar.nic.in) within the timeframe prescribed in this regard.
- The financial results, official news releases and presentations, if any, made to institutional investors or to the analysts are displayed on the Company's website [www.voltas.com](http://www.voltas.com). Copies of Press Release are also sent to the Stock Exchanges.

#### 12. General Shareholders Information

- AGM: Date, time and venue : Monday, 6<sup>th</sup> August, 2007 at 3.30 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai - 400 020.
- Financial Calendar : (a) 1<sup>st</sup> April to 31<sup>st</sup> March  
(b) First Quarter Results  
– By end July 2007  
(c) Second Quarter Results  
– By end October 2007  
(d) Third Quarter Results  
– By end January 2008  
(e) Results for the year ending  
31<sup>st</sup> March, 2008  
– By end June 2008
- Date of Book closure : Tuesday, 10<sup>th</sup> July, 2007 to Monday, 6<sup>th</sup> August, 2007 (both days inclusive).
- Dividend Payment date : Dividend would be paid on or after 7<sup>th</sup> August, 2007.
- Listing on Stock Exchange : Bombay Stock Exchange Limited, National Stock Exchange of India Limited.

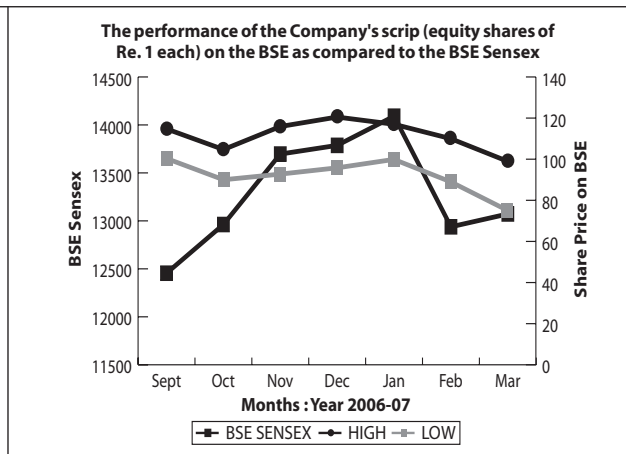
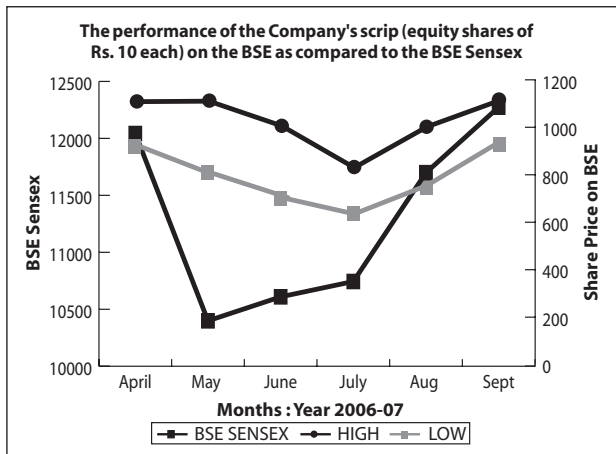
The Company has paid the listing fees to BSE and NSE for the year 2007-08.

- Stock Code  
– NSE : VOLTAS  
– BSE : 500575  
– ISIN Number for NSDL/CDSL : INE226A01021

- Market Information

Market price data-monthly high/low and trading volumes during the last financial year on the BSE/NSE depicting liquidity of the Company's Equity Shares on the said exchanges is given hereunder:

Month	Bombay Stock Exchange Ltd. (BSE)						National Stock Exchange of India Ltd. (NSE)			
	BSE Sensex	*Face Value Rs.	High Rs.	Low Rs.	No. of Shares Traded	Turnover Rs. in Lakhs	High Rs.	Low Rs.	No. of Shares Traded	Turnover Rs. in Lakhs
<b>2006</b>										
April	12043	10	1108.00	925.00	332812	3425.10	1100.00	870.00	1034028	10486.10
May	10399	10	1110.00	807.10	740975	7554.50	1120.00	815.00	1629733	16523.96
June	10609	10	1006.00	704.00	807351	6356.63	1010.00	702.00	1584054	12593.76
July	10744	10	830.00	635.10	927481	6911.12	830.00	617.40	1551647	11611.77
August	11699	10	1002.00	755.05	893121	8025.41	1004.00	725.15	2379104	21195.85
September*	12274	10	1112.90	938.25	2140018	21887.98	1111.00	940.00	4851884	49637.98
September*	12454	1	114.70	100.30	5332812	5815.98	118.95	99.00	11984505	13060.02
October	12962	1	104.70	90.00	5243426	5057.08	107.00	90.00	14534855	14041.69
November	13696	1	115.90	92.75	27489626	29472.27	116.70	92.30	71629602	76753.89
December	13787	1	120.50	95.80	15679242	17652.34	120.40	95.20	33088316	36963.46
<b>2007</b>										
January	14091	1	117.00	99.90	6291629	6823.13	116.90	99.75	20723427	22371.78
February	12938	1	110.00	89.00	4878579	4849.10	106.00	80.25	17473914	17373.14
March	13072	1	99.00	75.10	6126811	5244.26	98.70	75.10	18862945	16028.44



\* Equity Shares of Rs.10 each were sub-divided into 10 equity shares of Re. 1 each and accordingly, the shares of face value of Re. 1 each are traded on the Stock Exchanges effective September 2006.



At the Fifty-Second Annual General Meeting of the Company held on 7<sup>th</sup> August, 2006, the members had approved the proposal of sub-division of equity shares of Rs.10 each into 10 equity shares of Re. 1 each. Accordingly, 29<sup>th</sup> September, 2006 was fixed as 'Record Date' for the purpose of determining the shareholders who would be entitled to receive the sub-divided equity shares. The Company had after completing all corporate actions, debited the demat account of respective shareholders holding equity shares of Rs. 10 each in demat form represented by ISIN:INE226A01013 and given credit for shares of Re. 1 each represented by new ISIN:INE226A01021. In case of shares held in physical form, the Company had despatched the new certificates for equity shares of Re. 1 each to those shareholders who had surrendered their share certificates of Rs.10 each for cancellation. Shareholders who have not yet surrendered the share certificates of Rs. 10 each are requested to send the same to the Company's in-house Share Service Centre for exchange of share certificates of Re. 1 each.

● **Distribution of shareholding as on 31<sup>st</sup> March, 2007**

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Issued Share Capital
Upto 5000	94229	44883346	13.57
5001 to 10000	1229	8872084	2.68
10001 to 20000	464	6660822	2.01
20001 to 30000	114	2767827	0.84
30001 to 40000	63	2231530	0.67
40001 to 50000	36	1661560	0.50
50001 to 100000	57	4042364	1.22
100001 and above	120	259765207	78.51
<b>Total</b>	<b>96312</b>	<b>330884740</b>	<b>100.00</b>
<b>Physical Mode</b>	<b>22873</b>	<b>19622845</b>	<b>5.93</b>
<b>Electronic Mode</b>	<b>73439</b>	<b>311261895</b>	<b>94.07</b>

● **Shareholding Pattern as on 31<sup>st</sup> March, 2007**

Category	No. of Shares held	% of Issued Share Capital
Tata Group of Companies	91347880	27.61
Fils	94917428	28.69
Financial Institutions	42199438	12.75
Mutual Funds and UTI	22350609	6.75
Bodies Corporate	13038256	3.94
NRIs	2125677	0.64
Nationalised Banks	716726	0.22
Foreign Companies	89850	0.03
Directors	1990	-
Public	64096886	19.37
<b>Total</b>	<b>330884740</b>	<b>100.00</b>

● **Shareholders holding more than 1% Equity Shares of the Company as on 31<sup>st</sup> March, 2007**

Name of Shareholder	No. of Shares held	% of Issued Share Capital
Tata Sons Ltd.	78731780	23.79
Life Insurance Corporation of India	26481388	8.00
Tata Investment Corporation Ltd.	9502330	2.87
ABN Amro Bank London Branch	8939469	2.70
Citigroup Global Markets Mauritius Pvt. Ltd.	8065485	2.44
The Master Trust Bank of Japan Limited A/c		
Nomura India Investment Fund Mother Fund	7216850	2.18
Matthews India Fund	6211750	1.88
The New India Assurance Company Ltd.	5988080	1.81
General Insurance Corporation of India	5324580	1.61
Templeton Mutual Fund A/c Franklin India Flexi Cap Fund	5000000	1.51
Allianz Global Investors Luxemburg S.A. A/c		
DIT-BRIC Stars	4400000	1.33
Fidelity Trustee Company Pvt. Ltd. A/c Fidelity India Special Situations Fund	4100118	1.24
The Oriental Insurance Company Ltd.	3745470	1.13
The India Fund, Inc.	3646350	1.10
Carlson Fund Equity – Asian Small Cap	3500000	1.06
Credit Agricole Funds India	3357760	1.01

- Registrar & Transfer : In-house Agent  
 Voltas Limited  
 Share Service Centre  
 T. B. Kadam Marg  
 Mumbai - 400 033  
 Tel : 66656511  
 Fax : 66656311  
 e-mail : shareservices@voltas.com
- Share Transfer : The transfers are processed and approved by the Share Transfer Committee on a weekly basis.
- Dematerialisation of: 94.07% of the share capital has shares and liquidity been dematerialized as on 31<sup>st</sup> March, 2007.
- Outstanding GDRs/ : The Company has not issued ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity

- Plant locations : The Company's Plants are located at Thane, Dadra and Uttarakhand.
- Addresses for correspondence : Shareholders' correspondence should be addressed to the Company's Share Service Centre at the address mentioned aforesaid.

**Shareholders holding shares in electronic mode should address all their correspondence to the respective Depository Participants.**

● **Unclaimed Dividends**

Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government and no claim shall lie against the said Fund or the Company for the amount of dividend so transferred. Shareholders are advised to claim the un-cashed dividends lying in the unpaid dividend accounts of the Company before the due date. Given below are the dates of declaration of dividend and corresponding dates when unclaimed dividends are due for transfer to IEPF.

Date of declaration/ payment of dividend	Dividend for the year	Due for transfer to the IEPF
26th May, 2000 (Interim)	1999-2000	13th July, 2007
8th August, 2001	2000-2001	13th September, 2008
12th August, 2002	2001-2002	17th September, 2009
18th August, 2003	2002-2003	23rd September, 2010
27th August, 2004	2003-2004	1st October, 2011
29th August, 2005	2004-2005	3rd October, 2012
7th August, 2006	2005-2006	12th September, 2013

● **Remittance of Dividend through ECS**

Members desirous of receiving dividend by direct electronic deposit through Electronic Clearing Service (ECS) Scheme of Reserve Bank of India to their bank accounts may authorize the Company with their ECS mandate. For details, kindly write to the Company's Share Service Centre.

● **Bank details for Electronic Shareholding**

While opening Accounts with Depository Participants (DPs), you may have given your Bank Account details, which will be used by the Company for printing on dividend warrants for remittance of dividend. However, members who wish to receive dividend in a bank account, other than the one specified while opening the Depository Account, may notify their DPs about any change in bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their Banks to their DPs.

● **Bank details for Physical Shareholding**

In order to provide protection against fraudulent encashment of dividend warrants, the members are requested to provide, if not provided earlier, their Bank Account numbers, names and addresses of the Bank, quoting Folio numbers to the Company's Share Service Centre to incorporate the same on the dividend warrants.

● **Shareholders' Satisfaction Survey**

The Company's Share Service Centre (SSC) had in September 2006 carried out a survey to ascertain the feedback of the shareholders in regard to the services rendered by SSC. Response received from the shareholders was encouraging as most of them had confirmed their satisfaction.





---

## DECLARATION BY THE MANAGING DIRECTOR ON COMPLIANCE WITH THE CODE OF CONDUCT

I hereby declare that all the Directors and Senior Management personnel have as on 31<sup>st</sup> March, 2007 affirmed compliance to their respective Codes of Conduct adopted by the Company and confirmation to that effect has been given by each of them.

*Mumbai,  
14<sup>th</sup> May, 2007*

**A.Soni**  
*Managing Director*

---

## AUDITORS' CERTIFICATE

### To the Members of VOLTAS LIMITED

We have examined the compliance of conditions of Corporate Governance by VOLTAS LIMITED, for the year ended 31<sup>st</sup> March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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 compliance with 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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

*Mumbai,  
14<sup>th</sup> May, 2007*

For S.B. BILLIMORIA & CO.  
*Chartered Accountants*

**Mohammed Z. Merchant**  
*Partner*  
Membership No. 31971

## AUDITORS' REPORT

### To the Members of Voltas Limited

1. We have audited the attached Balance Sheet of **VOLTAS LIMITED**, as at 31<sup>st</sup> March 2007, the Profit and Loss Account of the Company for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the Returns from the Qatar, Bahrain and UAE Branches audited by other auditors. 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purpose of our audit;
  - (ii) 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 and proper returns adequate for the purposes of our audit have been received from the Qatar, Bahrain and UAE Branches audited by other auditors;
  - (iii) the report on the accounts of the Qatar, Bahrain and UAE Branches audited by other auditors have been forwarded to us and have been dealt with by us in preparing this report;
  - (iv) the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and returns;
  - (v) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 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 31<sup>st</sup> March, 2007;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
  - (vii) on the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.  
Chartered Accountants

**MOHAMMED Z. MERCHANT**  
Partner  
Membership No. 31971

Mumbai  
14<sup>th</sup> May, 2007



## ANNEXURE TO THE AUDITORS' REPORT

### (Referred to in paragraph 3 of our report of even date)

- (i) (a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situation in most cases of such assets.
- (b) As explained to us, most of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed of by the Company.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, in our opinion, the procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) According to the information and explanations given to us, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material, having regard to the size of the operations of the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Hence paragraphs (iii)(b), (c) and (d) are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Hence paragraphs (iii)(f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed nor have been informed of any continuing failure to correct major weakness in the internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered in the Register required to be maintained under Section 301 of the Companies Act, 1956, has been so entered.
- (b) In our opinion and according to the information and explanations given to us and having regard to our comments in Para (iv) above, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, where such market prices are available.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the period covered by our audit report. In respect of unclaimed deposits, the Company has complied with the provisions of

Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and as per information and explanations given to us, no order under the aforesaid sections has been passed by the National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of airconditioners and refrigerators and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate and complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

(ix) In respect of statutory and other dues:

(a) According to the information and explanations given to us and according to the books and records as produced and examined by us, the Company is generally regular in depositing with the appropriate authorities, undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, Sales Tax and any other material statutory dues applicable to it. According to information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Sales tax and Cess were in arrears, as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, details of dues of income tax, excise duty, service tax and sales tax which have not been deposited as on 31<sup>st</sup> March, 2007 on account of any dispute are given below:

Particulars	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in Lakhs)
1. Income Tax	High Court	1974-1976, 1991-1993	14.58
2. Excise Duty	High Court	1986	7.95
	Customs, Excise And Service Tax Appellate Tribunal (CESTAT)	1993-1999, 2001-02	314.43
	Commissioner of Central Excise (Appeals)	1983-1986	11.47
	Commissioners/Adjudicating Authority	1981-1982, 1983-1984, 1986-1991, 1992-2006	3124.30
3. Service Tax	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	1998-2003	15.98
	Commissioner of Central Excise (Appeals)	2001-2005	21.56
	Commissioners/Adjudicating Authority	1998-2006	202.63
4. Sales Tax	Supreme Court	1988-1989	0.09
	High Court	1988-1991, 1993-2001	2047.41
	Appellate Tribunal	1987-1989, 1991-2002	660.70
	Commissioner Appeals	1989-1991, 1992-1997, 1998-1999, 2001-2003	632.02
	Deputy Commissioner Appeals	1985-1986, 1990-1993, 1995-1996, 1999-2004, 2005-2006	312.80
	Assessing Authority	1981-1982, 1985-2007	667.63



- (x) The Company does not have accumulated losses as at 31<sup>st</sup> March, 2007 and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institution, bank and debenture holder.
- (xii) Based on our examination of the records, 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.
- (xiii) In our opinion, the Company is not a chit fund or a *nidhi*/mutual benefit fund/society. Therefore, the provisions of any special statute as specified under clause (xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks and financial institutions, are not *prima facie* prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) In our opinion and according to information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report.
- (xx) As informed to us, during the period covered by our audit, the Company has not raised any money through public issue.
- (xxi) According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud by the Company and no material fraud on the Company has been noticed or reported during the course of our audit.

For S. B. BILLIMORIA & CO.  
*Chartered Accountants*

**MOHAMMED Z. MERCHANT**  
*Partner*

*Mumbai*  
*14<sup>th</sup> May, 2007*

Membership No. 31971

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS FUNDS</b>				
1. SHARE CAPITAL	A		<b>3306.83</b>	3306.26
2. RESERVES AND SURPLUS	B		<b>34768.48</b>	20834.68
3. TOTAL			<b>38075.31</b>	24140.94
<b>LOAN FUNDS</b>				
4. SECURED LOANS	C		<b>8214.19</b>	4700.84
5. UNSECURED LOANS	D		<b>Nil</b>	2500.00
	TOTAL		<b>46289.50</b>	31341.78
<b>APPLICATION OF FUNDS</b>				
6. FIXED ASSETS				
GROSS BLOCK	E	<b>23889.46</b>		26975.74
LESS : DEPRECIATION		<b>11505.68</b>		14591.99
NET BLOCK		<b>12383.78</b>		12383.75
CAPITAL WORK-IN-PROGRESS		<b>603.49</b>		1098.52
			<b>12987.27</b>	13482.27
7. INVESTMENTS	F		<b>13741.06</b>	6103.30
8. DEFERRED TAX ASSET (Net) (See Note 11, Schedule 'P')			<b>2967.01</b>	2668.00
9. CURRENT ASSETS, LOANS AND ADVANCES				
(A) Current Assets				
1. Inventories	G	<b>48250.80</b>		29923.97
2. Sundry Debtors	H	<b>43980.80</b>		39355.79
3. Cash and Bank Balances	I	<b>14025.01</b>		10863.09
4. Interest accrued on Investments		<b>47.07</b>		25.93
			<b>106303.68</b>	80168.78
(B) Loans and Advances	J	<b>17053.13</b>		12816.66
			<b>123356.81</b>	92985.44
10. LESS : CURRENT LIABILITIES AND PROVISIONS				
(A) Current Liabilities	K	<b>89410.86</b>		72564.23
(B) Provisions	K	<b>17351.79</b>		11333.00
			<b>106762.65</b>	83897.23
11. NET CURRENT ASSETS			<b>16594.16</b>	9088.21
	TOTAL		<b>46289.50</b>	31341.78

(For notes forming part of the Accounts see Schedule 'P'  
The Schedules referred to above form an integral part of the Accounts)

In terms of our Report of even date.

For S. B. Billimoria & Co.  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Mumbai, 14<sup>th</sup> May, 2007

Chairman  
Managing Director  
Directors

**Ishaat Hussain**  
**A. Soni**  
**N. M. Munjee**  
**N. J. Jhaveri**  
**S. D. Kulkarni**  
**Ravi Kant**  
**N. D. Khurody**

Executive Vice President (Finance)  
General Manager - Taxation  
& Company Secretary  
Mumbai, 14<sup>th</sup> May, 2007

**M. M. Miyajiwala**  
**V. P. Malhotra**



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

	Schedule	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. SALES AND SERVICES (See Notes 12 and 36, Schedule 'P')		<b>245078.10</b>		190417.77
Less: EXCISE DUTY		<b>5022.94</b>		<u>5104.02</u>
NET SALES AND SERVICES			<b>240055.16</b>	185313.75
2. OTHER INCOME	L		<b>3095.43</b>	2431.39
3. COST OF SALES, SERVICES AND EXPENSES	M		<b>229187.16</b>	<u>175240.88</u>
4. PROFIT BEFORE FINANCIAL ITEMS, DEPRECIATION AND EXCEPTIONAL ITEMS			<b>13963.43</b>	12504.26
5. FINANCIAL ITEMS	N		<b>(2781.13)</b>	(392.49)
6. DEPRECIATION ON FIXED ASSETS			<b>1232.38</b>	1108.51
7. PROFIT BEFORE EXCEPTIONAL ITEMS			<b>15512.18</b>	11788.24
8. EXCEPTIONAL ITEMS	O		<b>6771.17</b>	(2619.10)
9. PROFIT BEFORE TAXATION			<b>22283.35</b>	9169.14
10. PROVISION FOR TAXATION				
– Provision for Current Tax [Including Foreign Income Tax Rs. 409.29 Lakhs (2005-06 : Rs. 277.30 Lakhs)]		<b>3740.29</b>		2280.00
– Provision for Taxation of Earlier Years Written Back		<b>(467.16)</b>		Nil
– Provision for Deferred Tax		<b>110.00</b>		(515.00)
– Provision for Wealth Tax		<b>32.00</b>		30.00
– Provision for Fringe Benefit Tax		<b>260.00</b>		<u>325.00</u>
			<b>3675.13</b>	2120.00
11. PROFIT AFTER TAXATION			<b>18608.22</b>	7049.14
12. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR			<b>2485.39</b>	2000.00
13. AMOUNT TRANSFERRED FROM FOREIGN PROJECTS RESERVE			<b>344.00</b>	400.00
14. PROFIT AVAILABLE FOR APPROPRIATIONS			<b>21437.61</b>	9449.14
15. APPROPRIATIONS :				
(a) GENERAL RESERVE		<b>13566.42</b>		4700.00
(b) PROPOSED DIVIDEND		<b>3308.85</b>		1985.31
(c) TAX ON DIVIDEND		<b>562.34</b>		<u>278.44</u>
			<b>17437.61</b>	6963.75
16. BALANCE CARRIED FORWARD			<b>4000.00</b>	<u>2485.39</u>
Basic and diluted earnings per share of Re. 1 each (including Exceptional Items) (in Rs.) (See Note 17, Schedule 'P')			<b>5.62</b>	2.13

(For notes forming part of the Accounts see Schedule 'P'.  
The Schedules referred to above form an integral part of the Accounts)

In terms of our Report of even date.

For S. B. Billimoria & Co.  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Mumbai, 14<sup>th</sup> May, 2007

*Chairman*  
*Managing Director*  
*Directors*

**Ishaat Hussain**  
**A. Soni**  
**N. M. Munjee**  
**N. J. Jhaveri**  
**S. D. Kulkarni**  
**Ravi Kant**  
**N. D. Khurody**

*Executive Vice President (Finance)*  
*General Manager - Taxation*  
*& Company Secretary*

**M. M. Miyajiwala**  
**V. P. Malhotra**

Mumbai, 14<sup>th</sup> May, 2007

**CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2007**

<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Rupees in Lakhs</b>	<b>Rupees in Lakhs</b>	<b>2005-2006 Rupees in Lakhs</b>
Net Profit before Taxation		<b>22283.35</b>	9169.14
Add - Adjustments for :			
Depreciation	1232.38		1108.51
Provision for Contingencies	1133.59		(850.00)
Provision for Diminution in value of Investments	17.90		(395.71)
Net Profit on Sale/Retirement of Fixed Assets	(1531.19)		(1579.32)
(Profit)/Loss on Sale of Non-Trade Investments	(0.10)		(0.27)
Interest paid (Net)	(47.14)		140.05
Income from Investments	(2733.99)		(532.54)
Provision for Leave Encashment	222.83		227.57
Provision for Gratuity	562.92		146.68
Provision for Post Retiral Medical Benefits	28.58		Nil
Impairment written back	Nil		(2773.54)
(Profit)/Loss on Sale of Trade Investments	(7806.24)		410.60
Cost of Voluntary Retirement Scheme	358.77		6507.87
		<b>(8561.69)</b>	<b>2409.90</b>
Operating Profit before Working Capital changes		<b>13721.66</b>	11579.04
Less - Adjustments for :			
Increase/(Decrease) in Inventories	18326.83		5923.39
Increase/(Decrease) in Trade and other Receivables	4625.01		3633.31
Increase/(Decrease) in Loans and Advances	4501.16		1449.61
Decrease/(Increase) in Advances from Customers	(10125.86)		(2313.96)
Decrease/(Increase) in Trade Payables	(6853.99)		(9283.79)
		<b>10473.15</b>	<b>(591.44)</b>
Cash generated from Operations		<b>3248.51</b>	12170.48
Less :			
Taxes paid	2877.82		588.98
Voluntary Retirement/Pension Scheme Payments	204.53		6687.68
		<b>3082.35</b>	<b>7276.66</b>
<i>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</i>		<b>166.16</b>	4893.82
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(2647.80)		(3688.87)
Sale of Fixed Assets	3346.08		480.41
Proceeds from Surrender of Tenancy Rights	95.54		1213.27
Purchase of Investments	(26765.57)		(3229.73)
Investment in Subsidiaries	(42.74)		(233.84)
Sale of Investments	18701.48		1742.24
Sale of Investments in Subsidiaries	7843.53		Nil
Interest received	758.95		319.52
Income from Investments	2556.24		574.19
Inter Corporate Deposits and Loans including to Subsidiary companies.	1288.95		(22.54)
<i>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</i>		<b>5134.66</b>	(2845.35)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Capital (Calls in Arrears)	0.57		0.73
Securities Premium (Calls in Arrears)	2.87		3.67
Increase/(Decrease) in other Borrowings	1013.35		(3439.56)
Interest paid	(863.87)		(463.73)
Increase/(Decrease) in unpaid Debentures/Deposits	(43.09)		15.36
Dividend paid including dividend tax	(2248.73)		(1868.14)
<i>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</i>		<b>(2138.90)</b>	(5751.67)
<i>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</i>		<b>3161.92</b>	(3703.20)
<b>CASH AND CASH EQUIVALENTS AS AT 1-4-2006 (See Schedule I)</b>		<b>10863.09</b>	14566.29
<b>CASH AND CASH EQUIVALENTS AS AT 31-3-2007 (See Schedule I)</b>		<b>14025.01</b>	10863.09

In terms of our Report of even date.

For S. B. Billimoria & Co.  
*Chartered Accountants*

**Mohammed Z. Merchant**  
*Partner*

Mumbai, 14<sup>th</sup> May, 2007

*Chairman*  
*Managing Director*  
*Directors*

*Executive Vice President (Finance)*  
*General Manager - Taxation*  
*& Company Secretary*  
Mumbai, 14<sup>th</sup> May, 2007

**Ishaat Hussain**  
**A. Soni**  
**N. M. Munjee**  
**N. J. Jhaveri**  
**S. D. Kulkarni**  
**Ravi Kant**  
**N. D. Khurody**  
**M. M. Miyajiwala**  
**V. P. Malhotra**





## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

### SCHEDULE 'A' : SHARE CAPITAL

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. AUTHORISED		
*60,00,00,000 Equity Shares of Re. 1 each	6000.00	6000.00
40,00,000 Redeemable Preference Shares of Rs.100 each	4000.00	4000.00
TOTAL	10000.00	10000.00
2. ISSUED, SUBSCRIBED AND CALLED UP (See Note 2 , Schedule 'P')		
*33,08,84,740 Equity Shares of Re. 1 each	3308.85	3308.85
Less : Calls in Arrears	2.02	2.59
TOTAL	3306.83	3306.26

\*Consequent upon sub-division of shares from Rs. 10 to Re. 1

### SCHEDULE 'B' : RESERVES AND SURPLUS

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. SECURITIES PREMIUM		
As per last Balance Sheet	621.18	617.51
Add : Calls in Arrears received during the year	2.87	3.67
	624.05	621.18
2. CAPITAL RESERVE		
As per last Balance Sheet	155.52	155.52
3. CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	125.70	125.70
4. GENERAL RESERVE		
As per last Balance Sheet	16276.89	11576.89
Add : Transferred from Profit and Loss Account	13566.42	4700.00
Less : Provision for Medical and Leave encashment adjusted [Net of Deferred Tax of Rs. 409.01 Lakhs (See Note 3, Schedule 'P')]	806.10	Nil
	29037.21	16276.89
5. STAFF WELFARE RESERVE		
As per last Balance Sheet	1.00	1.00
6. FOREIGN PROJECTS RESERVE		
As per last Balance Sheet	1169.00	1569.00
Less : Transferred to Profit and Loss Account	344.00	400.00
	825.00	1169.00
7. PROFIT AND LOSS ACCOUNT	4000.00	2485.39
TOTAL	34768.48	20834.68

### SCHEDULE 'C' : SECURED LOANS

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
LOANS FROM BANKS (See Note 4, Schedule 'P')	8214.19	4700.84
TOTAL	8214.19	4700.84

**SCHEDULE 'D' : UNSECURED LOANS**

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. SHORT TERM LOANS AND ADVANCES Commercial Paper	<b>Nil</b>	1500.00
2. OTHER LOANS AND ADVANCES From other than Banks	<b>Nil</b>	1000.00
TOTAL	<b>Nil</b>	2500.00

Commercial Paper from Banks [maximum amount outstanding at any time during the year : Rs. 4000 Lakhs (2005-06 : Rs. 4000 Lakhs)]

**SCHEDULE 'E': FIXED ASSETS (At Cost or Book Value Less Depreciation)**

Particulars	GROSS BLOCK AT COST OR BOOK VALUE				DEPRECIATION				NET BLOCK		
	As at March 31, 2006	Additions	Deductions	As at March 31, 2007	Up to March 31, 2006	For the Year	On Dedu- ctions	Impairment/ (Reversal of Impair- ment)	Up to March 31, 2007	As at March 31, 2007	As at March 31, 2006
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
			**	(1+2-3)			**	***	(5+6-7+8)	(4-9)	(1-5)
	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs
1. Leasehold Land	3.03	309.70	Nil	312.73	Nil	2.03	Nil	Nil	2.03	310.70	3.03
2. Other Land	79.08	Nil	1.85	77.23	Nil	Nil	Nil	Nil	Nil	77.23	79.08
3. Buildings*	6898.54	1078.45	203.05	7773.94	1733.19	165.82	63.91	Nil	1835.10	5938.84	5165.35
4. Plant & Machinery	15489.32	1589.75	5430.27	11648.80	9943.79	699.44	3730.73	Nil	6912.50	4736.30	5545.53
5. Furniture & Fittings	1564.73	81.60	175.57	1470.76	1130.99	98.37	158.52	Nil	1070.84	399.92	433.74
6. Vehicles	587.83	46.95	123.15	511.63	230.31	48.35	70.31	Nil	208.35	303.28	357.52
7. Intangible Assets											
- Manufacturing Rights & Technical Know-how	1299.54	Nil	295.22	1004.32	1285.55	7.00	295.22	Nil	997.33	6.99	13.99
- Software	1053.67	36.38	Nil	1090.05	268.16	211.37	Nil	Nil	479.53	610.52	785.51
	26975.74	3142.83	6229.11	23889.46	14591.99	1232.38	4318.69	Nil	11505.68	12383.78	12383.75
Previous Year	(24162.84)	(3285.55)	(472.65)	(26975.74)	(16615.31)	(1108.51)	(358.29)	(2773.54)	(14591.99)	(12383.75)	
8. Capital Work-in-Progress [Including advances against Capital Expenditure Rs.457.52 Lakhs (31-3-2006 : Rs. 605.46 Lakhs)]				603.49						603.49	1098.52
				<b>24492.95</b>						<b>12987.27</b>	13482.27

\* Buildings includes Gross Block Rs.662.79 Lakhs (Previous Year : Nil) and Accumulated Depreciation Rs.255.92 Lakhs (Previous Year : Nil) which has been held for sale and the estimated realisable value is higher than the net book value.

\*\* The Factory Closure Cost under Exceptional Items - Schedule 'O' includes Rs. 21.49 Lakhs towards assets written off on closure of Hyderabad Unit. The corresponding deductions and accumulated depreciation on deductions is Rs. 393.13 Lakhs and Rs. 371.64 Lakhs respectively.

\*\*\* Denotes Reversal of Impairment.


**SCHEDULE 'F' : INVESTMENTS (at Cost)**

	No.	Currency/ Face Value	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
LONG TERM INVESTMENTS					
1. TRADE INVESTMENTS					
Fully paid Equity Shares of Subsidiary Companies :					
UNQUOTED :					
Auto Aircon (India) Ltd.	1,13,00,000	Rs. 10	<b>565.00</b>		565.00
Simto Investment Company Ltd. (500 Shares purchased during the year)	14,60,087	Rs. 10	<b>203.94</b>		203.89
Agro Foods Punjab Ltd. (See Note 5, Schedule 'P')	2,80,000	Rs. 100	<b>Nil</b>		Nil
Westerwork Engineers Ltd. Simtools Ltd. (23,576 Shares sold during the year)	9,600	Rs. 100	<b>109.29</b>		109.29
Metrovol FZE, Jebel Ali, UAE	1	AED 2000000	<b>10.78</b>		10.78
VIL Overseas Enterprises B.V, The Netherlands	13,635	EURO 45.38	<b>265.21</b>		265.21
Weathermaker Ltd. (46,970 Shares acquired during the year)	4,08,441	US \$ 1	<b>307.20</b>		264.50
				<b>1461.42</b>	1455.96
Other fully paid Shares					
QUOTED :					
Lakshmi Automatic Loom Works Ltd.	6,15,200	Rs. 10	<b>110.03</b>		110.03
Tata Chemicals Ltd.	2,00,440	Rs. 10	<b>93.91</b>		93.91
Lakshmi Machine Works Ltd. (60,000 Equity Shares of Rs. 100/- each sub-divided into 6,00,000 Equity Shares of Rs. 10/- each)	6,00,000	Rs. 10	<b>600.48</b>		600.48
Reliance Industries Ltd. (See Note 5, Schedule 'P')	2,640	Rs. 10	<b>4.55</b>		4.55
UNQUOTED :					
Tata International Ltd.	5,000	Rs. 1000	<b>65.00</b>		65.00
Lakshmi Ring Travellers (Coimbatore) Ltd.	1,20,000	Rs. 10	<b>3.00</b>		3.00
Tata Services Ltd.	448	Rs. 1000	<b>4.48</b>		4.48
Industrial Estates Pvt. Ltd.	24	Rs. 1000	<b>0.23</b>		0.23
Universal Comfort Products Pvt. Ltd.	1,38,21,000	Rs. 10	<b>1382.10</b>		1382.10
Tata Industries Ltd.	8,70,480	Rs. 100	<b>874.59</b>		874.59
Tata Projects Ltd.	22,500	Rs. 100	<b>26.25</b>		26.25
Premium Granites Ltd.	4,91,220	Rs. 10	<b>49.77</b>		49.77
Agrotech Industries Ltd.	3,67,500	US \$ 1	<b>115.42</b>		115.42
OMC Computers Ltd.	4,04,337	Rs. 10	<b>44.37</b>		44.37
Lalbuksh Voltas Engineering Services & Trading LLC, Muscat, Sultanate of Oman	3,000	RO 10	<b>8.14</b>		8.14
Saudi Ensas Company for Engineering Services WLL, Saudi Arabia	2,600	SR 100	<b>17.90</b>		17.90
AVCO Marine S.a.S., France	1,910	EURO 10	<b>7.97</b>		7.97
Terrot GmbH	24,000	EURO 10	<b>140.43</b>		Nil
Rjuvalika Investments Ltd.	183,333	Rs. 10	<b>30.00</b>		30.00
Rallis India Ltd.					
7.5% Cumulative Redeemable Preference Shares	50,00,000	Rs. 10	<b>500.00</b>		500.00
				<b>4078.62</b>	3938.19

**SCHEDULE 'F' : INVESTMENTS (at Cost) (contd.)**

	No.	Currency/ Face Value	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
<b>2. OTHER INVESTMENTS</b>					
Fully paid Shares :					
UNQUOTED :					
Voltas Employees Consumers Co-operative Society Ltd.	750	Rs. 10	<b>0.08</b>		0.08
Saraswat Co-operative Bank Ltd.	10	Rs. 10	-*		-*
Brihat Trading Private Ltd.	2	Rs. 10	-**		-**
Super Bazar Co-operative Stores Ltd.	500	Rs. 10	<b>0.05</b>		0.05
Hyderabad Allwyn Employees' Consumer Co-operative Stores Ltd.	250	Rs. 10	<b>Nil</b>		0.02
QUOTED :					
6.75% Tax Free US 64 Bonds	1,64,585	Rs. 100	<b>164.59</b>		164.59
				<b>164.72</b>	164.74
<b>TOTAL LONG TERM INVESTMENTS</b>				<b>5704.76</b>	5558.89
<b>CURRENT INVESTMENTS</b>					
Unit of Mutual Funds :					
UNQUOTED :					
DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend (49,998 units sold during the year)		Rs. 1000	<b>Nil</b>		500.08
LIC Mutual Fund - Liquid Fund - Dividend Plan (45,84,902 units sold during the year)		Rs. 10	<b>Nil</b>		501.99
Birla Cash Plus Institutional Premium Plan - Daily Dividend (49,91,067 units sold during the year)		Rs. 10	<b>Nil</b>		500.08
LIC Mutual Fund - Floating Rate Fund - Dividend Plan (50,20,478 units purchased during the year)	50,20,478	Rs. 10	<b>509.73</b>		Nil
HDFC FMP - 90D March 2007 (4) IP (1,00,00,000 units purchased during the year)	1,00,00,000	Rs. 10	<b>1000.00</b>		Nil
Tata FHF Series 7 Plan B - IP (2,50,00,000 units purchased during the year)	2,50,00,000	Rs. 10	<b>2500.00</b>		Nil
PRU ICICI FMP - Series 37 (1,00,00,000 units purchased during the year)	1,00,00,000	Rs. 10	<b>1000.00</b>		Nil
HSBC Fixed Term Series - 26 (1,00,22,095 units purchased during the year)	1,00,22,095	Rs. 10	<b>1002.21</b>		Nil
DWS Fixed Term Fund Series 24 IP Growth (1,00,00,000 units purchased during the year)	1,00,00,000	Rs. 10	<b>1000.00</b>		Nil
UTI Fixed Maturity Plan (1,00,00,000 units purchased during the year)	1,00,00,000	Rs. 10	<b>1000.00</b>		Nil
Reliance Fixed Horizon Fund III AP Series (1,00,00,000 units purchased during the year)	1,00,00,000	Rs. 10	<b>1000.00</b>		Nil
Government Securities :					
UNQUOTED :					
National Saving Certificates			<b>0.50</b>		0.50
Other than Treasury Bills			<b>0.05</b>		0.05
Other Securities					
QUOTED:					
Tata Motors Ltd.	9,682	Rs. 10	<b>38.91</b>		38.91
Hindustan Lever Ltd.	20,000	Re. 1	<b>4.88</b>		4.88
<b>TOTAL CURRENT INVESTMENTS</b>				<b>9056.28</b>	1546.49
<b>TOTAL INVESTMENTS</b>				<b>14761.04</b>	7105.38
Less : PROVISION FOR DIMINUTION IN VALUE				<b>1019.98</b>	1002.08
<b>TOTAL</b>				<b>13741.06</b>	6103.30

\* Cost Rs. 100 (31-3-2006 : Rs.100)

\*\* Cost Rs. 20 (31-3-2006 : Rs. 20)

Quoted : Cost

: Market Value

Unquoted : Cost

Abbreviations for Currencies :

Rs. : Indian Rupees

AED : United Arab Emirates Dirhams

US\$ : United States Dollar

RO : Omani Riyal

SR : Saudi Riyal

EURO : European Union Currency

**1017.35** 1017.35

**18784.50** 13976.47

**13743.69** 6088.03



### SCHEDULE 'F' : INVESTMENTS (at Cost) (contd.)

Note : Investments purchased and sold during the year

Mutual Funds	No. of Units	
	Purchased	Sold
DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend	2,10,463	2,10,463
DSP Merrill Lynch Liquid Plus - Institutional - Daily Dividend	1,50,796	1,50,796
LIC Mutual Fund - Liquid Fund - Dividend Plan	1,38,44,746	1,38,44,746
Birla Cash Plus Institutional Premium Plan - Daily Dividend	2,51,02,193	2,51,02,193
HDFC Cash Management Fund	1,90,62,562	1,90,62,562
HDFC Liquid Fund Premium Plan	82,13,363	82,13,363
Tata Liquid Mutual Fund - Daily Dividend	45,013	45,013
Tata Liquid Fund SHIP - Daily Dividend	44,986	44,986
Tata FRF ST IP - Daily Dividend	50,14,210	50,14,210
Prudential ICICI Liquid - Super IP - Daily Dividend	1,50,65,201	1,50,65,201
Standard Chartered Liquidity Manager Plus - Daily Dividend	1,51,243	1,51,243
Standard Chartered Liquidity Manager - Daily Dividend	50,46,337	50,46,337
HSBC Cash Fund Institutional Plus - Daily Dividend	50,15,776	50,15,776
DWS Insta Cash Plus Fund	50,18,874	50,18,874
UTI Liquid Cash Plan Institutional - Daily Income	49,200	49,200

### SCHEDULE 'G' : INVENTORIES

	Rupees in Lakhs	Rupees in Lakhs 16.30	As at 31-3-2006 Rupees in Lakhs 13.66
1. STORES AT OR BELOW COST			
2. STOCK-IN-TRADE :			
(a) Raw Materials and Components, at the lower of Cost (Less : Written off for obsolescence) and Realisable Value	8766.54		6489.12
(b) Work-in-Progress, at Cost (See Note 6, Schedule 'P') Less : Amounts Invoiced	186111.92 161535.25		101656.99 90371.47
(c) Finished Goods produced and purchased by the Company, at the lower of Cost (Less : Written off for obsolescence) and Realisable Value	14891.29		11285.52
		48234.50	29910.31
TOTAL		48250.80	29923.97

### SCHEDULE 'H' : SUNDRY DEBTORS

	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
Dues in respect of			
1. SALES ON DEFERRED TERMS OF PAYMENT			
(i) Over six months old	102.08		121.77
(ii) Others	Nil		Nil
		102.08	121.77
2. OTHER SALES			
(i) Over six months old	13182.08		12036.83
(ii) Others	34129.95		29661.86
		47312.03	41698.69
		47414.11*	41820.46*
3. Less : PROVISION FOR DOUBTFUL DEBTS		3433.31	2464.67
TOTAL		43980.80	39355.79
* Of the above debts			
(a) Fully secured		303.09	136.53
(b) Unsecured, considered good		43677.71	39219.26
(c) Considered doubtful		3433.31	2464.67
TOTAL		47414.11	41820.46
1. Due by Officers		Nil	Nil
2. Maximum due by Officers at any time during the year		Nil	0.07
3. Due by firms or Private companies respectively in which any Director of the Company is a Partner, a Director or a Member.		Nil	Nil

**SCHEDULE 'I' : CASH AND BANK BALANCES**

	<b>Rupees in Lakhs</b>	As at 31-3-2006 Rupees in Lakhs
1. CASH IN HAND	<b>135.08</b>	83.52
2. CHEQUES ON HAND	<b>4067.96</b>	2554.34
3. BANK BALANCES WITH SCHEDULED BANKS (See Note 7, Schedule 'P')	<b>3097.60</b>	3134.55
4. BANK BALANCES WITH NON-SCHEDULED BANKS (See Note 8, Schedule 'P')	<b>6724.37</b>	5090.68
TOTAL	<b>14025.01</b>	10863.09

**SCHEDULE 'J' : LOANS AND ADVANCES**

	<b>Rupees in Lakhs</b>	As at 31-3-2006 Rupees in Lakhs
1. ADVANCES TO SUBSIDIARY COMPANIES (See Note 9, Schedule 'P')	<b>255.25</b>	366.45
2. ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	<b>13458.02</b>	8866.17
3. ADVANCE PAYMENT OF TAXES	<b>2475.40</b>	2042.86
4. LOANS TO EMPLOYEES	<b>216.82</b>	288.70
5. ADVANCE SHARE APPLICATION MONEY	<b>706.52</b>	292.55
6. DEPOSITS WITH CUSTOMERS/OTHERS	<b>1332.47</b>	1338.18
7. INTERCORPORATE DEPOSITS	<b>Nil</b>	1000.00
8. BALANCE WITH CUSTOMS, PORT TRUST, ETC.	<b>474.18</b>	277.19
	<b>18918.66*</b>	14472.10*
Less : PROVISION FOR DOUBTFUL ADVANCES	<b>1865.53</b>	1655.44
TOTAL	<b>17053.13</b>	12816.66
* Of the above advances		
(a) Fully secured	<b>Nil</b>	287.03
(b) Unsecured, considered good	<b>17053.13</b>	12529.63
(c) Considered doubtful	<b>1865.53</b>	1655.44
TOTAL	<b>18918.66</b>	14472.10
1. Due by Officers	<b>4.09</b>	4.70
2. Maximum due by Officers at any time during the year	<b>4.70</b>	6.64



## SCHEDULE 'K' : CURRENT LIABILITIES AND PROVISIONS

	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
(A) CURRENT LIABILITIES			
1. ACCEPTANCES		<b>7636.51</b>	9043.97
2. SUNDRY CREDITORS (See Note 10, Schedule 'P') [including subsidiaries: Rs. 435.32 Lakhs (31-3-2006: Rs. 461.75 Lakhs)]		<b>51606.24</b>	43805.41
3. ADVANCE PAYMENTS AND DEPOSITS RECEIVED :			
(a) From Customers/Others [including from subsidiary : Nil (31-3-2006 : Rs. 20.63 Lakhs)]	<b>26104.68</b>		16020.38
(b) Against Unexpired Service Contracts	<b>977.16</b>		935.60
		<b>27081.84</b>	16955.98
4. OTHER LIABILITIES		<b>2966.47</b>	2480.08
5. INTEREST ACCRUED BUT NOT DUE ON LOANS		<b>12.51</b>	142.62
6. INVESTOR EDUCATION AND PROTECTION FUND - AMOUNTS LIABLE TO BE CREDITED * :			
(a) Unpaid Dividend		<b>82.30</b>	67.28
(b) Unpaid Matured Deposits		<b>19.62</b>	41.69
(c) Unpaid Matured Debentures		<b>Nil</b>	21.02
(d) Interest accrued on (b) and (c) above		<b>5.37</b>	6.18
TOTAL (A)		<b>89410.86</b>	72564.23
(B) PROVISIONS			
7. PROVISION FOR TAXATION		<b>3346.61</b>	2226.76
8. PROPOSED DIVIDEND		<b>3308.85</b>	1985.31
9. PROVISION FOR CORPORATE DIVIDEND TAX		<b>562.34</b>	278.44
10. PROVISION FOR TRADE GUARANTEES (See Note 10, Schedule 'P')		<b>2370.54</b>	2396.31
11. PROVISION FOR LEAVE ENCASHMENT		<b>1972.32</b>	1013.89
12. PROVISION FOR PENSION		<b>1092.41</b>	938.17
13. PROVISION FOR GRATUITY		<b>2182.04</b>	1619.12
14. PROVISION FOR POST RETIRAL MEDICAL BENEFITS		<b>508.09</b>	Nil
15. PROVISION FOR CONTINGENCIES (See Note 10, Schedule 'P')		<b>2008.59</b>	875.00
TOTAL (B)		<b>17351.79</b>	11333.00
TOTAL (A) + (B)		<b>106762.65</b>	83897.23

\* These figures reflects the position as at 31<sup>st</sup> March, 2007. The actual amount to be transferred to the Investor Education and Protection Fund in respect thereof shall be determined on the due dates.

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

### SCHEDULE 'L' : OTHER INCOME

	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Miscellaneous Income	<b>1498.82</b>	529.13
2. Profit/(Loss) on Sale/Retirement of Fixed Assets (Net) [including Capital Surplus of Rs. 11.47 Lakhs, (31-3-2006 : Nil)]	<b>56.94</b>	Nil
3. Profit on Sale of Non-Trade Investments	<b>0.10</b>	0.27
4. Rent Received	<b>1408.68</b>	1058.17
5. Difference in Foreign Exchange (Net)	<b>Nil</b>	191.68
6. Adjustment in respect of previous years (Net) (See Note 13, Schedule 'P')	<b>130.89</b>	652.14
TOTAL	<b>3095.43</b>	2431.39

**SCHEDULE 'M' : COST OF SALES, SERVICES AND EXPENSES**

	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Stock-in-Trade per 1-4-2006 [including Work-in-Progress : Rs. 101656.99 Lakhs (1-4-2005 : Rs. 44859.89 Lakhs)]		<b>120281.78</b>	59081.03
2. Purchases and cost of jobs, manufacture and services		<b>270564.90</b>	201259.18
3. Stock-in-Trade per 31-3-2007 [including Work-in-Progress : Rs. 186111.92 Lakhs (31-3-2006 : Rs. 101656.99 Lakhs)]		<b>209769.75</b>	120281.78
4. <b>Cost of Sales and Services (1 + 2 - 3 )</b>		<b>181076.93</b>	140058.43
5. Staff Expenses (See Note 14, Schedule 'P')			
(a) Salaries, Wages and Bonus	<b>20863.09</b>		14928.95
(b) Company's contribution to Provident Funds and other Funds	<b>866.94</b>		832.24
(c) Retiring Gratuity	<b>603.22</b>		785.99
(d) Welfare Expenses	<b>1663.95</b>		1076.27
		<b>23997.20</b>	17623.45
6. Forwarding Charges (Net) (See Note 14, Schedule 'P')		<b>1394.38</b>	982.67
7. Commission other than to Sole Selling Agents under Section 294 of the Companies Act, 1956		<b>2343.27</b>	1722.28
8. Advertising (Net) (See Note 14, Schedule 'P')		<b>710.57</b>	812.30
9. Rent paid	<b>1555.74</b>		1578.48
Less : Rent recovered	<b>13.70</b>		18.44
		<b>1542.04</b>	1560.04
10. Rates and Taxes		<b>128.77</b>	136.50
11. Insurance		<b>521.05</b>	385.95
12. Stores Consumed		<b>354.15</b>	215.06
13. Power		<b>305.30</b>	304.43
14. Repairs to Buildings		<b>82.36</b>	116.40
15. Repairs to Plant and Machinery		<b>354.67</b>	223.48
16. Travelling		<b>2357.21</b>	1900.64
17. Conveyance		<b>1109.52</b>	925.90
18. Stationery, Postage, Telex and Telephone		<b>1386.30</b>	1250.78
19. Amounts payable to Auditors:			
(a) Audit fees including reimbursement towards expenses Rs. 0.93 Lakh (2005-06 : Rs. 4.66 Lakhs) and Service Tax Rs. Nil (2005-06 : Rs. 3.67 Lakhs)	<b>45.93</b>		44.33
(b) In Other capacity (See Note 23, Schedule 'P')	<b>42.74</b>		42.33
		<b>88.67</b>	86.66
20. Audit fees payable to Branch Auditors (See Note 23, Schedule 'P')		<b>22.88</b>	17.89
21. Audit fees payable to Cost Auditors		<b>0.23</b>	0.23
22. Legal and Professional charges (See Note 14, Schedule 'P')		<b>1175.69</b>	875.69
23. Other expenses (See Note 14, Schedule 'P')		<b>8648.29</b>	5454.95
24. Bad and Doubtful Debts/Advances (Net)		<b>1566.96</b>	531.61
25. Donations and Charities		<b>20.72</b>	42.11
26. Loss on Sale of Fixed Assets (Net) [including capital surplus of Rs. Nil (2005-06 : Rs. 7.37 Lakhs)]		<b>Nil</b>	31.43
TOTAL		<b>229187.16</b>	175240.88




**SCHEDULE 'N' : FINANCIAL ITEMS**

	<b>Rupees in Lakhs</b>	<b>Rupees in Lakhs</b>	Year ended 31st March, 2006 Rupees in Lakhs
1. Interest Paid			
(a) On fixed loans	<b>193.16</b>		407.75
(b) On other accounts	<b>539.79</b>		51.83
[Net of write back of Rs. 101.83 Lakhs (2005-06 : Rs. 282.49 Lakhs)]	<u>                    </u>	<b>732.95</b>	<u>459.58</u>
2. Less : Interest received			
(a) in respect of sales on deferred payment terms and other accounts-Gross [Tax deducted at source Rs. 12.22 Lakhs (2005-06 : Rs. 1.31 Lakhs)] (See Note 15, Schedule 'P')	<b>577.23</b>		172.75
(b) On fixed deposits with Banks	<b>202.86</b>		146.78
	<u>                    </u>	<b>780.09</b>	<u>319.53</u>
		<b>(47.14)</b>	140.05
3. Less : Income from Investments [Tax deducted at source Rs. 8.81 Lakhs (2005-06: Rs. 5.00 Lakhs)]			
(a) Dividend from Subsidiary companies	<b>1674.45</b>		205.18
(b) Trade Investments (Long Term)	<b>956.67</b>		310.52
(c) Other Investments (Long Term)	<b>11.11</b>		11.11
(d) Other Investments (Current)	<b>91.76</b>		5.73
	<u>                    </u>	<b>2733.99</b>	<u>532.54</u>
TOTAL		<b>(2781.13)</b>	<u>(392.49)</u>

**SCHEDULE 'O' : EXCEPTIONAL ITEMS**

	<b>Rupees in Lakhs</b>	<b>Rupees in Lakhs</b>	Year ended 31st March, 2006 Rupees in Lakhs
1. Profit on Sale of Property/Transfer of Development Rights/ Surrender of Tenancy Rights [Including Capital Surplus Rs. 2247.96 Lakhs (2005-06 : Rs. 1603.45 Lakhs)]		<b>2247.96</b>	1610.75
2. Profit on Sale of Trade Investments		<b>7806.24</b>	Nil
3. Reversal of Contingency Provision		<b>Nil</b>	850.00
4. Reversal of Impairment of Assets		<b>Nil</b>	2773.54
		<u>10054.20</u>	<u>5234.29</u>
Less :			
5. Provision for diminution in value of Investments		<b>17.90</b>	0.23
6. Cost of Voluntary Retirement Scheme		<b>358.77</b>	6507.87
7. Provision for doubtful advances (Net)		<b>246.38</b>	4.73
8. Provision for Contingencies (Net) (See Note 10, Schedule 'P')		<b>1133.59</b>	Nil
9. Loss on Sale of Trade Investments (Net)		<b>Nil</b>	14.66
10. Settlement of Claims		<b>Nil</b>	1325.90
11. Revision in Estimated Gratuity Liability at the beginning of the year (See Note 16, Schedule 'P')		<b>752.68</b>	Nil
12. Factory Closure Cost (See Note 16, Schedule 'P')		<b>773.71</b>	Nil
		<u>3283.03</u>	<u>7853.39</u>
TOTAL		<b>6771.17</b>	<u>(2619.10)</u>

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007**

## 1. SIGNIFICANT ACCOUNTING POLICIES

(i) All revenues, cost, assets and liabilities are accounted for on accrual basis.

## (ii) SALES AND SERVICES

(a) Sales exclude sales tax, value added tax and works contract tax but include excise duty. Consignment sales are excluded from sales and services, but commission earned on such sales is accounted for as part of sales and services.

(b) Sales and services are accounted on accrual basis when the sale of goods or services are completed.

(c) Revenue from long-term contracts, where the outcome can be estimated reliably, is recognised under the percentage of completion method by reference to the stage of completion on the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

## (iii) JOINT VENTURES

The financial statements of the Company reflect its share of Assets, Liabilities, Income and Expenditure of the Joint Venture Operations which are accounted on the basis of the audited accounts on line-by-line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the Joint Venture Agreements.

## (iv) DEPRECIATION/AMORTIZATION

Depreciation on all fixed assets has been provided on Straight Line Basis at the rates prescribed in Schedule XIV to the Companies Act, 1956, except Depreciation on furniture and fittings, which, has been provided on Written Down Value basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Intangible assets are amortized on Straight Line Basis over their useful life. Manufacturing Rights and Technical Know-how has been amortized over 72 months and Software over 60 months.

Premium paid on Leasehold Land is amortized over the period of the lease.

## (v) PROVISION FOR TRADE GUARANTEES

Provision for estimated cost to be incurred in providing warranty service is made in the accounts in the year in which the sale of goods/on completion of long-term contract is effected.

## (vi) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

Own manufactured goods are capitalised at standard cost excluding interest but including excise duty net of CENVAT, octroi duty and receiving/installation charges.

Machinery developed in-house is capitalized at prime cost exclusive of standing charges but inclusive of excise duty net of CENVAT, octroi duty and receiving/installation charges. Additional cost arising out of increase in liability on loans taken for acquisition of plant and machinery resulting from exchange fluctuation is adjusted to the cost of the asset and depreciated over the balance life of the asset.

Interest on borrowed money, allocated to and utilised for qualifying fixed assets, pertaining to the period upto the date of capitalisation is capitalised.

Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the leased term at a constant periodic rate of interest on the remaining balance of the liability.

## (vii) INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization.

## (viii) IMPAIRMENT OF ASSETS

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment of assets. If any indication of such impairment exists, the recoverable amount of those assets is estimated and impairment is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting future cash flows to their present value based on appropriate discount factor. When there is indication that an impairment loss recognised for an asset in prior accounting periods no longer exists or may have decreased such reversal of impairment loss is recognised.



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### (ix) PROVISIONS AND CONTINGENCIES

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised.

### (x) INVESTMENTS

Long term investments are carried at cost less provision for any diminution other than temporary, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

### (xi) CURRENT ASSETS

Current Assets are accounted at cost or realisable value, whichever is lower.

Inventories including Work-in-Progress other than Construction Contracts, are valued at cost or realisable value, whichever is lower, cost being worked out on weighted average basis. Cost includes all charges for bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. With regard to Construction Contracts, Work-in-Progress includes profits/losses to the extent recognised.

### (xii) TAXES ON INCOME

Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other Deferred Tax Assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets.

### (xiii) FOREIGN EXCHANGE TRANSACTIONS/TRANSLATIONS

(a) The foreign branches of the Company have been classified as "Integral foreign operations". Revenue transactions (other than depreciation) of foreign branches are incorporated in the Company's accounts at average exchange rate during the year, fixed assets are incorporated at the average rate of the year of acquisition and current assets and liabilities are translated at the rate of exchange prevailing on the last working day of the year. Depreciation is translated at the average rate applicable to fixed assets.

(b) Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation and realised gains and losses on foreign exchange transactions (other than for fixed assets) are recognised in the Profit and Loss Account. In respect of transactions covered by foreign exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.

### (xiv) ACCOUNTING FOR VOLUNTARY RETIREMENT SCHEMES

(a) The cost of Voluntary Retirement Schemes/Retrenchment Compensation including ex-gratia and additional Gratuity liability arising therefrom is charged to the Profit and Loss Account in the month of separation of employees.

(b) The Present Value of future payments to employees opting for Early Separation Scheme (ESS) and the additional Gratuity liability arising therefrom is charged to the Profit and Loss Account in the month of separation of employees.

### (xv) PREOPERATIVE EXPENSES OF NEW PROJECTS

Directly identifiable preoperative expenses of new projects of capital nature under implementation are carried forward under Capital Work-in-Progress, pending capitalisation.

### (xvi) EMPLOYEE BENEFITS

(i) In respect of employees abroad :

The cost of retiral benefits such as Gratuity and Leave Encashment are accounted on accrual basis and in accordance with local laws of respective countries.

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

(ii) In respect of employees in India :

(a) Defined Contribution Plan

Company's contribution paid/payable during the year to Provident Fund, Officer's Superannuation Fund and ESIC are recognised in the Profit and Loss Account.

(b) Defined Benefit Plan

Company's liabilities towards Gratuity and post retirement medical benefit schemes are determined using the projected unit cost method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a Straight Line Basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(c) The cost of employee benefits such as short term compensated leave are accounted on accrual basis.

**2. SHARE CAPITAL**

Equity Share Capital includes :

- (a) 9,76,61,300\* shares allotted as fully paid bonus shares by capitalising Rs. 80.82 Lakhs out of Securities Premium Account, Rs. 100 Lakhs from Capital Reserve and Rs. 795.79 Lakhs out of General Reserve.
- (b) 1,77,29,040\* shares allotted to erstwhile shareholders of Tata-Merlin & Gerin Ltd. (TMG), The National Electrical Industries Ltd. (NEI), Volrho Ltd., Wandleside National Conductors Ltd. (WNC) and Hyderabad Allwyn Ltd. (HAL) consequent upon the amalgamation of these companies with the Company.
- (c) 11,97,84,000\* shares allotted to the holders of Convertible Part 'A' of Rs. 60 of the 14% Secured Redeemable Partly Convertible Debentures 1992-99 on compulsory conversion thereof into equity shares.

\*consequent upon sub-division of shares from Rs. 10 to Re. 1

**3. GENERAL RESERVE**

Consequent to the Accounting Standard 15 "Employee Benefits" (Revised AS-15) issued by The Institute of Chartered Accountants of India, the net difference of Rs. 487.99 Lakhs (net of tax) (2005-2006 : Nil) and Rs.318.11 Lakhs (net of tax) (2005-2006 : Nil) between the liability in respect of compensated leave and post retirement medical benefits, respectively existing on the date of adoption and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve.

**4. SECURED LOANS - FROM BANKS**

Nature of Security	<b>Rupees Lakhs</b>	As at 31-3-2006 Rupees Lakhs
(a) Loan from Exim Bank (Deposit of title deeds of certain immovable properties of the Company)	<b>3000.00</b>	3000.00
(b) Loan from ICICI Bank (Against hypothecation on vehicles)	<b>Nil</b>	6.62
(c) Cash Credit		
(i) Secured against assignment of contract dues and lien on Term Deposits	<b>5214.19</b>	1670.92
(ii) Others	<b>Nil</b>	23.30

[Items (b) and (c)(ii) were hypothecated by way of a first charge to and in favour of the participating banks ranking *pari passu inter se* without any preference or priority to one over the other(s) on all stocks and all other Current Assets, except those of Hyderabad Unit].

<b>8214.19</b>	<b>4700.84</b>
----------------	----------------



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### 5. INVESTMENTS

- (a) Under a loan agreement for Rs. 60 Lakhs (fully drawn and outstanding) entered into between Agro Foods Punjab Ltd. (AFPL) and the Punjab State Industrial Development Corporation Ltd. (PSIDC), the Company has given an undertaking to PSIDC that it will not dispose of its shares in AFPL till the monies under the said loan agreement between PSIDC and AFPL remain due and payable by AFPL to PSIDC. During 1998-99, the Company had transferred its beneficial rights in the shares of AFPL.
- (b) In respect of Company's investment in 2640 equity shares of Reliance Industries Ltd., there is an Injunction Order passed by the Court in Kanpur, restraining the transfer of these shares. The share certificates are however in the possession of the Company. Pending disposal of the case, dividend on these shares has not been received.

### 6. INVENTORIES - WORK-IN-PROGRESS, AT COST

With regard to construction contracts that are in progress as at the year end, the aggregate amounts of costs incurred and net recognised profits is Rs. 177965.61 Lakhs (2005-2006 : Rs. 93747.67 Lakhs). For such contracts in progress, the total amount of advances received is Rs.14161.99 Lakhs (2005-2006 : Rs. 5601.82 Lakhs) and the amount of Retentions is Rs. 3759.64 Lakhs (2005-2006 : Rs. 2392.31 Lakhs). The gross amount due from customers is Rs. 23545.52 Lakhs (2005-2006 : Rs. 10552.59 Lakhs) and the gross amount of billing and advances from customers are Rs. 6871.04 Lakhs (2005-2006 : Rs. 4244.15 Lakhs).

### 7. CASH AND BANK BALANCES - BANK BALANCES WITH SCHEDULED BANKS

	Rupees Lakhs	As at 31-3-2006 Rupees Lakhs
(a) On Current Accounts	<b>2881.50</b>	2599.53
(b) On Fixed Deposit Account	<b>216.10</b>	535.02
	<b>3097.60</b>	3134.55

### 8. CASH AND BANK BALANCES - BANK BALANCES WITH NON-SCHEDULED BANKS

	Rupees Lakhs	As at 31-3-2006 Rupees Lakhs
(a) ON CURRENT ACCOUNTS		
(i) Union National Bank, Abu Dhabi, U.A.E. [Maximum balance during the year : Rs. 4425.59 Lakhs (2005-2006 : Rs. 6279.83 Lakhs)]	<b>414.63</b>	1130.77
(ii) Emirates Bank International, Dubai, U.A.E. [Maximum balance during the year : Rs. 3395.65 Lakhs (2005-2006 : Rs. 3297.75 Lakhs)]	<b>128.50</b>	259.91
(iii) HSBC Bank Middle East, Abu Dhabi, U.A.E. [Maximum balance during the year : Rs. 1101.94 Lakhs (2005-2006 : Rs. 1213.61 Lakhs)]	<b>527.59</b>	173.69
(iv) HSBC Bank Middle East, Qatar [Maximum balance during the year : Rs. 1388.89 Lakhs (2005-2006 : Rs. 7.84 Lakhs)]	<b>145.71</b>	7.84
(v) Commercial Bank of Qatar, Qatar [Maximum balance during the year : Rs. 757.44 Lakhs (2005-2006 : Rs. 820.31 Lakhs)]	<b>107.79</b>	34.71
(vi) Doha Bank, Qatar [Maximum balance during the year : Rs. 1576.98 Lakhs (2005-2006 : Rs. 1745.34 Lakhs)]	<b>268.45</b>	35.09
(vii) HSBC Bank Middle East, Bahrain [Maximum balance during the year : Rs. 4618.60 Lakhs (2005-2006 : Nil)]	<b>82.36</b>	Nil
	<b>1675.03</b>	1642.01
(b) ON FIXED DEPOSIT ACCOUNTS		
(i) Abu Dhabi Commercial Bank, Abu Dhabi, U.A.E. [Maximum balance during the year : Rs. 243.20 Lakhs (2005-2006 : Rs. 1670.20 Lakhs)]	<b>61.62</b>	243.80
(ii) Union National Bank, Abu Dhabi, U.A.E. [Maximum balance during the year : Rs. 1634.19 Lakhs (2005-2006 : Rs. 1145.03 Lakhs)]	<b>81.13</b>	962.31
(iii) Emirates Bank International, Dubai, U.A.E. [Maximum balance during the year : Rs. 964.74 Lakhs (2005-2006 : Rs. 559.62 Lakhs)]	<b>11.14</b>	375.96

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 8. (b) ON FIXED DEPOSIT ACCOUNTS (contd.)

	Rupees Lakhs	As at 31-3-2006 Rupees Lakhs
(iv) Union National Bank, Abu Dhabi, U.A.E. [Maximum balance during the year : Rs. 0.73 Lakh (2005-2006 : Rs. 0.73 Lakh)]	<b>Nil</b>	0.73
(v) Emirates Bank International, Dubai, U.A.E. [Maximum balance during the year : Rs. 8.53 Lakhs (2005-2006 : Rs. 8.53 Lakhs)]	<b>Nil</b>	8.53
(vi) HSBC Bank Middle East, Qatar [Maximum balance during the year : Rs. 1211.50 Lakhs (2005-2006 : Nil)]	<b>956.00</b>	Nil
(vii) Commercial Bank of Qatar, Qatar [Maximum balance during the year : Rs. 1613.91 Lakhs (2005-2006 : Rs. 1611.94 Lakhs)]	<b>478.00</b>	1611.94
(viii) Doha Bank, Qatar [Maximum balance during the year : Rs. 1472.68 Lakhs (2005-2006 : Rs. 2906.34 Lakhs)]	<b>1447.25</b>	245.40
(ix) HSBC Bank Middle East, Bahrain [Maximum balance during the year : Rs. 4579.83 Lakhs (2005-2006 : Nil)]	<b>2014.20</b>	Nil
	<b>5049.34</b>	3448.67
TOTAL	<b>6724.37</b>	5090.68

## 9. LOANS AND ADVANCES

Loans and Advances in the nature of Loans given to Subsidiaries and Associates, etc.

Sr.No.	Name of the Company	Maximum Balance during the year	
		Rupees Lakhs	As at 31-3-2006 Rupees Lakhs
1.	Auto Aircon (India) Ltd.	<b>77.10</b>	77.10
2.	Metrovol FZE	<b>0.40</b>	1.12
3.	Simtools Ltd. (upto 22-3-2007)	<b>Nil</b>	288.23
4.	Weathermaker Ltd.	<b>177.75</b>	Nil
5.	VIL Overseas Enterprises B.V.	<b>Nil</b>	Nil

Note :

Loans and Advances shown in 1, 2, 4 and 5 above, to subsidiaries fall under the category of "Loans and Advances in nature of Loans where there is no repayment schedule and no interest is payable".

## 10. CURRENT LIABILITIES AND PROVISIONS

(a) Sundry Creditors include Rs. 857.94 Lakhs (31-3-2006 : Rs. 934.24 Lakhs) due to Small Scale Industrial Undertakings (SSI Units) as identified by the Company and relied upon by the auditors.

(b) SSI Units to whom the Company owes a sum outstanding for more than 30 days are as follows :

Accuferrous, Advance Cooling Towers Pvt. Ltd., Advance Reinforced Plastics, Advance Valves Company, Aerosol Filters Pvt. Ltd., Aerotherm Products, Air Action Equipments, Airtech, Air-tech, Ajanta Engg. Works, Ajanta Sheet Metal Works, Alco Heating Company, Alstom Limited, Am Clean Air Engineering Pvt. Ltd., Anand Tools and Equipments, Anergy Instrument Pvt. Ltd., Arup Chakraborty, Askib Engineers Pvt. Ltd., Autocom Industries, B. M. Engineers, Beardsell Eastern (P) Ltd., Beeta Kone Tools, Bemco India Pvt. Ltd., Bhagirath Engg. Work, Binapani Electrical Enterprise, Boopathy Associates Pvt. Ltd., Boopathy Engg. Works Pvt. Ltd., C & R Pumps & Valves Pvt. Ltd., Calcutta Packaging Pvt. Ltd., Caryaire Equipments (I) Pvt. Ltd., Castle Valves Ltd., Choksi Indl. Products Pvt. Ltd., Citizen Industries Ltd., Clean Filter Industries Pvt. Ltd., Crystal Industrial Corp., Cupro Alloys Corporation, D. S. Engg. &



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

Mech. Works, Deccan Metal Industries (India), Dipsan Udyog, Divine Engg. & Associates, Dolphin Ducting Works, Doshi Enterprise, Dyna Filters Pvt. Ltd., Dynacraft Air Controls, Dynamic Engineer, Electrical Winders, Emerald Enterprises, Engineering Fab & Enterprisers, Ethos HVAC Systems Ltd., Fie Spherotech, Finlay Insulations, Fitzer Instruments (India) Pvt. Ltd., Fortuna Industries, G. M. Dalui & Sons, Gemini Electricals, Genpower Electric (P) Ltd., Global Enterprise, H. J. International, H. Sarker & Co., Hallmark Industries, Harikrishnan, Hercules Industries, Hind Autocranks Pvt. Ltd., Honest Industries, Hps Air Systems Pvt. Ltd., Hyderabad Eps Products Pvt Ltd., India Engineering Works, India Refrigerator, Industrial Bearing Store, Industrial Instruments, Inkas India, Jadhav Industries, Jaico Seals, Jamshedpur Electric & Refn Centre, Jayant Printers and Engineers, Jhavar Industries, Jinal Sales Corporation, K.C. Industries & Fabricators, Khokhar Electricals Pvt. Ltd., Krishna Metal Trading Corp., Kruger M&E Industries I. P. Ltd., M. R. Enterprise., M. R. Sheet Metal, M. N. Chatterjee & Co., Machine Tools Centre, Madhu K. A., Matrix Corporation, Maxwell Corporation, Mechdes Engineers, Micro Power Controls, Midland Industries, Mihir Engineers Ltd., Minal Industries, Minwool Rock Fibres Ltd., Modern Construction Co., Modern Cooling Solution, Modi Sales Agency, Mukund Industries, Nandlal Bihani & Co., Nandy & Sons, Navtech Enterprises (P) Ltd., Neogen Chemical Ltd., New Janjuha Mech. Works, Nuair Engineers Pvt. Ltd., O. P. Industries, Om Associates, Paharpur Cooling Towers Ltd., Paras Motor Manufacturing Co., Patel Airflow Ltd., Perfect Engineering Works, Phenoplast Corporation, Premier Industries Co., Premier Pistons (Madras) Pvt. Ltd., Prijai Cooltech Pvt. Ltd., Pulsars Engineering, Quickool, R. R. Enterprises, R. N. Ghosh, Rajen Enterprises, Rajesh Industries, Rapid Controls Pvt. Ltd., Rungta Enterprises, S. Kolley Enterprise, S. K. Singha, S. S. Associates, Sagar Air Pvt. Ltd., Samiz Industries, Sandhu Engineering Works, Sangeeta Industries, Sanlan Controls, Sant Industrial Control Pvt. Ltd., Sarawagi Enterprises, Satyam Industries, Sen & Singh Engineers, Sevenstar Aircon Ancillaries, Shagun Casting Pvt. Ltd., Sheethal, Shirsat Electronics, Shivshakti Metaform Industries, SMP Engineers, Softhard Sales & Services, SPEB Adhesives Pvt. Ltd, Spectrum Paint & Allied Prod, SRF Limited, Srisarada Technical Services, Steel Tech Engineers, Sushma & Co. (Electricals), Syspro Electro Controls Pvt. Ltd., The Bengal Hardware Mart, Thermadyne Pvt. Ltd., Thittanix Instruments, Three D Micro Systems Pvt. Ltd., U. P. Twiga Fibreglass Ltd., Uniwel Industries, V.J. Air Controls, Vasuki Engg. & Marketing Company, Ventura Air Products Pvt. Ltd., Vilpa Enterprises, Vinod Enterprises, Vinod Industries, Volthermic Heaters Pvt. Ltd., Waaree Instruments Ltd., Wadegati Labequip Pvt. Ltd., Zeco Aircon Industries Pvt. Ltd., ACS Hydraulics, Annapur Forging, B. M. Engg., Dalip Mfg., Essel Fabricators Pvt. Ltd., Fine Automotive, Forward Alloys & Casting, Gautam Castings Industries Pvt. Ltd., Harness Tech., Hydrolines, Jaico Seals, Jai Rubber, Jew Ltd., Malhotra Engg, Paresh Enterprises, Pravi Auto Spring, Precision Industrial Products, Prestige Rubber, Siddhivinayak Engg., Stun Engineers, Uniwel, Weldon Engineers, Cassio Electronics Pvt. Ltd., Breeze Airconditioning, Annapurna Ercanal Pvt. Ltd., Annapurna Kenmore Tube Products Pvt. Ltd., B. L. Saraswat, Diwakar Electrical & Engineering Works, Krishna Metal Trading Corp. Rajen Enterprises, Vishwakarma Construction, Sona Industries, Softhard Automation Pvt. Ltd., Sravanthi Electronics.

- (c) The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

- (d) Provisions

	<b>Rupees Lakhs</b>			
	Opening Balance	Additions	Utilisation/ Reversal	Closing Balance
Trade Guarantee	<b>2396.31</b>	<b>2666.75</b>	<b>2692.52</b>	<b>2370.54</b>
	(1990.89)	(2042.89)	(1637.47)	(2396.31)
Contingency for tax matters	<b>875.00</b>	<b>350.00</b>	<b>Nil</b>	<b>1225.00</b>
	(875.00)	(Nil)	(Nil)	(875.00)
Contingency for claims	<b>Nil</b>	<b>783.59</b>	<b>Nil</b>	<b>783.59</b>
	(850.00)	(Nil)	(850.00)	(Nil)

With regard to Trade Guarantee, proportionate reversal of provision is made over the period of the guarantee and the costs are charged directly to Cost of Sales.

Note: Figures in brackets are of previous year.

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 11. DEFERRED TAX ASSET

Major components of deferred tax assets and liabilities are :

	As at 31st March, 2006			
	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>
	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>
(i) Depreciation	—	<b>2405</b>	—	2360
(ii) Voluntary Retirement Scheme	<b>1038</b>	—	1416	—
(iii) Unpaid Statutory Liabilities	<b>1378</b>	—	971	—
(iv) Provision for Doubtful Debts and Advances	<b>1703</b>	—	1387	—
(v) Provision for Contingency	<b>484</b>	—	295	—
(vi) Others	<b>769</b>	—	959	—
<b>Total</b>	<b>5372</b>	<b>2405</b>	<b>5028</b>	<b>2360</b>
Net Timing Differences	<b>2967</b>	—	2668	—

## 12. SALES AND SERVICES

With regard to long-term Construction Contracts undertaken, the amount of net revenue recognised is Rs. 91623.61 Lakhs (2005-2006 : Rs. 65149.74 Lakhs).

## 13. OTHER INCOME

Adjustment in respect of previous year includes the following :

	2005-2006	
	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>
(i) Distributor Margin/Commission	<b>61.70</b>	497.11
(ii) Cost of Purchases (Net)	<b>69.19</b>	155.03
	<b>130.89</b>	<b>652.14</b>

## 14. OPERATING AND ADMINISTRATION EXPENSES

(i) Staff expenses (in respect of employees in India) includes employee defined benefits as given below :

Defined Benefit Plans - As per Actuarial Valuation on 31st March, 2007

	<b>Gratuity Funded</b>	<b>Post Employment Medical Benefits</b>	<b>Pension Plan</b>
	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>
<b>I. Expense recognised in the Statement of Profit and Loss Account for the year ended 31st March, 2007</b>			
1. Current Service Cost	156.32	21.32	—
2. Interest Cost	217.96	37.16	28.47
3. Expected return on plan assets	(67.28)	—	—
4. Actuarial (Gains)/Losses	106.62	13.43	293.46
5. <b>Total expense</b>	<b>413.62</b>	<b>71.91</b>	<b>321.93</b>





**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

	<b>Gratuity Funded</b>	<b>Post Employment Medical Benefits</b>	<b>Pension Plan</b>
	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>
<b>II. Net Asset/(Liability) Recognised in the Balance Sheet as at 31st March, 2007</b>			
1. Present value of Defined Benefit Obligation as at 31st March, 2007	(2831.55)	(508.09)	(626.92)
2. Fair value of plan assets as at 31st March, 2007	1232.06	—	—
3. Funded status [Surplus/(Deficit)]	(1599.49)	(508.09)	(626.92)
4. <b>Net asset/(liability) as at 31st March, 2007</b>	<b>(1599.49)</b>	<b>(508.09)</b>	<b>(626.92)</b>
<b>III. Change in Obligation during the year ended 31st March, 2007</b>			
1. Present value of Defined Benefit Obligation at the beginning of the year	2812.42	479.51	367.32
2. Current Service Cost	156.32	21.32	—
3. Interest Cost	217.96	37.16	28.47
4. Actuarial (Gains)/Losses	113.17	13.43	293.46
5. Benefits Payments	(468.32)	(43.33)	(62.33)
6. <b>Present value of Defined Benefit Obligation at the end of the year</b>	<b>(2831.55)</b>	<b>(508.09)</b>	<b>(626.92)</b>
<b>IV. Change in Assets during the year ended 31st March, 2007</b>			
1. Plan assets at the beginning of the year	868.22	—	—
2. Assets acquired on amalgamation in previous year	—	—	—
3. Settlements	—	—	—
4. Expected return on plan assets	67.29	—	—
5. Contributions by employers	758.32	—	—
6. Actual benefits paid	(468.32)	—	—
7. Actuarial Gains/(Losses)	6.55	—	—
8. Plan assets at the end of the year	1232.06	—	—
9. <b>Actual return on plan assets (4+7)</b>	<b>73.84</b>	—	—
<b>V. Amount Recognised in the Balance Sheet</b>			
1. Opening Liability	1944.19	479.51	367.32
2. Expenses as above (I)	413.62	71.91	321.93
3. Employers Contribution	758.32	43.33	62.33
4. <b>Closing Net Liability</b>	<b>1599.49</b>	<b>508.09</b>	<b>626.92</b>
<b>VI. Actuarial Assumptions</b>			
1. Mortality Table (LIC)	1994-96 (Ultimate)	1994-96	1996-98
2. Discount Rate	7.75%	7.75%	7.75%
3. Increase in Salary/Health Care Cost/Pension	5.00%	5.00%	3.75%
(a)	The Actuarial calculations used to estimate defined benefit commitments and expenses are based on the above assumptions which if changed would affect the defined benefit commitment's size funding requirement and expenses.		
(b)	The estimates of future salary increases, considered in Actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		
(ii)	Forwarding charges are net of Freight Recovery of Rs. 163.35 Lakhs (2005-2006 : Rs. 191.70 Lakhs).		
(iii)	Advertising Expenses are net of Advertisement Recovery of Rs. 341.28 Lakhs (2005-2006 : Rs. 352.55 Lakhs).		

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

(iv) Other Expenses include :

	<b>Rupees Lakhs</b>	2005-2006 Rupees Lakhs
(a) Payment to Directors other than Wholetime Directors for Sitting Fees	<b>7.15</b>	7.15
(b) Lease rentals	<b>206.77</b>	59.81
(c) Foreign Exchange Loss (net)	<b>995.17</b>	Nil

(v) Legal and Professional charge includes Rs. 7.81 Lakhs (2005-2006 : Rs. 3 Lakhs) paid to a firm in which some of the partners of the statutory auditors are partners.

15. Interest received in respect of sales on deferred payment terms and other accounts includes Rs. 461.48 Lakhs (2005-2006 : Rs. 10.61 Lakhs) being the interest received on Income Tax Refunds.

16. EXCEPTIONAL ITEMS

(a) The gratuity liability at the commencement of the year has been re-estimated by the Actuary of Rs. 752.68 Lakhs (2005-2006 : Nil) as an incremental liability.

(b) Factory Closure Cost of Rs. 773.71 Lakhs (2005-2006 : Nil) is the difference between the Net Book Value of assets and estimated Realisable Price of the assets of Hyderabad Unit in the current year.

17. Earnings per Share has been computed as under :

	<b>2005-2006</b>	2005-2006
Net profit (Rs. Lakhs)	<b>18608.22</b>	7049.14
Weighted average number of Equity Shares Outstanding	<b>33,08,84,740</b>	33,08,84,740
Earnings per Share (Rs.) - Basic & Diluted (Face Value of Re. 1 per share)	<b>5.62</b>	2.13

18. Derivative Instruments :

The Company has entered into the following derivative instruments :

(a) Forward Exchange Contracts (being a derivative instrument), which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on 31st March, 2007 :

<u>Currency</u>	<u>Amount in Lakhs</u>	<u>Sell/Buy</u>	<u>Cross Currency</u>
US Dollar	<b>32.91</b>	Sell	Rupees
	(25.00)	Sell	Rupees
US Dollar	<b>112.80</b>	Buy	Rupees
	(Nil)		
GB Pound	<b>22.69</b>	Buy	US Dollar
	(Nil)		

(b) The year end foreign currency exposures (estimated in US \$) that have not been hedged by a derivative instrument or otherwise are given below :

(i) Amounts receivable in foreign currency on account of the following :

- Export of goods	<b>Rs. 3229.12 Lakhs</b> (Rs. 975.49 Lakhs)	<b>US\$ 74.20 Lakhs</b> (US\$ 21.82 Lakhs)
- Overseas Operations	<b>Rs. 42331.23 Lakhs</b> (Rs. 29129.71 Lakhs)	<b>US\$ 972.80 Lakhs</b> (US\$ 651.67 Lakhs)

(ii) Amounts payable in foreign currency on account of the following :

- Import of goods and services	<b>Rs. 223.36 Lakhs</b> (Rs. 3345.35 Lakhs)	<b>US\$ 5.13 Lakhs</b> (US\$ 77.08 Lakhs)
- Overseas Operations	<b>Rs. 28939.68 Lakhs</b> (Rs. 23747.83 Lakhs)	<b>US\$ 665.05 Lakhs</b> (US\$ 531.27 Lakhs)

Note: Figures in brackets are of previous year.



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

19. Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs.1036.78 Lakhs (31-3-2006 : Rs. 702.28 Lakhs). Advance paid against such contracts : Rs. 392.77 Lakhs (31-3-2006 : Rs. 605.46 Lakhs).

20. Contingent liabilities not provided for :

(a) Guarantees on behalf of other companies :

Limits Rs. 2661.65 Lakhs (31-3-2006 : Rs. 2274.09 Lakhs) against which amount outstanding was Rs. 1497.27 Lakhs (31-3-2006 : Rs. 1115.03 Lakhs) against which a provision has been made for contingencies Rs. 583.59 Lakhs (31-3-2006 : Nil).

(b) Claims not acknowledged as debts :

In respect of various matters Rs. 19723.84 Lakhs (31-3-2006 : Rs. 17906.06 Lakhs), net of tax Rs. 13084.80 Lakhs (31-3-2006 : Rs. 11878.88 Lakhs) against which a provision has been made for contingencies Rs. 1225 Lakhs (31-3-2006 : Rs. 875 Lakhs). In respect of a contingent liability of Rs. 4365.08 Lakhs (31-3-2006 : Rs. 3807.63 Lakhs) the Company has a right to recover the same from a third party.

	2005-2006	2005-2006
	Rupees	Rupees
	Lakhs	Lakhs
Taxes, Cesses and Duties	<b>12101.40</b>	10008.31
Contractual matters in the course of business	<b>3802.55</b>	3608.98
Real Estate Disputes and Demands	<b>3519.76</b>	3885.76
Ex-employees matters	<b>248.63</b>	248.63
Others	<b>51.50</b>	154.38
	<b>19723.84</b>	17906.06

(c) Income tax demands :

(i) In respect of matters decided in Company's favour by Appellate Authorities where the Department is in further appeal - Rs. 400.98 Lakhs (31-3-2006 : Rs. 353.83 Lakhs).

(ii) In respect of other matters - Rs. 142.82 Lakhs (31-3-2006 : Rs. 2027.03 Lakhs).

(d) Staff demands under adjudication : Amount indeterminate.

(e) Liquidated damages, except to the extent provided, for delay in delivery of goods : Amount indeterminate.

21. In respect of guarantees aggregating Rs. 38840.12 Lakhs (31-3-2006 : Rs. 29556.45 Lakhs) issued by Banks at the request of the Company in favour of third parties, the Company has given security by way of hypothecation of a part of tangible movable assets, book debts and stocks.

22. Amounts paid by the Company to Directors as remuneration for services rendered in any capacity (See Schedule 'Q' for Computation of Net Profit in accordance with Sections 198 and 309 of the Companies Act, 1956) :

	2005-2006	2005-2006
	Rupees	Rupees
	Lakhs	Lakhs
Remuneration to the Managing Director (2005-2006 : Managing Director and Wholetime Director) inclusive of contribution to Provident Fund and other funds : Rs. 6.16 Lakhs (2005-2006: Rs.7.06 Lakhs), estimated money value of benefits : Rs. 14.91 Lakhs (2005-2006 : Rs. 12.24 Lakhs) and commission : Rs. 55 Lakhs (2005-2006 : Rs. 46 Lakhs).	<b>109.13</b>	152.59

23. (a) Amounts payable to Auditors in Other capacity :

	2005-2006	2005-2006
	Rupees	Rupees
	Lakhs	Lakhs
Tax Matters	<b>13.50</b>	12.70
Company Law Matters	<b>0.30</b>	0.30
Other Services [(Net of Service Tax set off Rs. 4.89 Lakhs (2005-2006 : Rs. 2.15 Lakhs)]	<b>28.94</b>	29.33
	<b>42.74</b>	42.33

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

	Rupees Lakhs	2005-2006 Rupees Lakhs
(b) Remuneration to Branch Auditors :		
Audit Fees	13.78	11.13
Other Services	7.52	6.65
Out of Pocket Expenses	1.58	0.11
	<u>22.88</u>	<u>17.89</u>
24. Fixed assets acquired under operating Lease :		
Total future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following future periods :		
		2005-2006
	Rupees Lakhs	Rupees Lakhs
Not later than one year	237.12	52.43
Later than one year but not later than five years	242.58	118.63
Later than five years	Nil	13.20
25. In terms of agreement dated 30th September, 1998, Company's Refrigerator manufacturing facility at Nandalur was transferred on a running business/going concern basis to Electrolux Voltas Limited (EVL) on the close of the business hours on 31st March, 1999. In respect of land for the Nandalur Plant, Deed of Conveyance is pending completion.		
26. The Company had accounted in 2004-2005 the profit on transfer of development rights Rs. 505.53 Lakhs in respect of property at Thane for which agreement was executed and consideration received but for which conveyance formalities will be completed at a later date.		
27. The Company had accounted in 2003-2004, the profit on transfer of development rights Rs.1735.95 Lakhs in respect of property at Thane and Rs. 2145.53 Lakhs in respect of property at Pune for which agreements were executed and consideration received but for which conveyance formalities will be completed at a later date.		
28. The Company had accounted in 1999-2000 for the profit on transfer of development rights Rs. 734.12 Lakhs in respect of property at Lalbaug, Mumbai for which agreement for assignment was executed and clearance from the Income Tax Department under Section 269 UC of the Income Tax Act, 1961 was received but for which conveyance formalities will be completed at a later date.		
29. The Company has accounted in 2006-2007 the profit on transfer of development rights in respect of Upvan land and Henkel Switchgear Limited approach land at Thane for which agreements were executed and consideration received (Rs. 2070 Lakhs and Rs. 223.40 Lakhs, respectively) but for which conveyance formalities will be completed at a later date.		
30. Earnings in foreign exchange received in India :		
		2005-2006
	Rupees Lakhs	Rupees Lakhs
(a) F.O.B. Value of exports (including amounts invoiced against work-in-progress)	2049.65	1752.10
(b) Service Commission (On Cash basis)	3148.57	1805.33
(c) Other Income	650.82	381.84
(d) Foreign Projects Profit	5338.47	5651.17
31. Expenditure (subject to deduction of tax wherever applicable) in foreign currency from India :		
		2005-2006
	Rupees Lakhs	Rupees Lakhs
Royalty	39.72	18.69
Know-how	Nil	15.93
Other matters	196.69	267.79
32. Remittances in foreign currencies for dividends	Nil	Nil



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

33. Value of Imports on C.I.F. basis :

	2005-2006	2005-2006
	Rupees Lakhs	Rupees Lakhs
Raw Materials	1973.45	967.75
Finished Goods	20020.65	13363.31
Components & Spares	5363.29	3148.68
Capital Goods	26.15	102.93

34. Information in regard to Raw Materials and Components consumed :

(a)	Items	Unit of Measurement	2005-2006		2005-2006	
			Quantity	Quantity	Value Rupees Lakhs	Value Rupees Lakhs
	Steel/Ferrous Metals	M. Tonnes	5651	6012	2691.41	2794.39
	Non-Ferrous Metals	M. Tonnes	758	766	2473.78	1471.03
	Engines	Numbers	1168	688	930.22	496.51
	Motors	Numbers	76970	95418	1084.35	905.19
	Castings & Forgings	Numbers	88810	82141	1101.48	810.26
	Compressors	Numbers	96533	110287	3243.29	3416.27
	Shells	Numbers	1044	1239	63.94	68.13
	Valves	Numbers	35989	36561	423.77	347.97
	Thermostats & Pressurestats	Numbers	82394	111536	99.29	120.38
	Tyres, Tubes, Flaps and Rims	Numbers	17962	10807	393.23	178.84
	Centrifugal Components	Numbers	38	70	6.86	33.66
	Others				<u>21080.21</u>	<u>11038.06</u>
					<u>33591.83</u>	<u>21680.69</u>
(b)					2005-2006	2005-2006
			% to total Consumption	Value Rupees Lakhs	% to total Consumption	Value Rupees Lakhs
	Imported		15.50	5193.43	13.42	2909.90
	Indigenous		84.50	28398.40	86.58	18770.79
			<u>100.00</u>	<u>33591.83</u>	<u>100.00</u>	<u>21680.69</u>

Note : Above consumption figures are without adjustment for realisation on sale of scrap of Rs. 75.72 Lakhs (2005-2006 : Rs. 31.34 Lakhs).

35. Quantitative information in regard to Licensed Capacity, Installed Capacity and Actual Production of the goods manufactured by the Company :

		Installed Capacity	Installed Capacity 2005-2006	Actual Production	Actual Production 2005-2006
<b>Air Conditioners &amp; Water Coolers:</b>					
Room Air Conditioners	(Numbers)	Nil	6,30,000	6	416
Airconditioners for Specialised Applications	(Numbers)	2,000		2,502	1,746
Water Coolers	(Numbers)	45,000		11,979	25,155
<b>White Goods:</b>					
Refrigerators	(Numbers)	Nil	1,000	Nil	24,608
Commercial Refrigerators	(Numbers)	75,000		42,376	48,240
Open Type Compressors with Accessories	(Numbers)	1,000		380	564

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

35. Quantitative information in regard to Licensed Capacity, Installed Capacity and Actual Production of the goods manufactured by the Company (contd.)

		<b>Installed Capacity</b>	Installed Capacity 2005-2006	<b>Actual Production</b>	Actual Production 2005-2006
Packaged Airconditioners	(Numbers)	<b>16,050</b>	11,050	<b>11,415</b>	7,907
Package Chillers	(Numbers)	<b>1,130</b>	850	<b>548</b>	590
Semi Hermetic Compressors	(Numbers)	<b>3,600</b>	3,600	<b>1,113</b>	1,382
Vapour Absorption Machine	(Numbers)	<b>135</b>	100	<b>33</b>	20
<b>Materials Handling Equipment:</b>					
Forklift Trucks		<b>500</b>	500	<b>1291</b>	783
<b>Mining and Other Engineering Equipment:</b>					
Hydraulic Truck Cranes/Rough		<b>100</b>	100	<b>23</b>	2
Terrain Cranes Crusher		<b>10</b>	Nil	<b>2</b>	Nil
Power Driven Pumps		<b>Nil</b>	2,400	<b>Nil</b>	4

Notes :

- (i) As per the Industrial Policy declared in July 1991 and as amended in April 1993, no licenses are required for the products manufactured by the Company.
- (ii) Installed capacities are as certified by the Management. These are alternative and not cumulative and as such production is not strictly comparable with the same.
- (iii) Production includes for captive consumption.

36. Information in regard to Purchases, Sales, Opening Stocks and Closing Stocks :

(A) Purchases (Other than Raw Materials and Components) and Sales :

Class of Goods	Unit of Measurement	Purchases				Sales			
		Quantity 2005-2006	Quantity 2005-2006	Rupees Lakhs	Rupees Lakhs	Quantity 2005-2006	Quantity 2005-2006	Rupees Lakhs	Rupees Lakhs
<b>Airconditioners and Water Coolers</b>									
Room Airconditioners	Numbers	<b>257677</b>	170605	<b>35339.98</b>	22292.42	<b>226983</b>	177713	<b>39731.82</b>	28373.96
Airconditioners for Specialised Applications	Numbers	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>2496</b>	1711	<b>1811.91</b>	1505.46
Water Coolers	Numbers	<b>45386</b>	28772	<b>1738.17</b>	943.22	<b>54915</b>	41223	<b>5556.65</b>	5025.50
<b>White Goods</b>									
Refrigerators	Numbers	<b>Nil</b>	1	<b>Nil</b>	0.03	<b>1078</b>	37194	<b>50.95</b>	2045.13
<b>Freezers and Bottle Coolers</b>	Numbers	<b>1083</b>	60	<b>94.53</b>	8.30	<b>50398</b>	37523	<b>6048.98</b>	4611.52
<b>Airconditioning and Refrigeration</b>									
Turnkey jobs	Number of jobs					<b>1076</b>	1120	<b>44470.53</b>	29544.91
<b>Sundry Equipment for Airconditioning and Refrigeration, Consumer Durables and Spare Parts</b>									
				<b>5516.99</b>	3894.98			<b>14333.50</b>	6905.71
<b>Materials Handling Equipment and Spares</b>									
Forklift Trucks	Numbers					<b>1278</b>	799	<b>11521.51</b>	7028.43
Sundry Material Handling Eqpt., Spares for Forklift Trucks, etc.				<b>Nil</b>	Nil			<b>2285.58</b>	1474.47
Hydraulic Truck Cranes	Numbers	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>22</b>	2	<b>2429.22</b>	136.09
<b>Machine Tools</b>									
Machine Tools, Accessories and Sundry Equipment				<b>36.13</b>	18.84			<b>62.24</b>	31.26



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

36. (A) Purchases (Other than Raw Materials and Components) and Sales (contd.)

Class of Goods	Unit of Measurement	Purchases				Sales			
		Quantity	Quantity	Rupees Lakhs	Rupees Lakhs	Quantity	Quantity	Rupees Lakhs	Rupees Lakhs
			2005-2006		2005-2006		2005-2006		2005-2006
<b>Pollution Control Equipment and Systems</b>									
Water Pollution Control Equipment and Systems				<b>520.10</b>	724.96			<b>694.55</b>	289.11
<b>Mining and Other Engineering Items</b>									
Sundry Equipment, Accessories and Spares for Drilling and Mining				<b>11667.79</b>	7664.28			<b>14095.28</b>	7661.64
Textile Machinery and Equipment				<b>2243.32</b>	1966.30			<b>2776.58</b>	2360.36
<b>Pesticides and Chemicals</b>									
Chemicals and Minerals				<b>2852.17</b>	2534.43			<b>3668.45</b>	2882.41
<b>Agro Industrial Products</b>									
Hydraulic Pumps, Motors and other Agro Industrial Products				<b>41.97</b>	1787.28			<b>252.66</b>	760.98
<b>Others</b>									
Other Engineering Products				<b>109.34</b>	83.46			<b>170.79</b>	116.06
Turnkey Contracts								<b>66443.89</b>	66235.77
Property held for Sale								<b>Nil</b>	51.00
Camera		<b>271</b>	2160	<b>5.66</b>	18.61	<b>6</b>	1367	<b>0.10</b>	35.90
Room Heaters		<b>Nil</b>	3070	<b>Nil</b>	54.47	<b>539</b>	1087	<b>7.00</b>	41.47
Services Rendered								<b>28665.91</b>	23300.63
								<b>245078.10</b>	190417.77

(B) Opening and Closing Stocks :

Class of Goods	Unit of Measurement	Opening Stock				Closing Stock			
		Quantity	Quantity	Rupees Lakhs	Rupees Lakhs	Quantity	Quantity	Rupees Lakhs	Rupees Lakhs
			2005-2006		2005-2006		2005-2006		2005-2006
<b>Airconditioners and Water Coolers</b>									
Room Airconditioners	Numbers	<b>29057</b>	36812	<b>3319.41</b>	3111.91	<b>58321</b>	29057	<b>6412.63</b>	3319.41
Water Coolers	Numbers	<b>21143</b>	8757	<b>1961.30</b>	642.28	<b>22898</b>	21143	<b>1408.68</b>	1961.30
Airconditioners for Specialised Applications	Numbers	<b>150</b>	132	<b>92.01</b>	74.85	<b>91</b>	150	<b>142.67</b>	92.01
<b>White Goods</b>									
Refrigerators	Numbers	<b>1255</b>	13858	<b>62.02</b>	732.98	<b>217</b>	1255	<b>9.16</b>	62.02
Freezers and Bottle Coolers	Numbers	<b>16941</b>	6078	<b>1803.18</b>	561.76	<b>9656</b>	16941	<b>1142.93</b>	1803.18
<b>Sundry Equipment for Airconditioning and Refrigeration, Consumer Durables and Spare Parts</b>									
				<b>2304.68</b>	1946.98			<b>2942.70</b>	2304.68
<b>Materials Handling Equipment and Spares</b>									
Forklift Trucks	Numbers	<b>1</b>	17	<b>6.26</b>	166.33	<b>14</b>	1	<b>94.45</b>	6.26
Sundry Material Handling Eqpt., Spares for Forklift Trucks, etc.				<b>77.24</b>	291.14			<b>125.03</b>	77.24
Hydraulic Truck Cranes	Numbers	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>1</b>	Nil	<b>110.07</b>	Nil
<b>Machine Tools</b>									
Machine Tools, Accessories and Sundry Equipment				<b>Nil</b>	Nil			<b>0.06</b>	Nil

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 36. (B) Opening and Closing Stocks (contd.)

Class of Goods	Unit of Measurement	Opening Stock		Closing Stock					
		Quantity	Quantity	Rupees Lakhs	Rupees Lakhs	Quantity	Quantity	Rupees Lakhs	Rupees Lakhs
			2005-2006	2005-2006		2005-2006	2005-2006		2005-2006
<b>Pollution Control Equipment and Systems</b>									
Electrostatic Precipitators, Mechanical Dust Collectors, etc. - Components and Parts				1.22	29.44			1.04	1.22
<b>Mining and Other Engineering Items</b>									
Sundry Equipment, Accessories and Spares for Drilling and Mining				1875.84	746.23			1964.97	1875.84
Textile Machinery and Equipment				228.56	164.15			244.94	228.56
<b>Chemicals</b>									
Chemicals and Minerals				359.01	269.45			281.18	359.01
<b>Agro Industrial Products</b>									
Hydraulic Pumps, Motors, etc.				0.55	4.65			0.01	0.55
<b>Others</b>									
Property held for Sale				Nil	51.00			Nil	Nil
Camera		790	Nil	6.32	Nil	758	790	6.68	6.32
Room Heaters		1983	Nil	38.07	Nil	213	1983	4.09	38.07
				<u>12135.67</u>	<u>8793.15</u>			<u>14891.29</u>	<u>12135.67</u>

Note : Quantities of finished goods capitalised/(decapitalised), scrapped, issued against schemes and/or transferred to jobs during the year.

	Unit of Measurement	Quantity	Quantity 2005-2006
Room Airconditioners	Numbers	1436	1063
Water Coolers	Numbers	695	318
Refrigerators	Numbers	(40)	18
Airconditioners for Specialised Applications	Numbers	65	17
Freezers & Bottle Coolers	Numbers	346	(86)
Camera	Numbers	297	3
Room Heaters	Numbers	1231	Nil

37. The Company has consolidated the accounts of the following joint ventures as on 31st March, 2007 and its percentage holding, the proportionate share of assets, liabilities, income and expenditure of the joint venture companies are given below :

Rupees Lakhs

Name of the Joint Venture	% Holding	As at 31st March, 2007				Year ended 31st March, 2007	
		Assets	Liabilities	Contingent Liabilities	Capital Commitment	Income	Expenses
Universal Comfort Products Private Ltd.	50	6299.32 (5605.53)	4215.75 (3833.72)	2126.17 (1560.72)	55.02 (18.77)	10590.73 (8651.89)	10484.05 (8550.98)
Lalbuksh Voltas Engineering Services & Trading LLC	49	1399.44 (1176.20)	623.59 (547.60)	73.89 (173.04)	Nil (Nil)	1527.13 (1199.99)	1285.39 (1003.61)
*Universal Voltas LLC	49	3525.25 (2471.86)	2933.08 (1770.54)	1641.45 (1132.01)	Nil (Nil)	5299.57 (3243.67)	4891.11 (2981.73)
*Saudi Ensas Company for Engineering Services WLL	49	1447.09 (1756.99)	1308.31 (1540.60)	108.99 (99.31)	Nil (Nil)	703.09 (2008.87)	967.87 (2099.71)

\* As the accounting year of these companies ends on 31st December, 2006, the figures are as of that date.

Notes : 1. Figures of Saudi Ensas Company for Engineering Services WLL are unaudited.

2. Figures in brackets are of previous year.





## SCHEDULE 'P': NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

38 A. Information about Business Segments :

<b>1. SEGMENT REVENUE</b>	<b>Rupees Lakhs</b>	2005-2006 Rupees Lakhs
(a) Segment - A (Electro-mechanical Projects and Services)	<b>137083.81</b>	113268.46
(b) Segment - B (Engineering Products and Services)	<b>43249.16</b>	25282.32
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>61256.65</b>	47230.45
(d) Others	<b>4018.12</b>	4756.69
Less : Inter segment revenue	<b>529.64</b>	120.15
<b>NET SALES/INCOME FROM OPERATIONS</b>	<b>245078.10</b>	190417.77
<b>2. SEGMENT RESULTS</b>		
(a) Segment - A (Electro-mechanical Projects and Services)	<b>5783.94</b>	6574.05
(b) Segment - B (Engineering Products and Services)	<b>9841.98</b>	6969.51
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>(171.79)</b>	(3736.06)
(d) Others	<b>(1030.51)</b>	327.94
Total	<b>14423.62</b>	10135.44
Less: (i) Interest	<b>(47.14)</b>	140.05
(ii) Other net unallocable expenditure/(Income)	<b>(7812.59)</b>	826.25
<b>PROFIT BEFORE TAX</b>	<b>22283.35</b>	9169.14

<b>Particulars</b>	<b>Segment Assets</b>		<b>Segment Liabilities</b>	
	As at		As at	
	<b>Rupees Lakhs</b>	Rupees Lakhs	<b>Rupees Lakhs</b>	Rupees Lakhs
(a) Segment - A (Electro-mechanical Projects and Services)	<b>75131.07</b>	52376.14	<b>60466.33</b>	46737.96
(b) Segment - B (Engineering Products and Services)	<b>14933.83</b>	9669.97	<b>6790.77</b>	6871.26
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>25652.86</b>	22616.38	<b>17773.33</b>	17046.43
(d) Others	<b>1599.85</b>	3339.41	<b>665.08</b>	1246.18
Segment Total	<b>117317.61</b>	88001.90	<b>85695.51</b>	71901.83
Unallocated	<b>35734.54</b>	27237.11	<b>21067.14</b>	11995.40
Total	<b>153052.15</b>	115239.01	<b>106762.65</b>	83897.23

<b>Particulars</b>	<b>Capital Expenditure</b>		<b>Depreciation</b>		<b>Non-Cash Expenses Other than Depreciation</b>	
	2005-06		2005-06		2005-06	
	<b>Rupees Lakhs</b>	Rupees Lakhs	<b>Rupees Lakhs</b>	Rupees Lakhs	<b>Rupees Lakhs</b>	Rupees Lakhs
(a) Segment - A (Electro-mechanical Projects and Services)	<b>1199.82</b>	361.54	<b>359.06</b>	312.72	<b>742.64</b>	1191.99
(b) Segment - B (Engineering Products and Services)	<b>172.86</b>	77.09	<b>66.85</b>	67.12	<b>409.44</b>	402.82
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>1608.08</b>	64.50	<b>314.25</b>	220.37	<b>555.54</b>	1663.76
(d) Others	<b>2.74</b>	3.58	<b>15.43</b>	22.92	<b>988.47</b>	15.52
Segment Total	<b>2983.50</b>	506.71	<b>755.59</b>	623.13	<b>2696.09</b>	3274.09
Unallocated	<b>159.33</b>	2778.84	<b>476.79</b>	485.38	<b>379.55</b>	337.52
Total	<b>3142.83</b>	3285.55	<b>1232.38</b>	1108.51	<b>3075.64</b>	3611.61

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 38 B. Information about Secondary Business Segments

	Rupees Lakhs	2005-06 Rupees Lakhs
<b>Revenue by Geographical Market</b>		
India	<b>183884.21</b>	126063.16
Middle East	<b>55368.00</b>	51756.01
Others	<b>5825.89</b>	12598.60
<b>Total</b>	<b>245078.10</b>	190417.77
<b>Additions to Fixed Assets and Intangible Assets</b>		
India	<b>2634.44</b>	341.08
Middle East	<b>347.08</b>	154.49
Others	<b>1.98</b>	11.14
<b>Total</b>	<b>2983.50</b>	506.71
<b>Carrying Amount of Segment Assets</b>		
India	<b>72482.59</b>	57904.47
Middle East	<b>39985.87</b>	25507.46
Others	<b>4849.15</b>	4589.97
<b>Total</b>	<b>117317.61</b>	88001.90

## 39. Related Party Disclosures

## (a) List of Related Parties and Relationships

Party	Relation
<b>A.</b> Simto Investment Company Ltd. Auto Aircon (India) Ltd. Metrovol FZE VIL Overseas Enterprises B.V. Voice Antilles N.V. Weathermaker Ltd. Agro Foods Punjab Ltd. (Under liquidation) Westerwork Engineers Ltd. (Under liquidation) Simtools Ltd. (upto 22-3-2007)	Subsidiary
<b>B.</b> Brihat Trading Private Ltd. Terrot GmbH (w.e.f. 19-6-2006)	Associate- Shareholding of the Company on its own or along with subsidiaries exceed 20%
<b>C. Joint Ventures</b> Universal Comfort Products Private Ltd. Saudi Ensas Company for Engineering Services WLL Universal Voltas LLC Lalbuksh Voltas Engineering Services & Trading LLC AVCO Marine S.a.S. (Under liquidation) Agrotech Industries Ltd. (Under closure)	Holdings and/or agreements in conjunction with group companies
<b>D. Tata Sons Ltd.</b>	Promoters holding together with its subsidiary is more than 20%
<b>E. Key Management Personnel</b> Mr. A. Soni	Managing Director



## SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### 39. (b) Related Party Transactions

Transactions	Rupees Lakhs				
	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Promoter	Total
Purchase of Goods (Refer 39 (c) (1))	<b>577.52</b> (1362.59)	<b>19836.87</b> (14126.52)	— (—)	— (—)	<b>20414.39</b> (15489.11)
Sale of Goods (Refer 39 (c) (2))	<b>83.51</b> (34.06)	<b>1721.68</b> (396.81)	— (—)	<b>2.32</b> (6.67)	<b>1807.51</b> (437.54)
Service Income (Refer 39 (c) (3))	— (9.23)	<b>703.78</b> (634.67)	— (—)	<b>2.68</b> (—)	<b>706.46</b> (643.90)
Sale of Fixed Assets (Refer 39 (c) (4))	— (—)	<b>7.98</b> (—)	— (0.68)	— (—)	<b>7.98</b> (0.68)
Rental Income (Refer 39 (c) (5))	— (—)	— (16.22)	— (—)	— (6.67)	— (22.89)
Interest Income (Refer 39 (c) (6))	<b>18.60</b> (20.29)	<b>49.73</b> (69.68)	— (—)	— (—)	<b>68.33</b> (89.97)
Dividend Income (Refer 39 (c) (7))	<b>1674.45</b> (243.96)	<b>32.36</b> (37.18)	— (—)	— (—)	<b>1706.81</b> (281.14)
Freight Recovery (Refer 39 (c) (8))	— (—)	<b>85.17</b> (147.86)	— (—)	— (—)	<b>85.17</b> (147.86)
Advertising Recovery (Refer 39 (c) (9))	— (—)	<b>341.28</b> (352.55)	— (—)	— (—)	<b>341.28</b> (352.55)
Warranty Recovery (Refer 39 (c) (10))	— (—)	<b>44.59</b> (120.62)	— (—)	— (—)	<b>44.59</b> (120.62)
Remuneration Paid/Payable (Refer 39 (c) (11))	— (—)	— (—)	<b>109.13</b> (152.59)	— (—)	<b>109.13</b> (152.59)
Settlement of Claims (Refer 39 (c) (12))	— (—)	— (1325.90)	— (—)	— (—)	— (1325.90)
Recovery of Loan (Refer 39 (c) (13))	— (—)	— (—)	— (1.42)	— (—)	— (1.42)
Interest on Housing Loan (Refer 39 (c) (14))	— (—)	— (—)	— (0.03)	— (—)	— (0.03)
Unsecured Advances Given - Others (Refer 39 (c) (15))	— (42.00)	— (—)	— (—)	— (—)	— (42.00)
Repayment of Unsecured Advances Given (Refer 39 (c) (16))	— (37.27)	— (—)	— (—)	— (—)	— (37.27)
Other Operating & Administration Expenses-Received/Receivable (Refer 39 (c) (17))	<b>14.59</b> (1.12)	<b>0.87</b> (20.21)	— (—)	— (0.18)	<b>15.46</b> (21.51)
Other Operating & Administration Expenses-Paid/Payable (Refer 39 (c) (18))	<b>14.73</b> (34.91)	— (0.31)	— (0.59)	<b>14.82</b> (44.55)	<b>29.55</b> (80.36)

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 39. (b) Related Party Transactions (contd.)

Transactions	Rupees Lakhs				
	Subsidiaries	Associates and Joint Ventures	Key Management Personnel	Promoter	Total
Intercorporate Deposits Placed	—	—	—	—	—
(Refer 39 (c) (19))	(—)	(500.00)	(—)	(—)	(500.00)
Refund of Intercorporate Deposits Placed	—	<b>1000.00</b>	—	—	<b>1000.00</b>
(Refer 39 (c) (20))	(—)	(500.00)	(—)	(—)	(500.00)
Provision for Debts and Advances Due	—	<b>1097.09</b>	—	—	<b>1097.09</b>
(Refer 39 (c) (21))	(—)	(782.45)	(—)	(—)	(782.45)
Advance Share Application Money	—	<b>638.98</b>	—	—	<b>638.98</b>
(Refer 39 (c) (22))	(—)	(225.00)	(—)	(—)	(225.00)
Consulting Charges Paid (Refer 39 (c) (23))	—	—	—	—	—
	(—)	(—)	(—)	(0.02)	(0.02)
Tata Brand Equity (Refer 39 (c) (24))	—	—	—	<b>364.23</b>	<b>364.23</b>
	(—)	(—)	(—)	(316.09)	(316.09)
Purchase of Fixed Assets (Refer 39 (c) (25))	<b>5.54</b>	—	—	—	<b>5.54</b>
	(—)	(—)	(—)	(—)	(—)
Interest Expenses (Refer 39 (c) (26))	—	<b>98.93</b>	—	—	<b>98.93</b>
	(—)	(46.23)	(—)	(—)	(46.23)
Commission Received (Refer 39 (c) (27))	<b>33.70</b>	<b>61.60</b>	—	—	<b>95.30</b>
	(0.20)	(2.53)	(—)	(—)	(2.74)
Investments (Refer 39 (c) (28))	<b>0.05</b>	<b>140.43</b>	—	—	<b>140.48</b>
	(—)	(—)	(—)	(—)	(—)
Intercorporate Deposits Placed Due	—	—	—	—	—
(Refer 39 (c) (29))	(—)	(1000.00)	(—)	(—)	(1000.00)
Debit Balance outstanding as on 31-3-2007	<b>106.18</b>	<b>902.87</b>	—	—	<b>1009.05</b>
(Refer 39 (c) (30))	(365.33)	(880.51)	(—)	(—)	(1245.84)
Credit Balance outstanding as on 31-3-2007	<b>252.77</b>	<b>3073.36</b>	—	<b>343.79</b>	<b>3669.92</b>
(Refer 39 (c) (31))	(473.61)	(1980.28)	(—)	(293.23)	(2747.12)

Notes :

- (i) Figures in brackets are of previous year.
- (ii) Figures for the previous year are regrouped wherever necessary.



## SCHEDULE 'P': NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### 39. (c) Related Party Transaction Details

Details of material (more than 10% of the total related party transactions of the same type) transactions with related party.

		<b>Rupees Lakhs</b>	
<b>Name of Party</b>	<b>Transaction Value</b>	Transaction Value 2005-2006	
<b>1. Purchase of Goods</b> Universal Comfort Products Private Ltd.	<b>19429.23</b>	14084.68	
<b>2. Sale of Goods</b> Universal Comfort Products Private Ltd.	<b>1683.31</b>	396.81	
<b>3. Service Income</b> Universal Comfort Products Private Ltd. Universal Voltas LLC	<b>555.37</b> <b>148.41</b>	537.85 96.32	
<b>4. Sale of Fixed Assets</b> Universal Comfort Products Private Ltd. Mr.S.N.Tripathi (upto 24-9-2006)	<b>7.98</b> —	— 0.68	
<b>5. Rental Income</b> Sermo-PM India Ltd Tata Sons Ltd.	— —	16.22 6.67	
<b>6. Interest Income</b> Simtools Limited (upto 22-3-2007) Universal Comfort Products Private Ltd.	<b>18.60</b> <b>49.73</b>	20.29 69.68	
<b>7. Dividend Income</b> Simto Investment Company Ltd. Weathermaker Ltd. Lalbuksh Voltas Engineering Services & Trading LLC Metrovol FZE VIL Overseas Enterprises B.V.	<b>1212.48</b> <b>371.25</b> — — —	— 38.77 28.85 156.28 48.90	
<b>8. Freight Recovery</b> Universal Comfort Products Private Ltd.	<b>85.17</b>	147.86	
<b>9. Advertising Recovery</b> Universal Comfort Products Private Ltd.	<b>341.28</b>	352.55	
<b>10. Warranty Recovery</b> Universal Comfort Products Private Ltd.	<b>44.59</b>	120.62	
<b>11. Remuneration Paid/Payable</b> Mr. A.Soni Mr.S. N. Tripathi	<b>109.13</b> —	117.12 35.47	
<b>12. Settlement of Claims</b> AVCO Marine S.a.S.	—	1325.90	
<b>13. Recovery of Loan</b> Mr. S. N. Tripathi	—	1.35	
<b>14. Interest on Housing Loan</b> Mr. S. N. Tripathi	—	0.03	
<b>15. Unsecured Advances Given - Others</b> Auto Aircon (India) Ltd.	—	40.00	
<b>16. Repayment of Unsecured Advances Given</b> Auto Aircon (India) Ltd.	—	35.27	

**SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 39. (c) Related Party Transaction Details

Details of material (more than 10% of the total related party transactions of the same type) transactions with related party. (contd.)

		<b>Rupees Lakhs</b>	
<b>Name of Party</b>	<b>Transaction Value</b>	Transaction Value 2005-2006	
<b>17. Other Operating &amp; Administration Expenses - Received/Receivable</b>			
Simtools Ltd. (upto 22-3-3007)	<b>10.00</b>		—
Lalbuksh Voltas Engineering Services & Trading LLC	—		2.27
Metrovol FZE	<b>4.59</b>		—
Sermo-PM India Ltd.	—		4.49
Universal Comfort Products Private Ltd.	—		12.53
<b>18. Other Operating &amp; Administration Expenses - Paid/Payable</b>			
Metrovol FZE	<b>14.73</b>		34.91
Tata Sons Ltd.	<b>14.82</b>		44.55
<b>19. Intercorporate Deposits Placed</b>			
Universal Comfort Products Private Ltd.	—		500.00
<b>20. Refund of Intercorporate Deposits Placed</b>			
Universal Comforts Products Private Ltd.	<b>1000.00</b>		500.00
<b>21. Provision for Debts and Advances Due</b>			
Saudi Ensas Company for Engineering Services WLL	<b>314.64</b>		—
AVCO Marine S.a.S.	<b>782.45</b>		782.45
<b>22. Advance Share Application Money</b>			
Saudi Ensas Company for Engineering Services WLL	<b>206.48</b>		—
Universal Comfort Products Private Ltd.	<b>432.50</b>		225.00
<b>23. Consulting Charges Paid</b>			
Tata Sons Ltd.	—		0.02
<b>24. Tata Brand Equity</b>			
Tata Sons Ltd.	<b>364.23</b>		316.09
<b>25. Purchase of Fixed Assets</b>			
Auto Aircon (India) Limited	<b>5.54</b>		—
<b>26. Interest Expenses</b>			
Universal Comfort Products Private Ltd.	<b>98.93</b>		46.23
<b>27. Commission Received</b>			
Terrot GmbH (w.e.f. 19-6-2006)	<b>61.60</b>		—
Metrovol FZE	<b>33.70</b>		—
Sermo-PM India Ltd.	—		2.53
<b>28. Investments</b>			
Terrot GmbH (w.e.f. 19-6-2006)	<b>140.43</b>		—
<b>29. Intercorporate Deposits Placed Due</b>			
Universal Comfort Products Private Ltd.	—		1000.00
<b>30. Debit Balance Outstanding as on 31-3-2007</b>			
AVCO Marine S.a.S.	<b>782.45</b>		782.45
Simtools Ltd.	—		288.23
<b>31. Credit Balance Outstanding as on 31-3-2007</b>			
Universal Comforts Products Private Ltd.	<b>2914.93</b>		1964.17
Tata Sons Ltd.	—		293.23
Weathermaker Ltd.	—		461.75

40. Previous year's figures have been regrouped wherever necessary.



**SCHEDULE 'Q' : COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTIONS 198 AND 309(5) OF THE COMPANIES ACT, 1956**

	<b>Rupees in Lakhs</b>	<b>Rupees in Lakhs</b>	Year ended 31st March, 2006 Rupees in Lakhs
1. Profit before Taxation as per Profit and Loss Account		<b>22283.35</b>	9169.14
2. Add:			
(a) Managerial Remuneration, including benefits in cash or in kind	<b>144.13</b>		178.59
(b) Provision for Diminution in value of Investments written back	<b>17.90</b>		0.23
(c) Bad and Doubtful Debts/Advances	<b>1813.34</b>		536.34
		<b>1975.37</b>	715.16
		<b>24258.72</b>	9884.30
3. Less:			
(a) Capital Surplus on Sale/Retirement of Fixed Assets	<b>11.47</b>		7.37
(b) Profit/(Loss) on Sale of Investments (Net)	<b>7806.34</b>		(14.39)
(c) Wealth Tax	<b>32.00</b>		30.00
(d) Profit on Sale of property/Transfer of Development Rights/Surrender of Tenancy Rights	<b>2247.96</b>		1603.45
(e) Bad and Doubtful Debts/Advances written off (Net of Recoveries)	<b>655.71</b>		678.09
(f) Excess of Expenditure over Income brought forward from preceding years as per Section 349 of the Companies Act,1956.	<b>Nil</b>		4647.16
		<b>10753.48</b>	6951.68
Net profit for Directors' Commission referred to below:		<b>13505.24</b>	2932.62
Commission to Directors (other than Wholetime Directors) at 1% of the net profits : Rs. 135.05 Lakhs, restricted to		<b>35.00</b>	26.00
Commission to Wholetime Director/s		<b>55.00</b>	46.00

*Chairman*

**Ishaat Hussain**

*Managing Director*

**A. Soni**

*Directors*

**N. M. Munjee  
N. J. Jhaveri  
S. D. Kulkarni  
Ravi Kant  
N. D. Khurody**

*Executive Vice President (Finance)*

**M. M. Miyajiwala**

*General Manager - Taxation  
& Company Secretary*

**V. P. Malhotra**

*Mumbai, 14<sup>th</sup> May, 2007*

**Balance Sheet Abstract and Company's General Business Profile pursuant to Part IV of Schedule VI to the Companies Act, 1956.**

**I. Registration Details:**

Registration No. 

L	2	9	3	0	8	M	H	1	9	5	4	P	L	C	0	0	9	3	7	1
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code 

1	1
---	---

Balance Sheet Date : 

3	1
---	---

0	3
---	---

2	0	0	7
---	---	---	---

  
Date Month Year

**II. Capital raised during the year (Amount in Thousands):**

Public Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table> Bonus Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				N	I	L								N	I	L					Rights Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table> Private Placement <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				N	I	L								N	I	L				
			N	I	L																																				
			N	I	L																																				
			N	I	L																																				
			N	I	L																																				

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands):**

Total Liabilities <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>6</td><td>2</td><td>8</td><td>9</td><td>5</td><td>0</td></tr></table>			4	6	2	8	9	5	0	Total Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>6</td><td>2</td><td>8</td><td>9</td><td>5</td><td>0</td></tr></table>			4	6	2	8	9	5	0
		4	6	2	8	9	5	0											
		4	6	2	8	9	5	0											

**Sources of Funds**

Paid-up Capital <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>3</td><td>3</td><td>0</td><td>6</td><td>8</td><td>3</td></tr></table> Secured Loans <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>8</td><td>2</td><td>1</td><td>4</td><td>1</td><td>9</td></tr></table>				3	3	0	6	8	3				8	2	1	4	1	9	Reserves & Surplus <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>3</td><td>4</td><td>7</td><td>6</td><td>8</td><td>4</td><td>8</td></tr></table> Unsecured Loans <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				3	4	7	6	8	4	8				N	I	L				
			3	3	0	6	8	3																															
			8	2	1	4	1	9																															
			3	4	7	6	8	4	8																														
			N	I	L																																		

**Application of Funds**

Net Fixed Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>9</td><td>8</td><td>7</td><td>2</td><td>7</td></tr></table> Net Current Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>6</td><td>5</td><td>9</td><td>4</td><td>1</td><td>6</td></tr></table> Misc. Expenditure <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				1	2	9	8	7	2	7				1	6	5	9	4	1	6				N	I	L					Investments <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>3</td><td>7</td><td>4</td><td>1</td><td>0</td><td>6</td></tr></table> Deferred Tax Asset <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>9</td><td>6</td><td>7</td><td>0</td><td>1</td></tr></table> Accumulated Losses <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				1	3	7	4	1	0	6				2	9	6	7	0	1				N	I	L				
			1	2	9	8	7	2	7																																																			
			1	6	5	9	4	1	6																																																			
			N	I	L																																																							
			1	3	7	4	1	0	6																																																			
			2	9	6	7	0	1																																																				
			N	I	L																																																							

**IV. Performance of the Company (Amount in Rs. Thousands):**

Turnover <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>4</td><td>5</td><td>0</td><td>7</td><td>8</td><td>1</td><td>0</td></tr></table> Profit Before Tax <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>2</td><td>2</td><td>8</td><td>3</td><td>3</td><td>5</td></tr></table> Earnings Per Share in Rs. <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>6</td></tr></table>				2	4	5	0	7	8	1	0				2	2	2	8	3	3	5											6	Total Expenditure <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>2</td><td>2</td><td>7</td><td>9</td><td>4</td><td>7</td><td>5</td></tr></table> Profit After Tax <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>8</td><td>6</td><td>0</td><td>8</td><td>2</td><td>2</td></tr></table> Dividend Rate % <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>1</td><td>0</td><td>0</td></tr></table>				2	2	2	7	9	4	7	5				1	8	6	0	8	2	2											1	0	0
			2	4	5	0	7	8	1	0																																																									
			2	2	2	8	3	3	5																																																										
										6																																																									
			2	2	2	7	9	4	7	5																																																									
			1	8	6	0	8	2	2																																																										
										1	0	0																																																							

**V. Generic name of Three Principal Products/Services of the Company (as per Monetary Terms):**

Item Code No. (ITC Code) 

8	4	1	5	1	0	9	0
---	---	---	---	---	---	---	---

  
 Product Description 

A	I	R		C	O	N	D	I	T	I	O	N	I	N	G					
M	A	C	H	I	N	E	S													

Item Code No. (ITC Code) 

8	4	1	8	6	9	9	0
---	---	---	---	---	---	---	---

  
 Product Description 

R	E	F	R	I	G	E	R	A	T	I	N	G		E	Q	U	I	P	M	E	N	T
A	B	S	O	R	P	T	I	O	N		H	E	A	T		P	U	M	P	S		&
C	H	I	L	L	E	R		P	A	C	K	A	G	E								

Item Code No. (ITC Code) 

8	4	2	7	2	0	0	0	/	8	4	2	7	1	0	0	0
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

  
 Product Description 

F	O	R	K	L	I	F	T		T	R	U	C	K	S									
D	I	E	S	E	L	/	E	L	E	C	T	R	I	C									





## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### To the Board of Directors of Voltas Limited

1. We have audited the attached Consolidated Balance Sheet of **VOLTAS LIMITED** ('the Company') and its subsidiaries ('the Group') as at 31<sup>st</sup> March, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the returns from UAE, Qatar and Bahrain Branches audited by other auditors. 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.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets of Rs. 6093 Lakhs as at 31<sup>st</sup> March, 2007/ 31<sup>st</sup> December, 2006 as applicable, total revenues of Rs. 8483 Lakhs, and net cash flows amounting to Rs. 21 Lakhs for the year ended on that date and an associate whose financial statement reflect the group share of profit upto 31<sup>st</sup> December, 2006 of Rs. 8.13 Lakhs and group share of profit of Rs. 4.32 Lakhs for the year ended on that date as considered in the consolidated financial statement. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion based solely on the report of other auditors.
4. We did not audit the financial statements of certain joint ventures, whose financial statements reflect group share of total assets of Rs. 4925 Lakhs as at 31<sup>st</sup> March, 2007/31<sup>st</sup> December, 2006 as applicable, total revenues of Rs. 6817 Lakhs, and net cash flows amounting to Rs. 582 Lakhs for the year ended on that date as considered in the consolidated financial statement. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion based solely on the report of other auditors.
5. (a) The financial statement of one joint venture, whose financial statement reflect total assets of Rs. 1447 Lakhs as at 31<sup>st</sup> December, 2006, total revenue of Rs. 703 Lakhs and net cash out flow amounting to Rs. 1 Lakh for the year ended on that date have not been audited.
  - (b) In case of Auto Aircon (India) Limited, a subsidiary of the Company, the auditors in their report have raised a doubt that the Company will be able to continue as a Going Concern.
  - (c) In case of Simto Investment Company Limited, a subsidiary of the Company, the auditors have reported in their report that the Company is required to transfer a sum of Rs. 183 Lakhs to General Reserve as per the provision of the Companies (Transfer of Profits to Reserves) Rules 1975 read with Section 205 (2-A) of the Companies Act 1956. The amount transferred to General Reserve is Rs. 10.74 Lakhs only.
6. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard – 21, Consolidated Financial Statements, Accounting Standard – 23, Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard – 27, Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.
7. Subject to the matters referred to in paragraph 5 (a), (b) and (c) above, based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanation given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2007;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S. B. BILLIMORIA & CO.  
*Chartered Accountants*

**MOHAMMED Z. MERCHANT**  
*Partner*  
Membership No. 31971

*Mumbai,*  
*14<sup>th</sup> May, 2007*

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS FUNDS</b>				
1. SHARE CAPITAL	A		<b>3306.83</b>	3306.26
2. RESERVES AND SURPLUS	B		<b>39067.16</b>	23830.20
3. TOTAL			<b>42373.99</b>	27136.46
4. MINORITY INTEREST			<b>43.73</b>	26.38
<b>LOAN FUNDS</b>				
5. SECURED LOANS	C		<b>11130.28</b>	6478.67
6. UNSECURED LOANS	D		<b>27.85</b>	2528.67
	TOTAL		<b>53575.85</b>	36170.18
<b>APPLICATION OF FUNDS</b>				
7. FIXED ASSETS				
GROSS BLOCK	E	<b>28512.26</b>		31632.25
LESS : DEPRECIATION		<b>13787.21</b>		16420.38
NET BLOCK		<b>14725.05</b>		15211.87
CAPITAL WORK-IN-PROGRESS		<b>1284.54</b>		1136.91
			<b>16009.59</b>	16348.78
8. INVESTMENTS	F		<b>12479.43</b>	4614.69
9. DEFERRED TAX ASSET (Net). (See Note 7, Schedule 'P')			<b>2789.76</b>	2563.00
10. CURRENT ASSETS, LOANS AND ADVANCES				
(A) Current Assets				
1. Inventories	G	<b>51229.25</b>		31869.26
2. Sundry Debtors	H	<b>49191.11</b>		43687.37
3. Cash and Bank Balances	I	<b>16766.61</b>		12975.74
4. Interest accrued on Investments		<b>48.83</b>		25.93
			<b>117235.80</b>	88558.30
(B) Loans and Advances	J	<b>17582.88</b>		12660.75
			<b>134818.68</b>	101219.05
11. LESS : CURRENT LIABILITIES AND PROVISIONS				
(A) Current Liabilities	K	<b>93967.86</b>		76541.75
(B) Provisions	K	<b>18553.75</b>		12033.59
			<b>112521.61</b>	88575.34
12. NET CURRENT ASSETS			<b>22297.07</b>	12643.71
	TOTAL		<b>53575.85</b>	36170.18

(For notes forming part of the Accounts see Schedule 'P'.  
The Schedules referred to above form an integral part of the Accounts)

In terms of our Report of even date.

For S. B. Billimoria & Co.  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Mumbai, 14<sup>th</sup> May, 2007

*Chairman*

*Managing Director*

*Directors*

*Executive Vice President (Finance)*

*General Manager - Taxation*

*& Company Secretary*

Mumbai, 14<sup>th</sup> May, 2007

**Ishaat Hussain**

**A. Soni**

**N. M. Munjee**

**N. J. Jhaveri**

**S. D. Kulkarni**

**Ravi Kant**

**N. D. Khurody**

**M. M. Miyajiwala**

**V. P. Malhotra**



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

	Schedule	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. SALES AND SERVICES		<b>259830.10</b>		202270.89
Less : EXCISE DUTY		<b>7156.40</b>		6827.17
NET SALES AND SERVICES			<b>252673.70</b>	195443.72
2. OTHER INCOME	L		<b>5144.04</b>	2519.19
3. COST OF SALES, SERVICES AND EXPENSES	M		<b>239877.63</b>	184267.28
4. PROFIT BEFORE FINANCIAL ITEMS, DEPRECIATION AND EXCEPTIONAL ITEMS			<b>17940.11</b>	13695.63
5. FINANCIAL ITEMS	N		<b>(898.21)</b>	63.09
6. DEPRECIATION ON FIXED ASSETS			<b>1556.68</b>	1409.06
7. PROFIT BEFORE EXCEPTIONAL ITEMS			<b>17281.64</b>	12223.48
8. EXCEPTIONAL ITEMS	O		<b>6963.93</b>	(2619.10)
9. PROFIT BEFORE TAXATION			<b>24245.57</b>	9604.38
10. PROVISION FOR TAXATION				
- Provision for Current Tax [Including Foreign Income Tax Rs. 409.29 Lakhs (2005-06: Rs. 277.30 Lakhs)]		<b>4063.80</b>		2333.76
- Provision for Taxation of Earlier Years		<b>(467.24)</b>		(8.84)
- Provision for Deferred Tax		<b>183.48</b>		(446.75)
- Provision for Wealth Tax		<b>32.10</b>		30.05
- Provision for Fringe Benefit Tax		<b>262.25</b>		327.55
11. PROFIT AFTER TAXATION			<b>4074.39</b>	2235.77
12. MINORITY INTEREST IN PROFIT			<b>20171.18</b>	7368.61
13. SHARE OF PROFIT/(LOSSES) OF ASSOCIATES			<b>(17.53)</b>	(3.35)
14. PROFIT AFTER MINORITY INTEREST AND SHARE OF PROFIT/(LOSSES) OF ASSOCIATES			<b>4.32</b>	Nil
15. PREACQUISITION ADJUSTMENTS TRANSFERRED TO CAPITAL RESERVE			<b>20157.97</b>	7365.26
16. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR (See Note 4, Schedule 'P')			<b>(54.96)</b>	Nil
17. AMOUNT TRANSFERRED FROM FOREIGN PROJECTS RESERVE			<b>3490.25</b>	2731.26
18. AMOUNT TRANSFERRED FROM/TO FOREIGN EXCHANGE TRANSLATION RESERVE			<b>344.00</b>	400.00
19. PROFIT AVAILABLE FOR APPROPRIATIONS			<b>(18.81)</b>	11.48
20. APPROPRIATIONS :			<b>23918.45</b>	10508.00
(a) GENERAL RESERVE		<b>13673.40</b>		4736.97
(b) SPECIAL RESERVE		<b>366.00</b>		14.61
(c) PROPOSED DIVIDEND		<b>3308.85</b>		1985.31
(d) INTERIM DIVIDEND		<b>55.21</b>		Nil
(e) TAX ON DIVIDEND		<b>740.13</b>		278.44
21. BALANCE CARRIED FORWARD			<b>18143.59</b>	7015.33
Basic and diluted earnings per share of Re.1 each (including Exceptional Items) (in Rs.) (See Note 11, Schedule 'P')			<b>5774.86</b>	3492.67
			<b>6.09</b>	2.23

(For notes forming part of the Accounts see Schedule 'P'.  
The Schedules referred to above form an integral part of the Accounts)

In terms of our Report of even date.

For S. B. Billimoria & Co.  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Mumbai, 14<sup>th</sup> May, 2007

*Chairman*

*Managing Director*

*Directors*

*Executive Vice President (Finance)*

*General Manager - Taxation*

*& Company Secretary*

Mumbai, 14<sup>th</sup> May, 2007

**Ishaat Hussain**

**A. Soni**

**N. M. Munjee**

**N. J. Jhaveri**

**S. D. Kulkarni**

**Ravi Kant**

**N. D. Khurody**

**M. M. Miyajiwala**

**V. P. Malhotra**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

A. CASH FLOW FROM OPERATING ACTIVITIES	Rupees in Lakhs	Rupees in Lakhs	2005-2006 Rupees in Lakhs
Net Profit before Taxation		24245.57	9604.38
Add - Adjustments for :			
Depreciation	1556.68		1409.06
Share in Profit of Associate	4.32		Nil
Impairment of Assets	77.57		Nil
Provision for Contingencies	1133.59		(850.00)
Provision for Diminution in value of Investments	Nil		(395.71)
Net Profit on Sale/Retirement of Fixed Assets	(1527.63)		(1576.92)
(Profit)/Loss on Sale of Non-Trade Investments	(2034.73)		(32.17)
Interest paid (Net)	176.91		355.37
Income from Investments.	(1075.12)		(292.28)
Exchange Fluctuation	(15.00)		69.82
Provision for Leave Encashment	235.23		241.40
Provision for Gratuity	636.35		199.54
Provision for Post Retiral Medical Benefits	28.58		Nil
Impairment Written Back	Nil		(2773.54)
(Profit)/Loss on Sale of Trade Investments	(7852.20)		410.60
Cost of Voluntary Retirement Scheme	358.77		6507.87
		<u>(8296.68)</u>	<u>3273.04</u>
Operating Profit before Working Capital changes		15948.89	12877.42
Less - Adjustments for :			
Increase/(Decrease) in Inventories	19359.99		5534.13
Increase/(Decrease) in Trade and other Receivables	5503.74		3898.30
Increase/(Decrease) in Loans and Advances	4645.56		1775.26
Decrease/(Increase) in Advances from Customers	(10439.08)		(2300.87)
Decrease/(Increase) in Trade Payables	(7198.15)		(9530.92)
		<u>11872.06</u>	<u>(624.10)</u>
Cash generated from operations		4076.83	13501.52
Less :			
Taxes paid	3218.75		636.43
Voluntary Retirement /Pension Scheme Payments	204.53		6687.68
		<u>3423.28</u>	<u>7324.11</u>
<i>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</i>		653.55	6177.41
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(3556.57)		(3974.70)
Sale of Fixed Assets	3693.61		485.53
Proceeds from Surrender of Tenancy Rights	95.54		1213.27
Purchase of Investments	(26904.01)		(3215.97)
Investment in Subsidiaries	Nil		(142.67)
Sale of Investments	28876.24		1817.01
Preacquisition Profit on Investment in Associate	3.81		Nil
Minority Interest	(0.18)		Nil
Interest received	786.68		34.84
Income from Investments	1075.12		281.16
Inter Corporate Deposits	500.00		Nil
<i>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</i>		4570.24	(3501.53)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Capital (Calls in Arrears)	0.57		0.73
Securities Premium (Calls in Arrears)	2.87		3.67
Increase/(Decrease) in other Borrowings	2150.79		(3640.72)
Interest paid	(1117.41)		(394.36)
Increase/(Decrease) in unpaid Debentures/Deposits	(43.09)		15.36
Dividend paid including dividend tax and to Minorities	(2426.65)		(1868.19)
<i>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</i>		(1432.92)	(5883.51)
<i>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</i>		3790.87	(3207.63)
<b>CASH AND CASH EQUIVALENTS AS AT 1-4-2006 (See Schedule I)</b>		12975.74	16183.37
<b>CASH AND CASH EQUIVALENTS AS AT 31-3-2007 (See Schedule I)</b>		16766.61	12975.74

In terms of our Report of even date.

For S. B. Billimoria & Co.  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Mumbai, 14<sup>th</sup> May, 2007

*Chairman*  
*Managing Director*  
*Directors*

**Ishaat Hussain**  
**A. Soni**  
**N. M. Munjee**  
**N. J. Jhaveri**  
**S. D. Kulkarni**  
**Ravi Kant**  
**N. D. Khurody**

*Executive Vice President (Finance)*  
*General Manager - Taxation*  
*& Company Secretary*  
Mumbai, 14<sup>th</sup> May, 2007

**M. M. Miyajiwala**  
**V. P. Malhotra**



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

### SCHEDULE 'A' : SHARE CAPITAL

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. AUTHORISED		
*60,00,00,000 Equity Shares of Re. 1 each	6000.00	6000.00
40,00,000 Redeemable Preference Shares of Rs. 100 each	4000.00	4000.00
TOTAL	<u>10000.00</u>	<u>10000.00</u>
2. ISSUED, SUBSCRIBED AND CALLED-UP		
*33,08,84,740 Equity Shares of Re.1 each	3308.85	3308.85
Less: Calls-in-Arrears	2.02	2.59
TOTAL	<u>3306.83</u>	<u>3306.26</u>

\*Consequent upon sub-division of shares from Rs. 10 to Re. 1

### SCHEDULE 'B' : RESERVES AND SURPLUS

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. SECURITIES PREMIUM	624.05	621.18
2. CAPITAL RESERVE	155.52	155.52
3. CAPITAL REDEMPTION RESERVE	125.70	125.70
4. CAPITAL RESERVE ON CONSOLIDATON	871.90	755.32
5. GENERAL RESERVE [Net of Deferred Tax Asset of Rs. 409.01 Lakhs (See Note 4, Schedule 'P')]	29615.81	16761.79
6. STAFF WELFARE RESERVE	1.00	1.00
7. FOREIGN PROJECTS RESERVE	825.00	1169.00
8. PROFIT AND LOSS ACCOUNT	5774.86	3492.67
9. FOREIGN EXCHANGE TRANSLATION RESERVE	260.39	274.50
10. SPECIAL RESERVE	366.00	14.61
11. ADJUSTMENTS ON CONSOLIDATION	373.98	381.11
12. LEGAL RESERVE (See Note 3, Schedule 'P')	72.95	77.80
TOTAL	<u>39067.16</u>	<u>23830.20</u>

### SCHEDULE 'C' : SECURED LOANS

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
LOANS FROM BANKS	11130.28	6478.67
TOTAL	<u>11130.28</u>	<u>6478.67</u>

### SCHEDULE 'D' : UNSECURED LOANS

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. SHORT TERM LOANS AND ADVANCES Commercial Paper	Nil	1500.00
2. OTHER LOANS AND ADVANCES From Other than Banks	27.85	1028.67
TOTAL	<u>27.85</u>	<u>2528.67</u>

Commercial Paper from Banks [maximum amount outstanding at any time during the year : Rs. 4000 Lakhs (2005-06 : Rs. 4000.00 Lakhs)]

**SCHEDULE 'E': FIXED ASSETS (At Cost or Book Value Less Depreciation)**

Particulars	GROSS BLOCK AT COST OR BOOK VALUE							DEPRECIATION							NET BLOCK	
	As at March 31, 2006	Adjust-ments (See Note a below)	Additions	Deductions	Exchange Difference	As at March 31, 2007	Up to March 31, 2006	Adjust-ments (See Note a below)	For the Year	On Deductions	Impair-ment/ (Reversal of Impairment)	Exchange Difference	Up to March 31, 2007	As at March 31, 2007	As at March 31, 2006	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
1. Goodwill on Consolidation	304.58	Nil	Nil	304.58	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	304.58	
2. Leasehold Land	131.15	Nil	309.70	Nil	Nil	440.85	Nil	Nil	2.03	Nil	Nil	Nil	2.03	438.82	131.15	
3. Other Land	163.60	Nil	Nil	4.19	Nil	159.41	Nil	Nil	Nil	Nil	Nil	Nil	Nil	159.41	163.60	
4. Buildings (See Notes b, c, d below)	7661.24	56.01	1078.45	260.88	3.76	8531.06	1936.65	47.63	192.09	101.32	Nil	3.28	2071.77	6459.29	5724.59	
5. Plant & Machinery	18262.74	192.31	1699.95	5471.21	27.20	14656.59	11114.51	133.86	911.14	3758.41	77.57	21.77	8456.90	6199.69	7148.23	
6. Furniture & Fittings	1682.96	6.38	102.61	189.96	2.44	1599.55	1214.59	3.81	110.10	170.85	Nil	2.01	1155.64	443.91	468.37	
7. Vehicles	1040.60	23.56	108.63	162.59	11.60	998.60	587.78	19.74	117.47	109.34	Nil	9.94	605.71	392.89	452.82	
8. Intangible Assets - Manufacturing Rights & Technical Know-how - Software	1299.55	Nil	Nil	295.22	Nil	1004.33	1285.56	Nil	7.00	295.22	Nil	Nil	997.34	6.99	13.99	
9. Capital Work-in-Progress (Including advances against Capital Expenditure Rs. 541.46 Lakhs (31-3-2006: Rs 611.49 Lakhs))	1085.83	Nil	36.38	Nil	0.34	1121.87	281.29	Nil	216.85	Nil	Nil	0.32	497.82	624.05	804.54	
Previous Year	31632.25	278.26	3335.72	6688.63	45.34	28512.26	16420.38	205.04	1556.68	4435.14	77.57	37.32	13787.21	14725.05	15211.87	
	(28635.35)	Nil	(3555.14)	(584.59)	(26.35)	(31632.25)	(18226.77)	Nil	(1409.06)	(462.71)	(2773.54)	(20.80)	(16420.38)	(15211.87)		
						<b>1284.54</b>								<b>1284.54</b>	<b>1136.91</b>	
						<b>29796.80</b>								<b>16009.59</b>	<b>16348.78</b>	

**Notes:**  
(a) Represents assets and accumulated depreciation of Weathermaker Limited, which became a subsidiary of the Company during the year (a joint venture company in the previous year)  
(b) Includes Rs. 10.19 Lakhs (original cost) and Rs. Nil (net book value) being lease office improvements. The lease is renewed annually.  
(c) Includes factory building of Rs. 106.78 Lakhs (original cost) and Rs. 13.21 Lakhs (net book value) of factory building constructed on leasehold land, the lease period being fifteen years with a renewal option.  
(d) Includes Rs. 181.66 Lakhs (original cost) and Rs. 40.10 Lakhs (net book value) of rigs acquired on sale and finance lease back and hypothecated to the lessor.  
(e) Previous years figure denotes reversal of impairment.


**SCHEDULE 'F' : INVESTMENTS (at Cost)**

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
LONG TERM INVESTMENTS		
1. TRADE INVESTMENTS (See Note 5, Schedule 'P')		
Subsidiary Companies	119.63	262.30
Shares (Quoted)	1225.37	1155.84
Shares (Unquoted)	1878.79	1729.88
2. OTHER INVESTMENTS		
Shares (Quoted)	0.04	Nil
Shares (Unquoted)	0.15	0.49
6.75% Tax Free US 64 Bonds	164.59	164.59
TOTAL LONG TERM INVESTMENTS	<u>3388.57</u>	<u>3313.10</u>
CURRENT INVESTMENTS		
Units of Mutual Fund (Unquoted)	9502.73	1687.38
Government Securities (Unquoted)	0.55	0.56
Other Securities (Quoted)	43.79	69.86
TOTAL CURRENT INVESTMENTS	<u>9547.07</u>	<u>1757.80</u>
TOTAL INVESTMENTS	<u>12935.64</u>	<u>5070.90</u>
LESS : PROVISION FOR DIMINUTION IN VALUE	456.21	456.21
TOTAL	<u><u>12479.43</u></u>	<u><u>4614.69</u></u>

**SCHEDULE 'G' : INVENTORIES**

	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. STORES AT OR BELOW COST		17.45	14.21
2. STOCK-IN-TRADE :			
(a) Raw Materials and Components, at the lower of Cost (Less : Written off for obsolescence) and Realisable Value	10800.62		7700.86
(b) Work-in-Progress, at Cost Less : Amounts Invoiced	186728.87 <u>161535.25</u>		101841.07 <u>90371.47</u>
(c) Finished Goods produced and purchased by the Company, at the lower of Cost (Less : Written off for obsolescence) and Realisable Value	<u>15217.56</u>		<u>12684.59</u>
TOTAL		<u>51211.80</u>	<u>31855.05</u>
		<u><u>51229.25</u></u>	<u><u>31869.26</u></u>

**SCHEDULE 'H' : SUNDRY DEBTORS**

	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
Dues in respect of			
1. SALES ON DEFERRED TERMS OF PAYMENT Over six months old		102.08	121.77
2. OTHER SALES			
(i) Over six months old	15164.67		12349.06
(ii) Others	<u>37608.99</u>		<u>33920.54</u>
		<u>52773.66</u>	<u>46269.60</u>
3. Less : PROVISION FOR DOUBTFUL DEBTS		52875.74 *	46391.37 *
		<u>3684.63</u>	<u>2704.00</u>
TOTAL		<u><u>49191.11</u></u>	<u><u>43687.37</u></u>
* Of the above debts			
(a) Fully secured		303.09	136.53
(b) Unsecured, considered good		48888.02	43550.84
(c) Considered doubtful		<u>3684.63</u>	<u>2704.00</u>
TOTAL		<u><u>52875.74</u></u>	<u><u>46391.37</u></u>
1. Due by Officers		Nil	Nil
2. Maximum due by Officers at any time during the year		Nil	0.07
3. Due by firms or Private companies respectively in which any Director of the Company is a Partner, a Director or a Member		Nil	Nil

**SCHEDULE 'I' : CASH AND BANK BALANCES**

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. CASH IN HAND	148.96	87.78
2. CHEQUES ON HAND	4067.96	2554.34
3. BANK BALANCES WITH SCHEDULED BANKS	3171.71	3345.72
4. BANK BALANCES WITH NON-SCHEDULED BANKS	9377.98	6987.90
TOTAL	<u>16766.61</u>	<u>12975.74</u>

**SCHEDULE 'J' : LOANS AND ADVANCES**

	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
1. ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	14173.57	9611.74
2. ADVANCE PAYMENT OF TAXES	2820.85	2094.24
3. LOANS TO EMPLOYEES	217.17	289.56
4. ADVANCE SHARE APPLICATION MONEY	117.51	67.55
5. DEPOSITS WITH CUSTOMERS/OTHERS	1364.82	1363.72
6. INTERCORPORATE DEPOSITS	Nil	500.00
7. BALANCE WITH CUSTOMS, PORT TRUST, ETC.	545.86	389.61
	<u>19239.78*</u>	<u>14316.42*</u>
Less : PROVISION FOR DOUBTFUL ADVANCES	1656.90	1655.67
TOTAL	<u>17582.88</u>	<u>12660.75</u>
* Of the above advances		
(a) Fully Secured	Nil	287.03
(b) Unsecured, considered good	17582.88	12373.72
(c) Considered doubtful	1656.90	1655.67
TOTAL	<u>19239.78</u>	<u>14316.42</u>
1. Due by Officers	4.09	4.70
2. Maximum due by Officers at any time during the year	4.70	6.64





## SCHEDULE 'K' : CURRENT LIABILITIES AND PROVISIONS

	Rupees in Lakhs	Rupees in Lakhs	As at 31-3-2006 Rupees in Lakhs
(A) CURRENT LIABILITIES			
1. ACCEPTANCES		<b>8502.98</b>	9638.83
2. SUNDRY CREDITORS		<b>54534.69</b>	46842.47
3. ADVANCE PAYMENTS AND DEPOSITS RECEIVED:			
(a) From Customers/Others	<b>26748.39</b>		16318.04
(b) Against Unexpired Service Contracts	<b>977.16</b>		968.43
		<b>27725.55</b>	17286.47
4. OTHER LIABILITIES		<b>3029.70</b>	2495.12
5. INTEREST ACCRUED BUT NOT DUE ON LOANS		<b>12.51</b>	142.62
6. INVESTOR EDUCATION AND PROTECTION FUND - AMOUNTS LIABLE TO BE CREDITED * :			
(a) Unpaid Dividend		<b>137.44</b>	67.35
(b) Unpaid Matured Deposits		<b>19.62</b>	41.69
(c) Unpaid Matured Debentures		<b>Nil</b>	21.02
(d) Interest accrued on (b) and (c) above		<b>5.37</b>	6.18
TOTAL (A)		<b>93967.86</b>	76541.75
(B) PROVISIONS			
7. PROVISION FOR TAXATION		<b>3738.38</b>	2339.61
8. PROPOSED DIVIDEND		<b>3308.85</b>	1985.31
9. PROVISION FOR CORPORATE DIVIDEND TAX		<b>562.34</b>	278.44
10. PROVISION FOR TRADE GUARANTEES (See Note 6, Schedule 'P')		<b>2541.68</b>	2434.48
11. PROVISION FOR LEAVE ENCASHMENT		<b>2083.21</b>	1108.73
12. PROVISION FOR PENSION		<b>1092.41</b>	938.17
13. PROVISION FOR GRATUITY		<b>2710.20</b>	2073.85
14. PROVISION FOR POST RETIRAL MEDICAL BENEFITS		<b>508.09</b>	Nil
15. PROVISION FOR CONTINGENCIES (See Note 6, Schedule 'P')		<b>2008.59</b>	875.00
TOTAL (B)		<b>18553.75</b>	12033.59
TOTAL (A) + (B)		<b>112521.61</b>	88575.34

\* These figures reflect the position as at 31st March, 2007. The actual amount to be transferred to Investor Education and Protection Fund in respect thereof shall be determined on the due dates.

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

### SCHEDULE 'L' : OTHER INCOME

	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Miscellaneous Income	<b>1516.58</b>	568.22
2. Profit on Sale/Retirement of Fixed Assets (Net)	<b>53.38</b>	Nil
3. Profit on Sale of Non-Trade Investments	<b>2034.73</b>	32.17
4. Rent Received	<b>1408.68</b>	1058.17
5. Difference in Foreign Exchange (Net)	<b>Nil</b>	208.57
6. Adjustment in respect of previous years (Net)	<b>130.67</b>	652.06
TOTAL	<b>5144.04</b>	2519.19

**SCHEDULE 'M' : COST OF SALES, SERVICES AND EXPENSES**

	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Stock-in-Trade per 1-4-2006		<b>122226.52</b>	61245.97
2. Stock-in-Trade taken over on acquisition of Subsidiary		<b>151.64</b>	Nil
3. Purchases and cost of jobs, manufacture and services		<b>278184.68</b>	206689.54
4. Stock-in-Trade per 31-3-2007		<b>212747.05</b>	<u>122226.52</u>
<b>5. Cost of Sales and Services (1 + 2 + 3 - 4 )</b>		<b>187815.79</b>	145708.99
6. Staff Expenses			
(a) Salaries, Wages and Bonus	<b>22564.38</b>		16334.38
(b) Company's contribution to Provident Funds and other Funds	<b>879.92</b>		844.62
(c) Retiring Gratuity	<b>725.43</b>		877.24
(d) Welfare Expenses	<b>1792.39</b>		<u>1193.31</u>
		<b>25962.12</b>	19249.55
7. Forwarding Charges (Net)		<b>1439.78</b>	1063.36
8. Commission other than to Sole Selling Agents under Section 294 of the Companies Act, 1956		<b>2353.23</b>	1733.46
9. Advertising (Net)		<b>891.39</b>	998.56
10. Rent paid	<b>1850.29</b>		1787.37
Less : Rent recovered	<b>13.70</b>		<u>18.44</u>
		<b>1836.59</b>	1768.93
11. Rates & Taxes		<b>142.51</b>	146.81
12. Insurance		<b>564.15</b>	419.52
13. Stores Consumed		<b>384.40</b>	242.68
14. Power		<b>425.80</b>	414.47
15. Repairs to Buildings		<b>85.28</b>	118.07
16. Repairs to Plant & Machinery		<b>537.48</b>	340.43
17. Travelling		<b>2510.03</b>	2006.69
18. Conveyance		<b>1289.26</b>	1071.47
19. Stationery, Postage, Telex & Telephone		<b>1464.28</b>	1327.34
20. Amounts payable to Auditors :			
(a) Audit fees including reimbursement towards expenses Rs. 1.03 Lakhs (2005-2006 : Rs. 4.70 Lakhs) and Service Tax Nil (2005-2006 : Rs. 3.67 Lakhs)		<b>63.94</b>	61.42
(b) In Other capacity		<b>44.83</b>	<u>44.91</u>
		<b>108.77</b>	106.33
21. Audit fees payable to Branch Auditors		<b>24.10</b>	17.89
22. Audit fees payable to Cost Auditors		<b>0.48</b>	0.48
23. Legal & Professional charges		<b>1219.45</b>	887.26
24. Other expenses (See Note 8, Schedule 'P')		<b>9223.19</b>	5882.54
25. Bad and Doubtful Debts/Advances (Net)		<b>1578.49</b>	614.75
26. Donations and Charities		<b>21.06</b>	113.87
27. Loss on Sale of Fixed Assets (Net)		<b>Nil</b>	<u>33.83</u>
TOTAL		<b>239877.63</b>	<u>184267.28</u>



### SCHEDULE 'N' : FINANCIAL ITEMS

	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Interest Paid			
(a) On fixed loans	321.51		519.74
(b) On other accounts	<u>664.98</u>		<u>124.95</u>
		<b>986.49</b>	644.69
2. Less : Interest Received			
(a) In respect of sales on deferred payment terms and other accounts	528.55		119.65
(b) On fixed deposits	<u>281.03</u>		<u>169.67</u>
		<b>809.58</b>	<u>289.32</u>
		<b>176.91</b>	355.37
3. Less : Income from Investments			
(a) Trade Investments (Long Term)	968.95		275.20
(b) Other Investments (Long Term)	11.11		11.11
(c) Other Investments (Current)	<u>95.06</u>		<u>5.97</u>
		<b>1075.12</b>	292.28
TOTAL		<b>(898.21)</b>	<u>63.09</u>

### SCHEDULE 'O' : EXCEPTIONAL ITEMS

	Rupees in Lakhs	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
1. Profit on Sale of Property/Transfer of Development Rights/ Surrender of Tenancy Rights [Including Capital Surplus Rs. 2247.96 Lakhs (2005-06 : Rs. 1603.45 Lakhs)]		2247.96	1610.75
2. Profit on Sale of Trade Investments		7852.20	Nil
3. Reversal of Contingency Provision		Nil	850.00
4. Reversal of Impairment of Assets		<u>Nil</u>	<u>2773.54</u>
		<b>10100.16</b>	5234.29
Less :			
5. Provision for diminution in value of Investments		Nil	0.23
6. Cost of Voluntary Retirement Scheme		358.77	6507.87
7. Provision for doubtful advances (Net)		39.91	4.73
8. Provision for Contingencies (Net) (See Note 6, Schedule 'P')		1133.59	Nil
9. Impairment of Fixed Assets		77.57	Nil
10. Loss on Sale of Trade Investments (Net)		Nil	14.66
11. Settlement of Claims		Nil	1325.90
12. Revision in Estimated Gratuity Liability at the beginning of the year (See Note 9, Schedule 'P')		752.68	Nil
13. Factory Closure Cost (See Note 9, Schedule 'P')		<u>773.71</u>	<u>Nil</u>
		<b>3136.23</b>	7853.39
TOTAL		<b>6963.93</b>	<u>(2619.10)</u>

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007**

## 1. PRINCIPLES OF CONSOLIDATION :

The Consolidated Financial Statements relate to Voltas Limited ("the Company") and its subsidiary companies, joint ventures and associates. The Consolidated Financial Statements have been prepared on the following basis:

- (i) The Financial Statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and unrealised profits or losses as per Accounting Standard 21 – Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- (ii) Foreign subsidiaries and joint ventures of the Company have been classified as "Non Integral Foreign Operations". Revenue items of such entities are consolidated at the average rate prevailing during the year and Assets and Liabilities are converted at the rates prevailing at the end of the year. All resulting exchange differences have been accumulated in a Foreign Exchange Translation Reserve.
- (iii) Investments in associate companies have been accounted under the equity method as per Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- (iv) Interests in joint ventures have been accounted by using the proportionate consolidation method as per Accounting Standard-27 - Financial Reporting of Interests in Joint Ventures issued by The Institute of Chartered Accountants of India.
- (v) The Financial Statements of the subsidiaries, associates and joint ventures used in the consolidation are drawn upto the same reporting dates of the Company i.e. 31st March, 2007 except Saudi Ensas Company for Engineering Services WLL, Weathermaker Ltd., Universal Voltas L.L.C. and Terrot GmbH where the accounts are drawn upto 31st December, 2006. The accounts of Agrotech Industries Ltd. have not been consolidated as it is under closure and the investment in the books of Voltas Ltd. is fully provided. Similarly, the accounts of Agro Foods Punjab Ltd., Westerwork Engineers Ltd. and AVCO Marine S.a.S. have not been consolidated as they are under liquidation and the investments in the books of Voltas Ltd. are fully provided. The accounts of Simtools Ltd. have been consolidated till 22nd March, 2007, as the Company has divested its shareholding in the subsidiary from that date.
- (vi) The excess of the Company's portion of equity of the subsidiaries and joint ventures as at the date of its investment over the cost of its investment is treated as Capital Reserve. The excess of cost of investment over the Company's portion of equity as at the date of investment is treated as Goodwill.
- (vii) Minority interest in the net assets of consolidated subsidiaries consists of :
  - (a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  - (b) The minorities' share of movements in equity since the date, the parent subsidiary relationship came into existence.
- (viii) Minority interests share of net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- (ix) Intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated.



## SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

2. The list of subsidiary companies, joint ventures and associates and the Company's holdings therein are as under :

Name of the Company	Country of Incorporation	Ownership in % either directly or through Subsidiaries	
		2006-2007	2005-2006
<b>Indian Subsidiaries :</b>			
- Simto Investment Company Ltd.		95.44	95.41
- Auto Aircon (India) Ltd.		100.00	100.00
- Agro Foods Punjab Ltd. (under liquidation)		100.00	100.00
- Westerwork Engineers Ltd. (under liquidation)		51.00	51.00
- Simtools Ltd. (upto 22-3-2007)		Nil	100.00
<b>Foreign Subsidiaries :</b>			
- Metrovol FZE	United Arab Emirates	100.00	100.00
- VIL Overseas Enterprises B.V.	The Netherlands	100.00	100.00
- Voice Antilles N.V.	Netherlands Antilles	100.00	100.00
- Weathermaker Ltd.	Isle of Man	100.00	88.50
<b>Indian Joint Ventures :</b>			
- Universal Comfort Products Private Ltd.		50.00	50.00
<b>Foreign Joint Ventures :</b>			
- Lalbuksh Voltas Engineering Services & Trading LLC, Muscat	Sultanate of Oman	49.00	49.00
- Saudi Ensas Company for Engineering Services WLL [Refer Note (a) below]	Saudi Arabia	49.00	49.00
- Agrotech Industries Ltd. (Under Closure)	Isle of Man	49.00	49.00
- AVCO Marine S.a.S. (Under Liquidation)	France	50.00	50.00
- Universal Voltas LLC	United Arab Emirates	49.00	49.00
<b>Associates :</b>			
- Terrot GmbH (w.e.f. 19-6-2006)	Germany	24.00	Nil
- Brihat Trading Pvt. Ltd. [Refer Note (b) below]		33.33	33.33

Notes :

- The unaudited accounts of Saudi Ensas Company for Engineering Services WLL have been considered for consolidation as the audit is not yet completed.
- The accounts of Brihat Trading Private Ltd., an associate company were not available for consolidation. The operations of this company have no significant impact on the revenue, expenses, assets and liabilities of the consolidated accounts.

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 3. SIGNIFICANT ACCOUNTING POLICIES :

(i) All revenues, costs, assets and liabilities are accounted for on accrual basis.

## (ii) SALES &amp; SERVICES

(a) Sales exclude sales tax, value added tax and works contract tax but includes excise duty. Consignment sales are excluded from sales and services, but commission earned on such sales is accounted for as part of sales and services.

(b) Sales and services are accounted on accrual basis when the sale of goods or services are completed.

(c) Revenue from long-term contracts, where the outcome can be estimated reliably, is recognised under the percentage of completion method by reference to the stage of completion on the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Where the outcome of construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Variation in contract work, claims and incentives payment are included in revenue to the extent that they have been agreed with the client and can be reliably measured.

When the current estimate of total contract costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

## (iii) JOINT VENTURES

The financial statements of the Company reflect its share of Assets, Liabilities, Income and Expenditure of the Joint Venture operations which are accounted on the basis of the audited accounts on line-by-line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the Joint Venture agreements.

## (iv) DEPRECIATION/AMORTIZATION

(a) Depreciation on all assets of the parent company has been provided on Straight Line Basis at the rates prescribed in Schedule XIV to the Companies Act, 1956, except as under :

(i) Depreciation on furniture and fittings has been provided on written down value basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

(ii) Intangible assets are amortized on Straight Line Basis over their useful life. Manufacturing Rights and Technical Know-how has been amortized over 72 months and Software over 60 months.

(iii) Premium paid on Leasehold Land is amortized over the period of the lease.

(b) In some subsidiaries, depreciation on tools, furniture, fixtures and office equipment is provided for over a period of four years and for motor vehicles over a period of three years.

(c) In some of the foreign subsidiaries and foreign joint ventures, the cost of assets including intangible assets has been depreciated using Straight Line Basis over their useful lives.

(d) In one of the Joint Ventures, depreciation on Computers and Vehicles has been charged at 20% and furniture on Straight Line Basis at the rate prescribed in Schedule XIV to the Companies Act, 1956.

## (v) PROVISION FOR TRADE GUARANTEES

Provision for estimated cost to be incurred in providing warranty service is made in the accounts in the year in which the sale of goods/on completion of long-term contract is effected.

## (vi) LEGAL RESERVE

In case of some foreign joint ventures, an amount equal to 10% of the annual net profit is transferred to Legal Reserve in compliance with requirements of local laws. This reserve is not available for distribution.



## **SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

(vii) **FIXED ASSETS**

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Own manufactured goods are capitalised at standard cost excluding interest but including excise duty net of CENVAT, octroi duty and receiving/installation charges.

Machinery developed in-house is capitalised at prime cost exclusive of standing charges but inclusive of excise duty net of CENVAT, octroi duty and receiving/installation charges. Additional cost arising out of increase in liability on loans taken for acquisition of plant and machinery resulting from exchange fluctuation is adjusted to the cost of the asset and depreciated over the balance life of the asset.

Interest on borrowed money allocated to and utilised for fixed assets, pertaining to the period upto the date of capitalisation is capitalised.

(viii) **INTANGIBLE ASSETS**

Intangible assets are stated at cost less accumulated amortization.

(ix) **IMPAIRMENT OF ASSETS**

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment of assets. If any indication of such impairment exists, the recoverable amount of those assets is estimated and impairment is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting future cash flows to their present value based on appropriate discount factor. When there is indication that an impairment loss recognised for an asset in prior accounting periods no longer exists or may have decreased such reversal of impairment loss is recognised.

(x) **PROVISIONS AND CONTINGENCIES**

A provision is recognised when the Company has a present legal or constructive obligation as result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised.

(xi) **FINANCE LEASE**

Fixed assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the leased term at a constant periodic rate of interest on the remaining balance of the liability.

Rents payable under operating leases are charged to income on a Straight Line Basis over the terms of the operating lease.

(xii) **INVESTMENTS**

Long-term investments are carried at cost less provision for any diminution other than temporary, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

(xiii) **CURRENT ASSETS**

Current Assets are accounted at cost or realisable value whichever is lower.

Inventories including Work-in-Progress are valued at cost or realisable value whichever is lower, cost being worked out on weighted average basis. Cost includes all charges incurred for bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. As regards construction contracts, work-in-progress includes profits/losses to the extent recognised.

In respect of subsidiaries and in joint ventures (foreign and local), raw materials and spares are valued on FIFO basis.

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## (xiv) TAXES OF INCOME

Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of applicable tax laws.

Deferred Tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other Deferred Tax Assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realize such assets.

## (xv) CONVERSION OF FOREIGN EXCHANGE TRANSACTIONS

(a) The foreign branches of the Company have been classified as "Integral Foreign Operations". Revenue transactions for the Parent Company (other than depreciation) of foreign branches are incorporated in the Company's accounts at average exchange rate during the year, fixed assets are incorporated at the average rate of the year of acquisition and current assets and liabilities are translated at the rate of exchange prevailing on the last working day of the year. Depreciation is translated at the average rate applicable to fixed assets.

In some subsidiaries, revenue transactions (other than depreciation) are incorporated at opening and closing average exchange rate for the year and fixed assets are incorporated at the opening rate of the current year.

(b) Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation and realised gains and losses on foreign exchange transactions (other than for fixed assets) are recognised in the Profit and Loss Account. In respect of transactions covered by foreign exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.

## (xvi) ACCOUNTING FOR VOLUNTARY RETIREMENT SCHEME

(a) The cost of Voluntary Retirement Schemes/Retrenchment Compensation including ex-gratia and additional Gratuity liability arising therefrom is charged to the Profit and Loss Account in the month of separation of employees.

(b) The Present Value of future payments to employees opting for Early Separation Scheme (ESS) and the additional Gratuity liability arising therefrom is charged to the Profit and Loss Account in the month of separation of employees.

## (xvii) PRE-OPERATIVE EXPENSES OF NEW PROJECTS

Directly identifiable pre-operative expenses of new projects of capital nature under implementation are carried forward under Capital Work-in-Progress, pending capitalisation.

## (xviii) EMPLOYEE BENEFITS

(i) In respect of employees abroad :

The cost of retiral benefits such as gratuity and leave encashment are accounted on accrual basis and in accordance with local laws of respective countries.

(ii) In respect of employees in India :

(a) Defined Contribution Plan

Company's contribution paid/payable during the year to Provident Fund, Officer's Superannuation Fund and ESIC are recognised in the Profit and Loss Account.





## **SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

(b) Defined Benefit Plan

Company's liabilities towards gratuity and post retirement medical benefit schemes are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a Straight Line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(c) The cost of employee benefits such as short-term compensated leave are accounted on accrual basis.

(xix) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all risk and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished cancelled or expired.

Current financial assets that have fixed or determinable payments and for which there is no active market, which comprise trade and other receivables and other current financial assets are classified as receivables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in the income statement.

Current financial liabilities, which comprise trade and other payables, bills payable and dividends payable are measured at cost or, if the impact is material at amortized cost using the effective interest method.

4. GENERAL RESERVE

(a) Consequent to the Accounting Standard 15 "Employee Benefits" (Revised AS-15) issued by The Institute of Chartered Accountants of India, the net difference of Rs. 487.99 Lakhs (net of tax) (2005-2006 : Nil) and Rs. 318.11 Lakhs (net of tax) (2005-2006 : Nil) between the liability in respect of compensated leave and post retirement medical benefits, respectively existing on the date of adoption and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve.

(b) In case of one of our Joint Ventures, consequent to the Accounting Standard 15 "Employee Benefits" (Revised AS - 15) issued by The Institute of Chartered Accountants of India, the net difference of Rs. 2.42 Lakhs (net of tax) (2005-2006 : Nil) between the liability in respect of compensated leave existing on the date of adoption and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the Profit and Loss Account.

5. INVESTMENTS

(a) Under a loan agreement for Rs. 60 Lakhs (fully drawn and outstanding) entered into between Agro Foods Punjab Ltd. (AFPL) and the Punjab State Industrial Development Corporation Ltd. (PSIDC), the Company has given an undertaking to PSIDC that it will not dispose of its shares in AFPL till the monies under the said loan agreement between PSIDC and AFPL remain due and payable by AFPL to PSIDC. During 1998-99, the Company had transferred its beneficial rights in the shares of AFPL.

(b) In respect of Company's investment in 2640 equity shares of Reliance Industries Ltd., there is an Injunction Order passed by the Court in Kanpur, restraining the transfer of these shares. The share certificates are however in the possession of the Company. Pending disposal of the case, dividend on these shares has not been received.

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

## 6. CURRENT LIABILITIES AND PROVISIONS

## Provisions

	<b>Rupees Lakhs</b>			
	Opening Balance	Additions	Utilisation/ Reversal	Closing Balance
Trade Guarantee	<b>2434.48</b> (2104.07)	<b>2847.89</b> (2097.82)	<b>2740.67</b> (1767.41)	<b>2541.69</b> (2434.48)
Contingency for tax matters	<b>875.00</b> (875.00)	<b>350.00</b> (Nil)	<b>Nil</b> (Nil)	<b>1225.00</b> (875.00)
Contingency for losses of Joint Venture	<b>Nil</b> (850.00)	<b>783.59</b> (Nil)	<b>Nil</b> (850.00)	<b>783.59</b> (Nil)

With regard to Trade Guarantee, proportionate reversal of provision is made over the period of the guarantee and the costs are charged directly to Cost of Sales.

Note : Figures in brackets are of previous year.

## 7. DEFERRED TAX ASSET

Major components of deferred tax assets and liabilities are :

	As at 31-3-2006			
	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>	Deferred Tax Assets	Deferred Tax Liabilities
	<b>Rupees Lakhs</b>	<b>Rupees Lakhs</b>	Rupees Lakhs	Rupees Lakhs
(i) Depreciation	—	<b>2664</b>	—	2638
(ii) Unabsorbed Depreciation	<b>67</b>	—	147	—
(iii) Voluntary Retirement Scheme	<b>1038</b>	—	1416	—
(iv) Unpaid Statutory Liabilities	<b>1385</b>	—	978	—
(v) Provision for Doubtful Debts and Advances	<b>1703</b>	—	1387	—
(vi) Provision for Contingencies	<b>484</b>	—	295	—
(vii) Others	<b>777</b>	—	978	—
Total	<b>5454</b>	<b>2664</b>	5201	2638
Net Timing Differences	<b>2790</b>	—	2563	—

## 8. OPERATING AND ADMINISTRATION EXPENSES

Other Expenses include :

	<b>Rupees Lakhs</b>	2005-2006 Rupees Lakhs
Lease Rentals	<b>238.99</b>	85.27



## SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### 9. EXCEPTIONAL ITEMS

- (a) The gratuity liability at the beginning of the year has been re-estimated by the Actuary of Rs.752.68 Lakhs (2005-2006 : Nil) as an incremental liability.
- (b) Factory Closure Cost of Rs. 773.71 Lakhs (2005-2006 : Nil) is the difference between the Net Book value of assets and estimated Realisable Price of the assets of Hyderabad Unit in the current year.

10. In respect of one of the subsidiary, pursuant to the Termination Agreement dated 22nd November, 2002 entered into between Air International, Australia and the Company, the joint venture partners, Air International had exited from the Joint Venture and had transferred its entire shareholdings in that company to the Company. Thus, the company became a wholly owned subsidiary of the Company which has committed to provide necessary support to the company as and when needed. The management is therefore of the opinion that the company will be able to continue as a Going Concern and the accounts have been prepared accordingly.

### 11. EARNINGS PER EQUITY SHARE

		2005-2006
Net Profit after Minority Interest and Share of Profit of Associates (Rs. Lakhs)	<b>20157.97</b>	7365.26
Weighted average number of Equity Shares outstanding	<b>330884740</b>	330884740
Earning Per Share (Rs.) - Basic and Diluted (Face value of Re. 1 per share)	<b>6.09</b>	2.23

### 12. LEASES

Fixed assets under operating lease :

Total future minimum lease payment under non-cancellable operating leases in aggregate and for each of the following future periods :

		As at 31-03-2006
	<b>Rupees Lakhs</b>	Rupees Lakhs
Not later than one year	<b>240.19</b>	53.94
Later than one year but not later than five years	<b>242.58</b>	120.14
Later than five years	<b>Nil</b>	13.20

13. In terms of agreement dated 30th September, 1998, Company's Refrigerator manufacturing facility at Nandalur was transferred on a running business/going concern basis to Electrolux Voltas Ltd. (EVL) on the close of the business hours on 31st March, 1999. In respect of the land for the Nandalur Plant, Deed of Conveyance is pending completion.
14. The Company had accounted in 2004-2005, the profit on transfer of development rights of Rs. 505.53 Lakhs in respect of property at Thane for which agreement was executed and consideration received but for which conveyance formalities will be completed at a later date.
15. The Company had accounted in 2003-2004, the profit on transfer of development rights of Rs. 1735.95 Lakhs in respect of property at Thane and Rs. 2145.53 Lakhs in respect of property at Pune for which agreements were executed and consideration received but for which conveyance formalities will be completed at a later date.
16. The Company had accounted in 1999-2000 for the profit on transfer of development rights Rs. 734.12 Lakhs in respect of property at Lalbaug, Mumbai for which agreement for assignment was executed and clearance from the Income Tax Department under Section 269 UC of the Income Tax Act, 1961 was received but for which conveyance formalities will be completed at a later date.
17. The Company has accounted in 2006-2007, the profit on transfer of development rights in respect of Upvan land and Henkel Switchgear Ltd. approach land at Thane for which agreements were executed and consideration received (Rs. 2070 lakhs and Rs. 223.40 Lakhs respectively) but for which conveyance formalities will be completed at a later date.

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

18. CONTINGENT LIABILITIES NOT PROVIDED FOR :

- (a) Bills and Letter of Credits discounted with Banks : Rs. 2167.65 Lakhs (31-3-2006 : Rs. 1474.27 Lakhs).
- (b) Other Guarantees given Rs. 2.24 Lakhs (31-3-2006 : Rs. 3.36 Lakhs).
- (c) Claims not acknowledged as debts Rs. 15939.51 Lakhs (31-3-2006 : Rs. 18486.81 Lakhs) against which a provision has been made for contingencies Rs. 1225 Lakhs (31-3-2006 : Rs. 875 Lakhs). In respect of a contingent liability of Rs. 4365.08 Lakhs (31-3-2006 : Rs. 3807.63 Lakhs), the Company has a right to recover the same from a third party.
- (d) Income tax demands in respect of matters :
  - (i) Decided in Company's favour by Appellate Authorities where the Department is in further appeal - Rs. 400.98 Lakhs (31-3-2006 : Rs. 353.83 Lakhs).
  - (ii) Other matters - Rs. 151.96 Lakhs (31-3-2006 : Rs. 2060.01 Lakhs).
- (e) Duty saved of Rs. 19.63 Lakhs (31-3-2006 : Rs. 110.74 Lakhs) on purchase of capital goods under EPCG license against future export obligations.
- (f) In respect of guarantees aggregating Rs. 40619.43 Lakhs (31-3-2006 : Rs. 30928.06 Lakhs) issued by Banks at the request of the Company in favour of third parties.
- (g) Staff demands under adjudication : Amount indeterminate.
- (h) Liquidated damages, except to the extent provided, for delay in delivery of goods : Amount indeterminate.

19. Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs. 1152.95 Lakhs (31-3-2006 : Rs. 745.84 Lakhs). Advance paid against such contracts : Rs. 434.75 Lakhs (31-3-2006 : Rs. 611.49 Lakhs).

20. The Company has consolidated the accounts of the following joint ventures as on 31st March, 2007 and its percentage holding is given below :

Name of the Joint Venture	% Holding
Universal Comfort Products Private Ltd.	50
Lalbuksh Voltas Engineering Services & Trading LLC	49
Saudi Ensas Company for Engineering Services WLL	49
Universal Voltas LLC	49

The proportionate share of assets, liabilities, income and expenditure of the above joint venture companies included in these consolidated financial statements are given below :

	2005-2006
	Rupees Lakhs
<b>ASSETS</b>	
Net Block (including Capital WIP)	2787.37
Current Assets	7816.61
Loans and Advances	340.43
	<b>10944.41</b>
<b>LIABILITIES</b>	
Reserves and Surplus	2035.42
Secured Loans	2916.09
Unsecured Loans	27.85
Deferred Tax Liability	177.25
Current Liabilities and Provisions	4119.67
	<b>9276.28</b>
	2511.85
	7197.26
	819.28
	10528.39
	1548.59
	1777.83
	28.67
	105.00
	5317.47
	8777.56



**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

	Rupees Lakhs	2005-2006 Rupees Lakhs
<b>INCOME</b>		
Sale of Products and other Services	<b>7005.98</b>	8784.75
Other Income	<b>8.43</b>	57.60
<b>EXPENSES</b>		
Manufacturing and other Expenses	<b>5923.87</b>	14702.21
Depreciation	<b>330.32</b>	282.69
Interest	<b>307.01</b>	192.48
Taxes:		
– Current	<b>67.97</b>	51.14
– Deferred	<b>73.48</b>	71.32
– Earlier years	<b>(0.10)</b>	(0.34)
<b>CONTINGENT LIABILITIES</b>	<b>3950.50</b>	2983.90
<b>CAPITAL COMMITMENT</b>	<b>55.02</b>	49.59

21 A. Information about Consolidated Segments :

Particulars	Rupees Lakhs	2005-2006 Rupees Lakhs
<b>1. SEGMENT REVENUE</b>		
(a) Segment - A (Electro-mechanical Projects and Services)	<b>145776.83</b>	119289.06
(b) Segment - B (Engineering Products and Services)	<b>43249.16</b>	25282.32
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>63153.30</b>	50060.44
(d) Others	<b>8180.46</b>	7759.22
Less : Inter segment revenue	<b>529.65</b>	120.15
<b>Net Sales/Income from Operations</b>	<b>259830.10</b>	202270.89
<b>2. SEGMENT RESULTS</b>		
(a) Segment - A (Electro-mechanical Projects and Services)	<b>6860.77</b>	6828.23
(b) Segment - B (Engineering Products and Services)	<b>9841.98</b>	6969.51
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>257.97</b>	(3371.12)
(d) Others	<b>(730.65)</b>	598.73
Total	<b>16230.07</b>	11025.35
Less: (i) Interest	<b>176.91</b>	355.37
(ii) Other unallocable expenditure net of unallocable income	<b>(8192.41)</b>	1065.60
<b>Net Profit before Tax</b>	<b>24245.57</b>	9604.38

**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

21 A. Information about Consolidated Segments (contd.) :

Particulars	Segment Assets		Segment Liabilities	
	Rupees Lakhs	As at 31-3-2006 Rupees Lakhs	Rupees Lakhs	As at 31-3-2006 Rupees Lakhs
(a) Segment - A (Electro-mechanical Projects and Services)	<b>80207.85</b>	56101.53	<b>64352.67</b>	49379.89
(b) Segment - B (Engineering Products and Services)	<b>14933.83</b>	9669.97	<b>6790.77</b>	6871.26
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>30034.50</b>	26346.16	<b>18061.98</b>	17975.19
(d) Others	<b>3706.74</b>	5280.06	<b>2249.02</b>	2432.47
Segment Total	<b>128882.92</b>	97397.72	<b>91454.44</b>	76658.81
Unallocated	<b>37214.54</b>	27347.80	<b>21067.17</b>	11916.53
Total	<b>166097.46</b>	124745.52	<b>112521.61</b>	88575.34

Particulars	Capital Expenditure		Depreciation		Non-Cash Expenses other than Depreciation	
	Rupees Lakhs	2005-2006 Rupees Lakhs	Rupees Lakhs	2005-2006 Rupees Lakhs	Rupees Lakhs	2005-2006 Rupees Lakhs
(a) Segment - A (Electro-mechanical Projects and Services)	<b>1311.37</b>	415.87	<b>435.02</b>	356.89	<b>868.16</b>	1462.69
(b) Segment - B (Engineering Products and Services)	<b>172.86</b>	77.09	<b>66.85</b>	67.12	<b>409.44</b>	402.82
(c) Segment - C (Unitary Cooling Products for Comfort and Commercial use)	<b>1632.13</b>	243.35	<b>471.90</b>	382.16	<b>565.33</b>	1697.13
(d) Others	<b>60.02</b>	39.99	<b>106.12</b>	117.49	<b>1026.85</b>	53.48
Segment Total	<b>3176.38</b>	776.30	<b>1079.89</b>	923.66	<b>2869.78</b>	3616.12
Unallocated	<b>159.34</b>	2778.84	<b>476.79</b>	485.40	<b>379.55</b>	337.54
Total	<b>3335.72</b>	3555.14	<b>1556.68</b>	1409.06	<b>3249.33</b>	3953.66

21 B. Information about Consolidated Secondary Business Segments :

Particulars	2006-07 Rupees Lakhs	2005-06 Rupees Lakhs
<b>Revenue by Geographical Market</b>		
India	<b>185788.26</b>	128900.83
Middle East	<b>68215.96</b>	60771.46
Others	<b>5825.88</b>	12598.60
Total	<b>259830.10</b>	202270.89
<b>Additions to Fixed Assets and Intangible Assets</b>		
India	<b>2658.49</b>	519.94
Middle East	<b>515.91</b>	245.22
Others	<b>1.98</b>	11.14
Total	<b>3176.38</b>	776.30
<b>Carrying Amount of Segment Assets</b>		
India	<b>77146.87</b>	62044.19
Middle East	<b>46459.68</b>	30763.55
Others	<b>5276.37</b>	4589.98
Total	<b>128882.92</b>	97397.72



## SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

### 22. Related Party Disclosures

#### (a) List of Related Parties and Relationships

Party	Relation
<b>A.</b> Brihat Trading Private Ltd. Terrot GmbH (w.e.f. 19-6-2006)	Associate- Shareholding of the Company on its own or along with subsidiaries exceed 20%
<b>B. Joint Ventures</b> Universal Comfort Products Private Ltd. Saudi Ensas Company for Engineering Services WLL Universal Voltas LLC Lalbuksh Voltas Engineering Services & Trading LLC AVCO Marine S.a.S. (Under liquidation) Agrotech Industries Ltd. (Under closure)	Holdings and/or agreements in conjunction with group companies
<b>C. Tata Sons Ltd.</b>	Promoters holding together with its subsidiary is more than 20%
<b>D. Key Management Personnel</b> Mr. A.Soni	Managing Director

#### (b) Related Party Transactions

Rupees Lakhs

Transactions	Associates and Joint-Ventures	Key Management Personnel	Promoter	Total
Purchase of Goods [Refer 22 (c) (1)]	<b>9922.51</b> (7061.63)	— (—)	— (—)	<b>9922.51</b> (7061.63)
Sale of Goods [Refer 22 (c) (2)]	<b>861.22</b> (198.41)	— (—)	<b>2.32</b> (6.67)	<b>863.54</b> (205.08)
Service Income [Refer 22 (c) (3)]	<b>353.37</b> (263.41)	— (—)	<b>2.68</b> (—)	<b>356.05</b> (263.41)
Sale of Fixed Assets [Refer 22 (c) (4)]	<b>3.99</b> (—)	— (0.68)	— (—)	<b>3.99</b> (0.68)
Rental Income [Refer 22 (c) (5)]	— (16.22)	— (—)	— (6.67)	— (22.89)
Interest Income [Refer 22 (c) (6)]	<b>24.86</b> (34.84)	— (—)	— (—)	<b>24.86</b> (34.84)
Freight Recovery [Refer 22 (c) (7)]	<b>42.59</b> (73.93)	— (—)	— (—)	<b>42.59</b> (73.93)
Advertising Recovery [Refer 22 (c) (8)]	<b>170.64</b> (176.28)	— (—)	— (—)	<b>170.64</b> (176.28)
Warranty Recovery [Refer 22 (c) (9)]	<b>22.30</b> (60.31)	— (—)	— (—)	<b>22.30</b> (60.31)
Remuneration Paid/Payable [Refer 22 (c) (10)]	— (—)	<b>109.13</b> (152.59)	— (—)	<b>109.13</b> (152.59)

## SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

(b) Related Party Transactions (contd.)

Rupees Lakhs

Transactions	Associates and Joint-Ventures	Key Management Personnel	Promoter	Total
Settlement of Claims [Refer 22 (c) (11)]	— (1325.90)	— (—)	— (—)	— (1325.90)
Recovery of Loan [Refer 22 (c) (12)]	— (—)	— (1.42)	— (—)	— (1.42)
Interest on Housing Loan [Refer 22 (c) (13)]	— (—)	— (0.03)	— (—)	— (0.03)
Other Operating & Administration Expenses - Received/Receivable [Refer 22 (c) (14)]	<b>0.44</b> (13.95)	— (—)	— (0.18)	<b>0.44</b> (14.13)
Other Operating & Administration Expenses - Paid/Payable [Refer 22 (c) (15)]	— (0.31)	— (0.59)	<b>14.82</b> (44.55)	<b>14.82</b> (45.45)
Intercorporate Deposits Placed [Refer 22 (c) (16)]	— (250.00)	— (—)	— (—)	— (250.00)
Refund of Intercorporate Deposits Placed [Refer 22 (c) ( 17)]	<b>500.00</b> (250.00)	— (—)	— (—)	<b>500.00</b> (250.00)
Provision for Debts and Advances Due [Refer 22 (c) (18)]	<b>828.49</b> (782.45)	— (—)	— (—)	<b>828.49</b> (782.45)
Consulting Charges Paid [Refer 22 (c) (19)]	— (—)	— (—)	— (0.02)	— (0.02)
Tata Brand Equity [Refer 22 (c) (20)]	— (—)	— (—)	<b>364.23</b> (316.09)	<b>364.23</b> (316.09)
Interest Expenses [Refer 22 (c) (21)]	<b>49.47</b> (23.11)	— (—)	— (—)	<b>49.47</b> (23.11)
Commission Received [Refer 22 (c) (22)]	<b>61.60</b> (2.53)	— (—)	— (—)	<b>61.60</b> (2.53)
Intercorporate Deposits Placed Due [Refer 22 (c) (23)]	— (500.00)	— (—)	— (—)	— (500.00)
Debit Balance Outstanding as on 31-3-2007 [Refer 22 (c) (24)]	<b>858.52</b> (835.74)	— (—)	— (—)	<b>858.52</b> (835.74)
Credit Balance outstanding as on 31-3-2007 [Refer 22 (c) (25)]	<b>1538.27</b> (1237.04)	— (—)	<b>343.79</b> (293.23)	<b>1882.06</b> (1530.27)

Note : Figures in brackets are of previous year.





**SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)**

(c) Related Party Transactions (contd.)

Details of material (more than 10% of the total related party transactions of the same type) transactions with related party.

		<b>Rupees Lakhs</b>	
Name of Party	Transaction Value	Transaction Value	
		2005-2006	
<b>1. Purchase of Goods</b>			
Universal Comfort Products Private Ltd.	<b>9714.62</b>		7040.29
<b>2. Sale of Goods</b>			
Universal Comfort Products Private Ltd.	<b>841.65</b>		198.41
<b>3. Service Income</b>			
Universal Comfort Products Private Ltd.	<b>277.68</b>		262.64
Universal Voltas LLC	<b>75.69</b>		—
<b>4. Sale of Fixed Assets</b>			
Universal Comfort Products Private Ltd.	<b>3.99</b>		—
Mr. S. N. Tripathi	—		0.68
<b>5. Rental Income</b>			
Sermo-PM India Ltd.	—		16.22
Tata Sons Ltd.	—		6.67
<b>6. Interest Income</b>			
Universal Comfort Products Private Ltd.	<b>24.86</b>		34.84
<b>7. Freight Recovery</b>			
Universal Comfort Products Private Ltd.	<b>42.59</b>		73.93
<b>8. Advertising Recovery</b>			
Universal Comfort Products Private Ltd.	<b>170.64</b>		176.28
<b>9. Warranty Recovery</b>			
Universal Comfort Products Private Ltd.	<b>22.30</b>		60.31
<b>10. Remuneration Paid/Payable</b>			
Mr. A. Soni	<b>109.13</b>		117.12
Mr. S. N. Tripathi	—		35.47
<b>11. Settlement of Claims</b>			
AVCO Marine S.a.S.	—		1325.90
<b>12. Recovery of Loan</b>			
Mr. S. N. Tripathi	—		1.35
<b>13. Interest on Housing Loan</b>			
Mr.S.N.Tripathi	—		0.03
<b>14. Other Operating &amp; Administration Expenses-Received/Receivable</b>			
Lalbuksh Voltas Engineering Services & Trading LLC	<b>0.34</b>		2.27
Universal Voltas LLC	<b>0.10</b>		—
Sermo-PM India Ltd.	—		4.49
Universal Comfort Products Private Ltd.	—		6.27
<b>15. Other Operating &amp; Administration Expenses-Paid/Payable</b>			
Tata Sons Ltd.	<b>14.82</b>		44.55
<b>16. Intercorporate Deposits Placed</b>			
Universal Comfort Products Private Ltd.	—		250.00

## SCHEDULE 'P': NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

(c) Related Party Transactions (contd.)

Details of material (more than 10% of the total related party transactions of the same type) transactions with related party.

Name of Party	Transaction Value	Rupees Lakhs
		Transaction Value 2005-2006
<b>17. Refund of Intercompany Deposits Placed</b> Universal Comfort Products Private Ltd.	<b>500.00</b>	250.00
<b>18. Provision for Debts and Advances Due</b> AVCO Marine S.a.S.	<b>782.45</b>	782.45
<b>19. Consulting Charges</b> Tata Sons Ltd.	—	0.02
<b>20. Tata Brand Equity</b> Tata Sons Ltd.	<b>364.23</b>	316.09
<b>21. Interest Expenses</b> Universal Comfort Products Private Ltd.	<b>49.47</b>	23.11
<b>22. Commission Received</b> Terrot GmbH (w.e.f. 19-6-2006) Sermo-PM India Ltd.	<b>61.60</b> —	— 2.53
<b>23. Intercompany Deposits Placed Due</b> Universal Comforts Products Private Ltd.	—	500.00
<b>24. Debit Balance Outstanding as on 31-3-2007</b> AVCO Marine S.a.S.	<b>782.45</b>	782.45
<b>25. Credit Balance outstanding as on 31-3-2007</b> Universal Comfort Products Private Ltd. Tata Sons Ltd. Weathermaker Ltd.	<b>1,457.47</b> <b>343.79</b> —	967.98 293.23 260.85

23. Figures for the previous year have been regrouped/reclassified, wherever necessary.

*Chairman*

*Managing Director*

*Directors*

*Executive Vice President (Finance)*

*General Manager - Taxation  
& Company Secretary*

*Mumbai, 14<sup>th</sup> May, 2007*

**Ishaat Hussain**

**A. Soni**

**N. M. Munjee**

**N. J. Jhaveri**

**S. D. Kulkarni**

**Ravi Kant**

**N. D. Khurody**

**M. M. Miyajiwala**

**V. P. Malhotra**



## Details of Subsidiary Companies as at 31st March, 2007

Name of Subsidiary Company	Simto Investment Company Limited (Simto)		Auto Aircon (India) Limited (AAIL)		Metrovol FZE (Metrovol) #		VIL Overseas Enterprises B. V. (VOEBV) #		Voice Antilles N. V. (VANV) #		Weathermaker Limited (WML) #@	
	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	Rupees in Lakhs	AED	Rupees in Lakhs	Euro	Rupees in Lakhs	USD	Rupees in Lakhs	AED	Rupees in Lakhs
1. Capital	152.99	1130.00	2000000	237.00	2000000	618729	359.42	400000	174.06	1500000	180.45	
2. Reserves and Surplus	805.94	—	3995592	473.48	—	44500	25.85	857941	373.33	7207662	867.08	
3. Total Assets (Fixed Assets+Current Assets)	362.60	52.26	11630272	1378.19	—	240118	139.48	1057206	460.04	19986381	2404.36	
4. Total Liabilities (Debts+Current Liabilities)	311.28	112.76	5634680	667.71	—	17484	10.16	189265	82.36	11278719	1356.83	
5. Investments * excluding investment in subsidiary	907.61	—	—	—	—	186722*	108.47	390000	169.71	—	—	
6. Turnover/Total Income	2086.64	7.40	2726463	323.08	—	259499	150.74	808550	351.84	8709843	1047.79	
7. Profit/(Loss) before Tax	2085.20	(19.77)	556710	65.97	—	14568	8.46	801722	348.86	6693896	805.28	
8. Provision for Tax	255.24	—	—	—	—	—	—	6665	2.90	—	—	
9. Profit/(Loss) after Tax	1829.96	(19.77)	556710	65.97	—	14568	8.46	795057	345.97	6693896	805.28	
10. Equity Dividend	**1208.58	—	500000	59.25	—	—	—	**180000	**78.33	**3000000	**360.90	

# The foreign currency figures of Metrovol, VOEBV, VANV and WML have been converted into Indian Rupees on the basis of appropriate exchange rates.

Exchange rate as on 31-3-2007: 1 AED = Rs.11.85; 1 Euro = Rs.58.09; 1 USD = Rs.43.515

@ Financials of WML are for the year ended 31st December, 2006 : 1 AED = Rs.12.03.

\*\* Interim dividend paid.



# Customising for value by combining technologies

With its expertise in a diversity of engineering disciplines, Voltas is uniquely able to offer its customers the right mix of technologies for a range of applications.

In order to best customise its solutions, Voltas chooses from an array of state-of-the-art equipment. Whether manufactured at our factories in Thane (Maharashtra), Dadra or Pantnagar (Uttarakhand), to in-house designs or based on technology alliances with world leaders; or sourced from our overseas principals and business partners worldwide.

In all its technology offerings, Voltas strives to maximise customer value. Resulting in optimum costs and reliable delivery; best-in-class energy efficiency; superior performance and durability; and sophisticated user-friendly features adapted to Indian operating conditions. All backed by the most dependable service for the products' lifetime.



Vertis Split Air conditioner.



Packaged Unit.



VRF (Variable Refrigerant Flow) System.



Process Refrigeration Screw Chiller.



Air-cooled Scroll Chiller.



Co-Gen Vapour Absorption Machine (VAM).



Mini Magic Water Dispenser.



Deep Freezer.



Visi Cooler.



Pack House for F&V Cold Chain.

# VOLTAS LIMITED

Registered Office: Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai 400 033

Tel: +91-22-6665 6666 Fax: +91-22-6665 6231

A **TATA** Enterprise



LMW Ring Frame LR6/AX with Auto Doffer.



Warehousing Equipment.



Terrot Circular Knitting machine.



KAPP Gear Grinding Machine - Model KX 300P.



Wheel Mounted Crushing Plant.