

BOARD OF DIRECTORS

Mr. Vijay Mohan, Chairman & Managing Director
 Mr. L. Lakshman
 Mr. Suresh Jagannathan
 Mr. C.R. Swaminathan
 Mr. D. Sarath Chandran
 Mr. Shinji Shirasaki
 Mr. Yuzuru Doi, Alternate Director to Mr. Shinji Shirasaki
 Mr. C.N. Srivatsan
 Mr. V. Ramakrishnan
 Mr. R. Vidhya Shankar
 Dr. Kalyani Gandhi
 Mr. M. Lakshminarayan
 Mr. K. Udhaya Kumar, President & Chief Operating Officer
 from 1st June 2008

Mrs. Vanitha Mohan, Executive Director

Mr. T.G. Thamizhanban

M/s. Suri & Co.,
 Chartered Accountants, Coimbatore

State Bank of India	BNP Paribas
Andhra Bank	Hongkong and Shanghai
ICICI Bank Limited	Banking Corporation Ltd
IDBI Bank Limited	Citibank N.A
IndusInd Bank Limited	Indian Overseas Bank
Bank of Nova Scotia	Standard Chartered Bank
HDFC Bank Limited	Centurion Bank of Punjab Limited

702/7, Avanashi Road,
 Coimbatore - 641 037, India.
 Ph : 0422-4336000 Fax : 0422-4336299
 E-mail : city@pricol.co.in

FACTORIES

PLANT I

132, Ooty Main Road,
 Perianaickenpalayam,
 Coimbatore - 641 020.

PLANT III

4/558, Chinnamathampalayam,
 Bilichi Village,
 Press Colony Post,
 Coimbatore - 641 019.

PLANT V

Survey No.1065 & 1066,
 Pirangut, Taluk Mulshi,
 Pune - 412 108.

PLANT VII

Plot No.45, Sector 11,
 Integrated Industrial Estate,
 Pant Nagar, SIDCUL,
 Rudrapur - 263 153.
 Dist. U.S.Nagar (Uttarakhand)

PLANT II

Plot No.34 & 35, Sector 4,
 IMT Manesar,
 Gurgaon - 122 050.

PLANT IV

2/439, Main Road,
 Karamadai Post,
 Coimbatore - 641 104.

PLANT VI

Plot No.11, Sector 10,
 Integrated Industrial Estate,
 Pant Nagar, SIDCUL,
 Rudrapur - 263 153.
 Dist. U.S.Nagar (Uttarakhand)

COMPANY SECRETARY

AUDITORS

BANKERS

REGISTERED OFFICE

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DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Your Directors have pleasure in presenting the Thirty Sixth Annual Report and audited accounts for the financial year ended 31st March 2008.

FINANCIAL RESULTS

The summarised financial results are :

	2007 - 08	Rs. Million 2006 - 07
Net Sales & Services - Domestic	4,803.689	4,809.476
- Export	1,260.936	1,024.355
Total	6,064.625	5,833.831
Profit Before Interest and Depreciation	832.519	984.532
Less : Interest & Finance Charges	287.003	180.481
Depreciation	327.190	295.924
Profit Before Tax	218.326	508.127
Less : Provision for		
Current Taxation	50.000	160.000
Fringe Benefit Tax	7.500	6.000
Deferred Tax (Asset)	(30.000)	(20.000)
Profit After Tax	190.826	362.127
Add : Balance brought forward	256.986	200.155
Amount available for appropriation	447.812	562.282

DIVIDEND

Your Directors recommend a dividend of 60% on the paid-up equity share capital of the Company for the year ended 31st March, 2008.

APPROPRIATION

		Rs. Million
Dividend 60% (Previous year 100%)	54.000	90.000
Tax on Dividend @ 16.995%	9.177	15.296
General Reserve	200.000	200.000
Surplus to be carried over	184.635	256.986
Total	447.812	562.282

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

INDUSTRY STRUCTURE AND DEVELOPMENTS

During fiscal 2007-08, the Automotive Industry slowed down moderately when compared to the previous year due to bank finance for purchase being made available only at higher interest rates. The performance as per Society of Indian Automobile Manufacturers (SIAM) is

Category	Vehicles Sold		Growth	
	2006-07	2007-08	2007-08	2006-07
	In numbers		%	
Passenger Car	1,269,305	1,413,395	11.35	20.63
Utility Vehicle	224,705	249,863	11.20	12.92
Multi Purpose Vehicle	84,421	101,781	20.56	25.14
Medium & Heavy Commercial Vehicle	294,166	293,094	-0.36	32.78
Light Commercial Vehicle	223,136	252,722	13.26	31.19
Scooters / Scooterettee	976,014	1,075,591	10.20	-1.71
Motor cycles	7,122,549	6,560,873	-7.89	14.94
Mopeds	393,415	431,983	9.80	4.65
Three Wheelers	547,806	505,938	-7.64	25.41
Total	11,135,517	10,885,240	-2.25	14.65

OPERATIONS

An illegal strike by a majority of the workers at Coimbatore plants for more than 100 days from early March 2007 to mid June 2007 has reduced our market share with domestic vehicle manufacturers. This along with recession in the vehicle industry, has affected the planned business growth with domestic vehicle manufacturers and profits of the company.

The reduction in the sales to domestic vehicle manufacturers has been offset by the increase in sales of accessories, industrial, fleet management and railway products, thereby maintaining the domestic turnover at Rs.4,804 million against Rs.4,809 million of previous year.

The export turnover has increased from Rs.1,024 million to Rs.1,261 million registering a growth of 23%. The export of automobile products are poised for tremendous growth in future and the company will continue its endeavour to maximize its export turnover in the coming years.

Even though there is a marginal increase in total sales to Rs.6,065 million from Rs.5,834 million for the previous year, due to the increase in raw material cost and other inputs coupled with steep increase in interest charges on increased borrowings, the Profit After Tax has decreased considerably by 47% from Rs.362 million to Rs.191 million.

GREEN FIELD PROJECTS

The second plant in Pantnagar, Uttarakhand State, even though ready for operations from October 2007, commenced commercial operations only from April 2008 since the OEMs wanted to enjoy concessional tax benefits for the full fiscal year.

Due to sanctions on Iran imposed by the Government of USA and some of the European countries, the proposal to set up a Joint Venture Company in Iran with our present marketing partner is deferred until the situation improves. At the same time, to protect the present business, it was decided that the Company would assist the present marketing partner to establish a small final assembly unit in Iran.

SUBSIDIARY COMPANIES

PT Pricol Surya, a wholly owned subsidiary at Indonesia, commenced commercial production in April 2007. During 2007-08, first year of operation, the company achieved a turnover of Rs.86.160 million and incurred a loss of Rs.18.726 million.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

English Tools and Castings Limited, a wholly owned subsidiary, during 2007-08 obtained approval from the Honourable High Court, Chennai and restructured its share capital by way of reduction of capital from Rs.276.989 million to Rs.79.337 million. Due to reduction in off-take from a major customer, the turnover increased only moderately to Rs.247 million against Rs.231 million previous year. The increase in input costs has resulted in Profit after Tax decreasing to Rs.4.520 million against Rs.5.613 million of previous year.

Integral Investments Limited, a wholly owned subsidiary, had invested Rs.10.273 million in equity shares & mutual funds and received a dividend of Rs.0.502 million during the year 2007-08. The Profit after Tax was Rs.0.837 million.

OUTLOOK

Indian automobile industry will witness only a nominal growth due to higher inflation, increase in fuel cost & interest rate, lack of consumer finance and slow down in global economic growth. The growth in component industry also is expected to be moderate only.

OPPORTUNITIES, CHALLENGES, RISKS & CONCERNS

Global OEMs driven by cost pressure continue outsourcing of automotive components to cost competitive manufacturers. India, being a manufacturer of low cost quality components, attracts Global OEMs, which provide ample opportunity for exports, the thrust area of Indian auto component manufacturers.

Global acquisitions, expansion and diversification by Indian auto industry, rising income levels, ban on overloading of trucks and rising infrastructure spending would drive the demand for automobiles in India. The demand for automobiles will boost the auto component industry.

Volatility in the prices of raw materials & other inputs, rise in interest rate, inflationary pressure, currency fluctuations and continuous demand by OEM's for price reduction, intense competition from counterparts will pose major risk and challenges to the companies to innovate and develop new technologies & processes to manufacture low cost quality components. In addition, the industry has to tackle shortening of existing product life cycle, rapid launch of new products, increasing number of variants all leading to low volume products, R & D facilities and brand building to exploit & encash business opportunities.

In order to mitigate the risk, your Company will endeavour to vigilantly monitor and implement timely action and control measures.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has proper and adequate systems of internal control to ensure proper financial & operating functions, safeguarding of assets and compliance with applicable Acts and Rules. The company's internal controls are supplemented by an extensive programme of internal audits. The Audit Committee at their meetings regularly reviews the financial, operating & compliance reports and suggest for improvements. The heads of various monitoring / operating cells are invited for the Audit Committee meetings to explain in detail, about their operations.

RISK MANAGEMENT

Risk Management is an integral part of the business process.

To enhance the risk management process, the company with the help of consultancy firm is better mapping the risks at the business processes and enterprise levels to evolve a better risk management framework. An improved process for formulating a defined risk management framework encompassing, inter alia, methodology for assessing / identifying risks on an ongoing basis, risk prioritization, risk mitigation and a comprehensive reporting system will be formulated.

FINANCE

Your Company holds credit rating of "FAA-Negative" (previous year "FAA-Stable") from CRISIL for fixed deposits. During the year the company has not accepted / renewed any fixed deposit from public. The total deposits from public outstanding as on 31st March 2008 is Rs.0.358 million including matured unclaimed deposits. 20 deposits amounting to Rs.0.358 million matured but had not been claimed by the depositors as on that date. Out of these 5 Deposits amounting to Rs.0.125 million have since been repaid. Reminders have been sent to unclaimed deposit holders for suitable instructions.

The Company undertook several steps to restructure its borrowings to keep a control over the cost of borrowings. Your Company holds credit rating of "A1" (previous year "A1+") for Commercial Paper, "LA" for Working Capital fund based facilities, "A1" for Working Capital non-fund based facilities and "LA" for Term Loans from ICRA.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

DIRECTORS

Mr. C.R. Swaminathan, Mr. C.N. Srivatsan and Mr. Suresh Jagannathan, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. K. Udhaya Kumar has been appointed as an additional director with effect from 1st June 2008 under Section 260 of the Companies Act, 1956 and designated as President & Chief Operating Officer. He vacates office on the date of the forthcoming 36th Annual General Meeting and is eligible for appointment.

AUDITORS

The Auditors of the Company, M/s. Suri & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company has constantly striven to maintain healthy and cordial relationship at all levels. The workforce on strike at Plants in Coimbatore returned to work in mid June 2007. However the relationship with said workforce is yet to return to normalcy. The management is taking all efforts to restore cordial relationship with the workforce.

CORPORATE SOCIAL OBJECTIVES

The Company and its employees continue to involve themselves in Corporate Social Responsibility activities such as afforestation, water management, waste water recycling, solid waste management, literacy and health. The company continues to contribute financially to the social causes of health, education and environment.

CONSERVATION OF ENERGY

Though your company is not a power intensive industry, it continues energy conservation by adopting various energy saving methods.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were Rs.1,274.896 million (Rs.1,037.008 million in 2006-07). The revenue expenditure in foreign currency was Rs.1,678.436 million (Rs.1,340.572 million in 2006-07) and the capital expenditure was Rs.148.099 million (Rs.148.486 million in 2006-07).

STATUTORY STATEMENTS

As required by Section 212 of the Companies Act, 1956, a statement showing the Company's interest in the subsidiaries is enclosed to the Balance Sheet of the Company.

The statement showing the particulars of technology absorption pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the annexure forming part of this report.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- in the preparation of annual accounts for the financial year ended 31st March 2008, the applicable accounting standards have been followed;
- they had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

d) they had prepared the annual accounts for the financial year ended 31st March 2008, on a going concern basis.

CORPORATE GOVERNANCE

Your company reaffirms its commitment to the good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of the same are made a part of this Annual Report.

CAUTIONARY STATEMENT

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward-looking" 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.

ACKNOWLEDGEMENTS

The Board wish to thank Denso Corporation, Japan, Customers, Distributors, Dealers, Suppliers, Shareholders, Bankers and Other Collaborators for their continued support and co-operation during the year under review. The Directors wish to place on record their appreciation to the management team and the employees for their continued co-operation and commitment.

Coimbatore
29th May 2008

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director

ADDENDUM

The Company has obtained approval from the Ministry of Corporate Affairs, New Delhi vide letter No:47 / 157 / 2008 – CL - III dated 2nd June 2008 in terms of Section 212(8) of the Companies Act, 1956 exempting the company from attaching the Balance Sheet and Profit & Loss Account of the subsidiaries namely (1) English Tools and Castings Limited (2) Integral Investments Limited and (3) PT Pricol Surya, Indonesia, along with the report of Board of Directors and that of the Auditors' thereon, with the company's accounts for the year ended 31st March 2008.

The audited accounts and report of Directors & Auditors of the subsidiary companies, (1) English Tools and Castings Limited (2) Integral Investments Limited and (3) PT Pricol Surya, Indonesia are not attached to the Balance Sheet of Pricol Limited.

As directed by the Central Government, the accounts of the subsidiaries are consolidated with the accounts of the company in accordance with Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India and Listing Agreement prescribed by Securities Exchange Board of India. The consolidated accounts duly audited by the statutory auditors and the consolidated balance sheet information form part of the annual report.

The annual accounts, reports and other documents of the subsidiary companies will be made available to the members and investors upon receipt of a request from them.

The annual accounts of the subsidiary companies will be available at the registered office of the company and at the respective subsidiary companies concerned. Any member or investor can inspect the same during the business hours of any working day.

Coimbatore
3rd June 2008

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director



ANNEXURES TO DIRECTORS' REPORT

Statement 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.

TECHNOLOGY ABSORPTION

I. Research and Development (R & D)

(i) Specific areas of R & D

The Company has two R & D centres, which are approved by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, New Delhi. Our R & D is engaged in several areas including :

- Designing and development of new products
- Value Engineering
- Adopt new technology process and products
- Quality and design Improvement in existing products
- Search for new technology areas continuously
- Build domain expertise.

(ii) Benefits derived from R & D

- Customer satisfaction
- Quality Improvement
- New products with latest technology
- Cost effectiveness in new products
- New technology process introduction
- Registration of patents

(iii) Future plan of action

- Work closely with customer to understand the requirements and provide solutions with new products
- Co-ordinate with educational institutions to tap the technology skills
- Provide a strong IPR base
- Thrust on export products

Expenditure on R & D :	(Rs. Million)
Capital	54.513
Recurring	184.872
	239.385
R & D expenditure as a percentage of sales	3.95%

II. Technology Absorption, Adaptation and Innovation

Imported Technology

The technology imported during the year 2002-03 from (a) DENSO Corporation, Japan, for manufacture of instrument cluster using Stepper Motor (b) NHK Spring Co.Ltd, Japan for manufacture of Chain Tensioner and (c) Directed Electronics Inc, USA for the manufacture of Vehicle Remote Entry and Security System have been fully absorbed. The technology imported during the year 2006-07 from Magneti Marelli Sistemi Elettronici S.P.A., Italy for manufacture of Instrument Cluster for Renault – Mahindra's Logan Model Car, has been fully absorbed. Supplies have commenced from April 2007.

The Technology imported during the year 2007-08 from Garant GmbH, Germany for the manufacture of New Design Stepper Motor MS 800 is under absorption. Supplies are likely to commence from October 2008.

The Technology / Product Design developed and provided by Ananya Innovations Limited, Coimbatore during the year 2007-08 are under transfer and under absorption.

ANNEXURES TO DIRECTORS' REPORT (Contd..)

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the year ended 31st March, 2008.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment
		Gross	Net			
		(Rs. Million)				
Vijay Mohan (60)	Chairman & Managing Director General Management of affairs of the Company	6.420	2.576	Bachelor of Engineering & Master of Management Science (35)	3rd April 1973	—
Vanitha Mohan (55)	Executive Director General Management of affairs of the Company	2.521	2.103	Bachelor of Commerce & Post Graduate Diploma in Business Management (9)	1st June 1999	—

- NOTE : 1. Mr. Vijay Mohan and Mrs. Vanitha Mohan are husband and wife. Mr. D. Sarath Chandran, Director is Mr. Vijay Mohan's brother. Mr. Vijay Mohan and Mrs. Vanitha Mohan individually own more than 2% of the equity shares of the Company as on 31st March 2008.
2. The Chairman & Managing Director and the Executive Director are appointed for a period of five years at a time.
 3. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites and the Company's contribution to provident fund, gratuity and superannuation fund.
 4. Net remuneration is exclusive of contributions to provident fund, gratuity fund, superannuation fund and tax deducted.

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance:

Company's Philosophy on Corporate Governance envisages striving for excellence in all its facets of its operations through socially and environmentally acceptable means. The Company wants to be a responsible corporate citizen and share the benefits with society and also will make its customers, employees, suppliers and shareholders feel proud of their association with the Company through highest level of transparency in its dealings.

2. Board of Directors:

The Board of Directors consists of 13 directors. The Company is being managed and controlled by the Board of Directors. More than 50% of the Board is comprised of independent Directors. The members of the Board are well-experienced professionals and industrialists. The day-to-day management affairs is managed by the Chairman & Managing Director subject to the supervision, control and direction of the Board of Directors and is assisted by the Executive Director and President & Chief Operating Officer.

a. Composition and category of Directors and attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various Companies:

Name of the Director	Category	Attendance Particulars		No. of Directorships in other Companies			No. of Committee positions held in other Companies	
		Board Meeting	Last AGM	Public Company	Private Company	Foreign Company	Member	Chairman
Mr. L. Lakshman	Non-Executive - Independent	5	—	10	—	—	5	4
Mr. Suresh Jagannathan	Non-Executive - Independent	5	—	3	2	—	2	—
Mr. C.R. Swaminathan	Non-Executive - Independent	5	—	4	3	—	1	—
Mr. D. Sarath Chandran	Non-Executive - Promoter	4	—	6	—	1	2	—
Mr. Shinji Shirasaki	Non-Executive - Independent	1	—	—	—	3	—	—
Mr. Haruo Ishida (Alternate Director to Mr. Shinji Shirasaki) Upto 30th October 2007	Non-Executive - Independent	1	—	2	1	—	—	—
Mr. Yuzuru Doi (Alternate Director to Mr. Shinji Shirasaki) from 30th October 2007	Non-Executive - Independent	2	—	2	1	—	—	—
Mr. C.N. Srivatsan	Non-Executive - Independent	4	✓	4	2	—	2	—
Mr. V. Ramakrishnan	Non-Executive	5	—	—	—	3	—	—
Mr. R. Vidhya Shankar	Non-Executive - Independent	5	—	1	—	—	—	—
Dr. Kalyani Gandhi	Non-Executive - Independent	2	—	1	—	—	1	—
Mr. M. Lakshminarayan	Non-Executive - Independent	2	—	1	2	—	—	—
Mr. K. Udhaya Kumar (President & Chief Operating Officer) From 1st June 2008	Executive	—	—	—	—	1	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	5	—	5	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	5	✓	11	1	—	2	—

Mr. Vijay Mohan, Mrs. Vanitha Mohan and Mr. D. Sarath Chandran are relatives. Mr. D. Sarath Chandran is Mr. Vijay Mohan's brother and Mrs. Vanitha Mohan is Mr. Vijay Mohan's wife. No other directors are relatives to each other.

REPORT ON CORPORATE GOVERNANCE (Contd..)

b. No. of Board Meetings held and the dates on which held:

Number of Board meetings held	Five
Dates on which held	29th May 2007, 31st July 2007, 30th October 2007, 30th January 2008 & 31st January 2008 and 28th March 2008

The maximum time gap between any two meetings was not more than four months.

Brief note on Directors seeking appointment / re-appointment at the ensuing AGM:

Mr. C.R. Swaminathan, B.Sc., (Agri), MBA, 60 years of age, is presently the Chief Executive of PSG Industrial Institute, Coimbatore, who has put in over 38 years of service in PSG Institutions. He is a Director of the Company since 25th December 1990. He is also a Director on the Board of Gangotri Textiles Limited, Udhaya Semiconductors Limited, Stillwater Enterprises (I) Limited, Micro Instruments Limited, Chandra Textiles Pvt Limited, Pongalur Pioneer Textile Pvt. Limited and K.Sivasubramaniam Spinners Pvt. Limited. He is a member of the Audit Committee and Remuneration Committee of Pricol Limited and Gangotri Textiles Limited.

He is the Deputy Chairman of Confederation of Indian Industry - Southern Region. He is the President of Residents Awareness Association of Coimbatore. He was the President of The Southern India Engineering Manufacturers Association, Association of Jute Entrepreneurs of Southern India, Solar Energy Society of India – Coimbatore Chapter, Tamilnadu Private Professional Colleges Association – Health Sciences and The Coimbatore Club. He is the Vice President of The Indian Chamber of Commerce and Industry, Coimbatore, Coimbatore District Basket Ball Association and Advisory Committee, Kovai Aid for Rehabilitation and Motivation - a Charitable Trust. He is the Joint Secretary of Indian Council for Child Welfare, Coimbatore District Council, All India Board of Technician Education, Regional Direct Taxes Advisory Committee, Coimbatore District Juvenile Justice Board, Department of Social Welfare & Nutritious Meal Programme, Government of Tamilnadu and Board of Apprenticeship Training (SR), Government of India, Chennai.

Mr. C.N. Srivatsan, B.Com., C.A., CISA, 51 years of age, is a leading management consultant specialised in Information Systems audit, Operations audit, Business Process Re-engineering, Cost Reduction and Cost Control techniques, implementation of IT Governance & MIS and development of Real time Processing Systems and Web applications. He is a Director of the company since 24th October 2001. He is also a Director on the Board of Precot Meridian Limited, Elgitread (India) Limited, Astral Consulting Limited, Kar Mobiles Limited, Astral Autoprint Business Solutions (P) Ltd and SKP Astral Consulting (P) Ltd. He is Chairman of the Audit Committee. He is also a member of Audit Committee of Precot Meridian Limited and Kar Mobiles Limited and member of the Shareholders / Investors Relations Committee of the company.

Mr. Suresh Jagannathan, B.S. (USA), 51 years of age, is a leading Industrialist and Managing Director of Kovilpatti Lakshmi Roller Flour Mills Limited. He is also a director in Elgitread (India) Limited, Precot Meridian Limited, Cape Flour Mills Private Limited and Chempaka General Finance Private Limited. He is a member of the Audit committee of Elgitread (India) Limited and Investors Grievance Committee of Kovilpatti Lakshmi Roller Flour Mills Limited.

Mr K. Udhaya Kumar, B.E. (Mech.), 58 years of age, underwent practical training for an year and half in an industry in Coimbatore and joined Pricol in February 1976. Over the last 32 years of service in Pricol, due to his diligent work he has risen to the rank of Senior Vice President and next in line to the CEO. He has rich experience in all the areas of Production, Materials, Quality, Product Development Engineering, Customer Relations etc. He has been all along a key member of the core team responsible for all improvement activities. Over the last 5 years, he has been a Member of the Apex Council, the Top Management in Pricol. He is also a Director in PT Pricol Surya, Indonesia.

REPORT ON CORPORATE GOVERNANCE (Contd..)

3. Audit Committee:

a. Composition, name of members & chairperson, meetings and attendance during the year.

Name of the member	Category	Attendance
Mr. C.N. Srivatsan (Chairman)	Non-Executive - Independent	4
Mr. C.R. Swaminathan	Non-Executive - Independent	4
Mr. R. Vidhya Shankar	Non-Executive - Independent	4
Mrs. Vanitha Mohan	Executive - Promoter	4

b. No. of Audit Committee Meetings held and the dates on which held:

Number of Audit Committee meetings held	Four
Dates on which held	23rd May 2007, 24th July 2007, 22nd October 2007 and 24th January 2008.

c. Brief description of terms of reference.

- Reviewing the internal business process and profitability.
- Reviewing of statutory and regulations audit in conformity with the requirements of Companies Act, SEBI regulations and Listing Agreement, in terms of Clause 49.

4. Remuneration Committee:

a. Composition, name of members & chairperson, meetings and attendance during the year.

Name of the member	Category	Attendance
Mr. C.N. Srivatsan (Chairman)	Non-Executive - Independent	1
Mr. C.R. Swaminathan	Non-Executive - Independent	1
Mr. R. Vidhya Shankar	Non-Executive - Independent	1

b. No. of Remuneration Committee Meetings held and the dates on which held :

Number of Remuneration Committee meeting held	One
Date on which held	23rd May 2007

c. Brief description of terms of reference:

To determine and recommend to the Board the remuneration including commission, perquisites and allowances payable to the whole-time directors based on overall performance and financial results of the Company during the relevant financial year and in consonance with the existing industrial practice.

d. Remuneration to Directors:

The Company pays remuneration to Chairman & Managing Director by way of salary and perquisites (Fixed Component) and 1.50% commission on Net Profit (Variable Component) as approved by the shareholders of the Company.

The Company pays remuneration to the Executive Director by way of Salary (Fixed Component) and 0.75% Commission on Net Profit (Variable Component) as approved by the shareholders of the Company.

REPORT ON CORPORATE GOVERNANCE (Contd..)

The Company fixes remuneration to the President & Chief Operating Officer by way of Salary & Perquisites (Fixed Component) and 0.50% commission on Net Profit (Variable Component) subject to the approval of the shareholders.

It has been decided in the 35th Annual General Meeting to pay commission to Non-Whole Time Directors not exceeding one percent of the Net Profit of the Company per annum. The commission will be distributed broadly on the basis of Board Meetings and Committee Meetings attended by the Non-Whole Time Directors.

- e. Details of remuneration paid / payable to all directors during the year ended 31st March 2008 are given below :

			Rs. Million
Name of the Director	Salary & Perquisites	Commission	Total
Mr. L. Lakshman	NA	0.200	0.200
Mr. Suresh Jagannathan	NA	0.200	0.200
Mr. C.R. Swaminathan	NA	0.370	0.370
Mr. D. Sarath Chandran	NA	0.200	0.200
Mr. Shinji Shirasaki	NA	0.160	0.160
Mr. C.N. Srivatsan	NA	0.330	0.330
Mr. V. Ramakrishnan	NA	0.200	0.200
Mr. R. Vidhya Shankar	NA	0.370	0.370
Dr. Kalyani Gandhi	NA	0.080	0.080
Mr. M. Lakshminarayan	NA	0.080	0.080
Mrs. Vanitha Mohan (Executive Director)	0.791	1.730	2.521
Mr. Vijay Mohan (Chairman & Managing Director)	2.960	3.460	6.420

The Company does not have any Stock option scheme.

Shares of the Company held by Non-Executive Directors: Mr. D. Sarath Chandran holds 45,000 shares, Mr. Suresh Jagannathan holds 26,985 shares and Mr. C.R. Swaminathan holds 1,995 shares.

5. Shareholders / Investors Relations Committee:

The committee comprises of Mr. Vijay Mohan, Mr. D. Sarath Chandran, Mrs. Vanitha Mohan, Mr. C.R. Swaminathan, Mr. C.N. Srivatsan and Mr. R. Vidhya Shankar. During the year 4 meetings were held. Mr. D. Sarath Chandran, Non-Executive Director chaired the committee meetings. Mr. T.G. Thamizhanban, Company Secretary is the Compliance Officer.

During the year, 39 letters were received from the investors regarding non-receipt of dividend warrants / annual reports / share certificates etc., and all of them were replied / resolved to their satisfaction. No transfer / dematerialisation of shares is kept pending.

6. General Body meetings:

- a. Location and time, where last three Annual General Meetings held

Year	Location	Date	Time
2005 33rd AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	05.08.2005	4.30 p.m.
2006 34th AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	04.08.2006	4.30 p.m.
2007 35th AGM	Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 37	03.08.2007	4.30 p.m.

REPORT ON CORPORATE GOVERNANCE (Contd..)

b. Whether any special resolutions passed in the previous 3 AGMs : Yes.

Year	Details of Special Resolution
2005 - 33rd AGM	Nil
2006 - 34th AGM	Nil
2007 - 35th AGM	Commission payable to Non-whole time Directors of the Company.

- c. Whether special resolutions were put through postal ballot last year? If yes, details of voting pattern : No.
- d. Person who conducted the postal ballot exercise : Not Applicable.
- e. Whether any special resolution is proposed to be conducted through postal ballot : No.
- f. Procedure for postal ballot : Not applicable.

7. Disclosures:

- a. The Company has not entered into any materially significant related party transactions that may have potential conflict with the interest of Company at large.
- b. Details of non compliance by company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any authority, on any matter related to capital markets during last 3 years – NIL.
- c. The Company does not have any Whistle Blower Policy. However, no person has been denied access to the Audit Committee of the Company.
- d. The Company has complied the following non-mandatory requirement :
Remuneration Committee of the Board of Directors of the Company has been set up and the particulars of the committee are given in this report itself.
The Company has not complied with any other non-mandatory requirement.

8. Means of communication:

- a. In which newspapers quarterly results are normally published. : The Hindu, Business Line & Dinamani.
- b. Any website where results or official news are displayed : www.sebiedifar.nic.in, www.nseindia.com, www.bseindia.com & www.pricol.com
- c. Presentation made to Institutional Investors or to the analysts : Nil.
- d. Whether Management Discussion & Analysis is part of Annual Report or not : It is a part of Annual Report.

9. General Shareholder information:

- a. AGM : Date : 8th August 2008.
: Time : 4.30 p.m.
: Venue : Nani Palkhivala Auditorium,
Mani Higher Secondary School,
Pappanaickenpalayam, Coimbatore - 641 037.
- b. Financial Year : 1st April 2007 to 31st March 2008.
- c. Date of Book Closure : 26th July 2008 to 8th August 2008.
- d. Dividend Payment Date : 9th August 2008.
- e. Listing on Stock Exchanges : National Stock Exchange of India Limited
and Bombay Stock Exchange Limited.
- f. Stock Code : National Stock Exchange : PRICOL
Bombay Stock Exchange : 526109
- g. International Security Identification Number (ISIN) : INE605A01026

REPORT ON CORPORATE GOVERNANCE (Contd..)

h. Stock Market Data :

Month	National Stock Exchange				Bombay Stock Exchange			
	Price (Rs.)		CNX 500 (Points)		Price (Rs.)		BSE - 500 (Points)	
	High	Low	High	Low	High	Low	High	Low
April-07	34.50	31.05	3453.40	2997.85	34.40	31.40	5451.33	4732.42
May-07	34.95	31.50	3578.60	3318.45	35.00	31.55	5674.28	5230.55
June-07	34.00	29.50	3626.10	3413.05	33.85	29.75	5783.39	5417.54
July-07	40.45	29.15	3883.90	3615.65	34.15	28.15	6217.40	5785.60
August-07	30.75	26.00	3793.85	3362.80	30.20	26.00	6077.57	5390.71
September-07	32.40	27.55	4202.95	3713.10	32.40	28.20	6788.10	5961.64
October-07	32.00	22.25	4843.65	4129.75	32.20	22.15	7842.22	6655.49
November-07	37.45	23.00	5020.00	4512.20	37.50	23.40	8057.52	7296.63
December-07	45.80	32.50	5364.00	4895.85	45.35	32.20	8616.65	7907.29
January-08	45.60	22.20	5563.50	3744.45	45.00	22.50	8991.42	6124.82
February-08	28.40	22.70	4639.95	4044.75	28.85	23.00	7589.57	6603.60
March-08	25.45	17.50	4262.25	3603.45	25.00	17.50	6991.67	5773.51

i. Registrar and Transfer Agents:

For Physical transfer and Dematerialisation of shares:

The company has appointed M/s. Integrated Enterprises (India) Limited, 2nd Floor, "KENCES" Towers, No.1, Ramakrishna street, North Usman Road, T. Nagar, Chennai - 600 017 as Common Transfer Agent for both physical and electronic transfer of company's shares.

j. Share Transfer System:

Certain directors and executives of the company are severally empowered to approve the transfers and dematerialisation. The Company co-ordinates with the Common Transfer Agent to ensure that the transfers and dematerialisation of shares are processed and completed within the stipulated time if the documents are complete in all respects. The Company obtains from M/s. S. Krishnamurthy & Co., Company Secretaries, Chennai half-yearly certificate of compliance with the share transfer formalities as required under clause 47(c) of the listing agreement with stock exchanges and files a copy of the certificate with the stock exchanges.

k. Shareholding pattern as on 31st March 2008

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters & Associates	32,272,445	35.86
Foreign Collaborator - DENSO Corporation, Japan	11,250,000	12.50
Non-Resident Indians	420,429	0.47
Foreign Institutional Investors	228,117	0.25
Banks	147,150	0.16
Indian Financial Institutions / Insurance Companies	494,716	0.55
Bodies Corporate	4,905,159	5.45
Mutual Funds	8,271,894	9.19
Public	32,010,090	35.57
Total	90,000,000	100.00

REPORT ON CORPORATE GOVERNANCE (Contd..)

l. Distribution of Shareholding as on 31st March 2008.

Shareholding (Range)	No. of holders	% of holders	No. of shares	% of shares
Upto 500	20,766	70.11	4,306,159	4.78
501 to 1000	3,530	11.92	2,982,502	3.31
1001 to 2000	2,252	7.60	3,479,654	3.87
2001 to 3000	1,044	3.53	2,657,139	2.95
3001 to 4000	407	1.37	1,432,333	1.59
4001 to 5000	436	1.47	2,012,885	2.24
5001 to 10000	622	2.10	4,544,329	5.05
10001 and above	562	1.90	68,584,999	76.21
Total	29,619	100.00	90,000,000	100.00

m. Dematerialisation of shares and liquidity as on 31st March 2008.

Shares of the Company can be held and traded in Electronic form. SEBI has notified inclusion of our company's shares for compulsory demat trading by all the categories of the investors with effect from 28th August 2000.

Extent of Dematerialisation:

Name of the Depository	No. of shares	% to total paid-up capital
a. National Securities Depository Limited	44,549,696	49.50
b. Central Depository Services (India) Limited	5,135,127	5.71
Total	49,684,823	55.21

The company's shares are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

n. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity : Nil

o. Address for correspondence

Pricol Limited,
 Secretarial Department,
 702/7, Avanashi Road,
 Coimbatore - 641 037, India.
 Phone : 0422-4336238, 4336272
 Fax : 0422-4336299
 E-mail : cs@pricol.co.in

REPORT ON CORPORATE GOVERNANCE (Contd..)

COMPLIANCE CERTIFICATE FROM AUDITORS OF THE COMPANY

(Under Clause 49 of the Listing Agreement)

To the Members of **Pricol Limited**

We have examined the compliance of conditions of corporate governance by PRICOL LIMITED, for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with 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 the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Coimbatore
29th May 2008

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328

DECLARATION

All the Board members and senior management personnel affirmed compliance with the code of conduct of the company for the financial year ended 31st March 2008.

Coimbatore
29th May 2008

Vijay Mohan
Chairman & Managing Director



TEN YEARS PERFORMANCE AT A GLANCE

Rs. Million

OPERATING RESULTS

Year ended 31st March	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net Sales & Service Charges										
— Domestic	1,223.27	1,791.05	2,258.87	2,273.91	2,635.61	3,295.05	3,891.32	4,217.01	4,809.48	4,803.69
— Export	188.98	221.96	274.94	187.22	348.38	409.24	598.36	599.87	1,024.35	1,260.94
Total Net Sales	1,412.25	2,013.01	2,533.81	2,461.13	2,983.99	3,704.29	4,489.68	4,816.88	5,833.83	6,064.63
Gross Surplus from Operation	256.29	400.19	466.23	430.00	542.71	785.61	890.31	778.13	954.17	763.11
Other Income	19.03	12.71	32.02	6.74	8.24	11.91	19.45	29.30	30.36	69.41
Depreciation (a)	103.61	128.42	151.83	171.97	188.83	205.47	218.90	256.60	295.92	327.19
Interest & Finance Charges (b)	72.24	96.81	120.71	134.77	105.13	80.02	68.33	121.87	180.48	287.00
Profit Before Tax (PBT) (c)	99.47	187.67	225.71	130.00	256.99	512.03	622.53	428.96	508.13	218.33
Tax Provision incl.										
Deferred Tax	35.02	50.00	63.00	39.50	105.00	176.00	210.00	125.87	146.00	27.50
Profit After Tax (PAT) (d)	64.45	137.67	162.71	90.50	151.99	336.03	412.53	303.09	362.13	190.83
Dividend (including Tax) (e)	19.98	26.64	26.45	21.00	40.61	60.92	102.62	102.62	105.30	63.18
Retained Profit	44.47	111.03	136.26	69.50	111.38	275.11	309.91	200.47	256.83	127.65
As at 31st March	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008

SOURCES OF FUNDS

Share Capital	60.00	60.00	60.00	60.00	60.00	60.00	90.00	90.00	90.00	90.00
Reserves & Surplus	690.83	801.87	938.13	924.94	899.20	918.96	1,163.81	1,394.06	1,650.89	1,778.54
Networth (f)	750.83	861.87	998.13	984.94	959.20	978.96	1,253.81	1,484.06	1,740.89	1,868.54
Deferred Tax Liability	—	—	—	87.19	110.19	103.19	93.19	87.19	67.19	37.19
Borrowed Funds (g)	670.52	822.66	1,156.93	1,128.70	1,194.32	1,152.34	1,558.71	2,334.16	2,979.65	3,250.60
Total Capital Employed (h)	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,787.73	5,156.33

APPLICATION OF FUNDS

Gross Fixed Assets	1,273.51	1,512.73	1,747.17	1,977.80	2,250.45	2,538.82	3,130.38	3,505.33	4,186.60	4,741.85
Depreciation	446.88	568.35	688.79	860.11	1,044.06	1,241.42	1,326.63	1,502.76	1,794.99	2,119.56
Net Fixed Assets	826.63	944.38	1,058.38	1,117.69	1,206.39	1,297.40	1,803.75	2,002.57	2,391.61	2,622.29
Investments	76.10	126.10	125.50	126.69	80.15	76.50	49.83	277.74	243.74	182.91
Net Current Assets	518.62	614.05	971.18	956.45	977.17	860.59	1,052.13	1,625.10	2,152.38	2,351.13
Net Assets Employed	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,787.73	5,156.33

PERFORMANCE INDICATORS

Equity shares (Nos. in Mn) (i)	6.00	6.00	6.00	6.00	6.00	6.00	@90.00	90.00	90.00	90.00
Earnings per share (EPS) (Rs.) (d/i)	10.74	22.95	27.12	15.08	25.33	56.01	#4.58	3.37	4.02	2.12
Dividend per share (Rs.)	3.00	4.00	4.00	3.50	6.00	9.00	1.00	1.00	1.00	0.60
Networth per share (NWPS) (Rs.) (f/i)	125.14	143.65	166.35	164.16	159.87	163.16	#13.93	16.49	19.34	20.76
Return on Average Networth (RONW) (%) *	8.85	17.07	17.50	9.13	15.64	34.68	36.95	22.14	22.46	10.57
Return on Average Capital Employed (ROCE) (%) **	13.18	18.32	18.04	12.16	16.22	26.32	26.88	16.17	15.84	10.16
Total Debt to Networth (g/f)	0.89	0.95	1.16	1.15	1.25	1.18	1.24	1.57	1.71	1.74
Interest Coverage Ratio (a+b+c)/b	3.81	4.27	4.13	3.24	5.24	9.97	13.32	6.63	5.46	2.90

@ Increase in the Equity shares is on account of Bonus issue in the ratio 1:2 and splitting of the equity shares from the face value of Rs.10/- per share to Re.1/- per share on 15th July 2004.

Earnings per Share and Networth Per Share have been calculated on the enhanced Equity Capital on account of the Bonus Issue and enhanced number of Equity Shares due to Stock Split.

* RONW = $\frac{PAT}{\{(Previous\ Year\ Networth + Current\ Year\ Networth) / 2\}} \times 100$

** ROCE = $\frac{(PBT + Interest)}{\{(Previous\ Year\ Capital\ Employed + Current\ Year\ Capital\ Employed) / 2\}} \times 100$

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Pricol Limited, Coimbatore, as at 31st March 2008 and also the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies' (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

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

- 1) 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.
- 2) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a Director in terms of

Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- 6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008; and
 - b) In the case of the Profit & Loss Account, of the profit for the year ended on that date, and
 - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328

Coimbatore
29th May 2008

Annexure to Auditor's Report

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt within the books of accounts.
 - c) There is no disposal of substantial part of fixed assets during the year.
- 2) a) The inventories have been physically verified by the management during the year at reasonable intervals, except materials lying with third parties where confirmations have been obtained.
 - b) The procedures of physical verification of the inventories followed by the management are

REPORT OF THE AUDITORS TO THE SHAREHOLDERS (Contd..)

reasonable and adequate in relation to the size of the company and nature of its business.

- c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- 3) a) During the year the company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) The terms and conditions in respect of loans already given by the company, secured or unsecured, are in our opinion, prima facie not prejudicial to the interest of the company.
- c) In respect of such loans given by the company, the company has provided for overdue advances.
- d) During the year the company has not taken loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4) There are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. There is no major weakness in the internal control system.
- 5) a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions

made in pursuance of such contracts or arrangements exceeding rupees five lakh each have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

- 6) During the year the company has not accepted deposits from public. The company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 or any other relevant provisions of the Act.
- 7) The Company has an adequate Internal Audit system commensurate with its size and nature of its business.
- 8) We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed records have been maintained.
- 9) a) According to the information and explanations given to us and the records examined by us, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and Other Statutory dues. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2008 for a period of more than six months from the date they became payable.
- b) There are disputed statutory dues. The details are as under:-

Sl. No.	Name of the Statute	Period to which the amount relates	Nature of the Dues	Amount disputed Rs. Million	Amount paid Rs. Million	Forum where dispute is pending
1.	Central Excise Act	1990-2007	i) Excise Duty ii) Excise Duty iii) Excise Duty	20.779 1.014 23.131	Nil Nil Nil	Commissioner of Appeals Tribunal Supreme Court
2.	Sales Tax Act	1995-1997	i) Sales Tax ii) Penalty	13.325 19.988	Nil Nil	Interim stay granted by High Court
3.	Income Tax Act	1993-2003	i) Income Tax ii) Income Tax	21.804 0.096	21.804 0.096	Tribunal High Court

REPORT OF THE AUDITORS TO THE SHAREHOLDERS (Contd..)

- 10) There are no accumulated losses of the Company as at 31st March 2008. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of its dues to financial institution and banks.
- 12) During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares or other securities.
- 13) The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- 14) The Company is not dealing or trading in shares, securities, debentures or other investments.
- 15) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks and terms and conditions are not prejudicial to the interest of the company.
- 16) The Company has applied term loan for the purposes for which they were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short term basis have been used for long term investments by the company.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 19) During the year, the Company has not issued Debentures.
- 20) During the year, the Company has not raised money by Public issue.
- 21) According to the information and explanations given to us and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328

Coimbatore
29th May 2008

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared under Historical Cost Convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, wherever applicable.

2. Fixed Assets & Depreciation

a) Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment. Costs include pre-operative expenses and all expenses related to acquisition and installation of the assets concerned.

b) Own manufactured assets are capitalized at cost including an appropriate share of overheads.

c) (i) Depreciation has been provided under the Straight Line Method as per Schedule XIV of the Companies Act, 1956 except for Dies, Tools and Moulds, which are depreciated at 33.33%.

(ii) Intangible assets are amortized as follows :

i) Specialized software : Over a period of 4 years.

ii) Fees for technical know-how : Over a period of 4 years.

d) As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine;

i) the provision for impairment loss, if any, required or;

ii) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

3. Investments

a) Long Term Investments are stated at cost.

b) Current Investments are carried at lower of cost and fair value as on the Balance Sheet date.

c) Provisions for diminution in value of long term investments is made, if the diminution is other than temporary.

SIGNIFICANT ACCOUNTING POLICIES

4. Valuation of Inventories

- a) Inventories are valued at lower of cost and estimated net realizable value. Cost is arrived at on weighted average basis.
- b) Excise Duty is added in the Closing Inventory of Finished Goods.
- c) The basis of determining cost for various categories of inventories are as follows:
 - i) Raw Materials, Packing : Weighted Average Materials and Stores and spares basis.
 - ii) Finished Goods and Work-In-Progress : Cost of Direct Material, Labour and other Manufacturing overheads.

5. Revenue Recognition

- a) The company generally follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.
- b) Sale of goods is recognized when the risk and rewards of ownership are passed on to the customers, which is generally on despatch of goods.
- c) Dividend Income is recognized when the right to receive the dividend is unconditional at the Balance Sheet date.
- d) Claims made by the company and those made on the company are recognized in the profit and loss account as and when the claims are accepted.

6. Foreign Currency Transactions

- a) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transaction.
- b) Foreign currency assets and liabilities at the year end are realigned at the exchange rate prevailing at the year end and difference on realignment is recognized in the Profit & Loss account.
- c) Premium / discount in respect of Forward Contract is amortized as expense / income over the period of contract. Exchange difference arising on forward contracts between the exchange rate on the date of the transaction and the exchange rate prevailing at the year end is recognized in the Profit & Loss account.

7. Research and Development

Revenue expenditure on Research and Development is charged under respective heads of account. Capital

expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

8. Employee Benefits

- a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
- b) Post employment and other long term benefits which are defined benefit plans are recognized as an expense in the Profit & Loss Account for the year in which the employee has rendered service. The expense is recognized based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on "Employee Benefits". Actuarial gains & losses are charged to the Profit & Loss Account.
- c) Payments to defined contribution schemes are charged as expense as and when incurred.
- d) Termination benefits are recognized as an expense as and when incurred.

9. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All other borrowing costs are charged to revenue.

A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use or sale.

10. Taxes on Income

Current tax on income for the period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessment / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realised.

11. Accounting Standards

Accounting Standards prescribed by the Institute of Chartered Accountants of India have been followed wherever applicable.

STATEMENT IN PURSUANCE OF SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the Subsidiary Company	Integral Investments Limited	English Tools and Castings Limited	PT Pricol Surya, Indonesia
2. Financial year of the Subsidiary ended on	31st March 2008	31st March 2008	31st March 2008
3. Holding Company's interest in the Subsidiary	2,250,000 equity shares of Rs.10/- each (100%)	7,933,700 equity shares of Rs.10/- each (100%)	1,500 equity shares of USD 1,000 each (100%)
4. Net aggregate amount of the Profit / (Loss) of the Subsidiary not dealt within the Holding Company's Accounts			
a) For the current financial year of the Subsidiary Company	Rs.0.837 Mn	Rs.4.520 Mn	(Rs.18.726 Mn) (Indonesian Rupiah 3.879.320.471)
b) For the previous financial years of the Subsidiary Company	(Rs.5.395 Mn)	(Rs.0.831 Mn)	(Rs.19.385 Mn) (Indonesian Rupiah 4.259.509.932)
5. Net aggregate amount of the Profit / (Loss) of the Subsidiary dealt within the Holding Company's Accounts			
a) For the current financial year of the Subsidiary Company	Nil	Nil	Nil
b) For the previous financial years of the Subsidiary Company	Rs.1.294 Mn	Nil	Nil

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

P. Ravi
General Manager
Finance & Secretarial

D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule	31-3-2008 Rs. Million	31-3-2007 Rs. Million
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	90.000	90.000
Reserves & Surplus	II	1,778.544	1,650.895
		<u>1,868.544</u>	<u>1,740.895</u>
Borrowed Funds			
Secured Loans	III	2,922.624	1,921.859
Unsecured Loans	IV	327.971	1,057.792
		<u>3,250.595</u>	<u>2,979.651</u>
Deferred Tax Liability	V	37.190	67.190
Total Capital Employed		<u>5,156.329</u>	<u>4,787.736</u>
APPLICATION OF FUNDS			
Fixed Assets			
a. Gross Block	VI	4,548.248	3,943.983
b. Less : Accumulated Depreciation		<u>2,119.559</u>	<u>1,794.991</u>
c. Net Block		2,428.689	2,148.992
d. Capital Work-in-progress		193.604	242.621
		<u>2,622.293</u>	<u>2,391.613</u>
Investments	VII	182.907	243.742
Current Assets, Loans and Advances			
a. Inventories	VIII	1,737.209	913.686
b. Sundry Debtors		1,549.709	1,217.135
c. Cash and Bank Balances		54.175	308.984
d. Loans and Advances		754.644	1,080.426
	(A)	<u>4,095.737</u>	<u>3,520.231</u>
Less : Current Liabilities & Provisions	IX		
a. Liabilities		1,321.765	717.765
b. Provisions		422.843	650.085
	(B)	<u>1,744.608</u>	<u>1,367.850</u>
Net Current Assets	(A-B)	2,351.129	2,152.381
Total Assets		<u>5,156.329</u>	<u>4,787.736</u>

Schedule I to IX, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet.

As per our report of date attached
For Suri & Co.,
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Director

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Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule	2007-08 Rs. Million	2006-07 Rs. Million
INCOME			
Net Sales & Services - Domestic		4,803.689	4,809.476
- Export		1,260.936	1,024.355
Total Sales	X	6,064.625	5,833.831
Increase / (Decrease) in Stock of Finished Goods	XI	238.739	(6.852)
Cost of In-house manufactured Machines & Toolings Capitalised		129.430	109.585
Production Value		6,432.794	5,936.564
EXPENDITURE			
Raw Materials & Components Consumed	XII	3,903.226	3,448.511
Employees' Cost		896.636	870.259
Power & Utilities		148.012	123.105
Stores & Spares Consumed		66.104	43.932
Repairs & Maintenance		136.811	105.042
Other Expenditure		518.893	391.545
Total Expenditure		5,669.682	4,982.394
Profit Before Interest, Depreciation & Other Income		763.112	954.170
Add : Other Income	XIII	69.407	30.362
Less : Interest & Finance Charges	XIV	287.003	180.481
: Depreciation		327.190	295.924
Profit Before Tax		218.326	508.127
Less : Provision for Current Tax		50.000	160.000
: Provision for Fringe Benefit Tax		7.500	6.000
: Provision for Deferred Tax (Asset)		(30.000)	(20.000)
Profit After Tax		190.826	362.127
Add : Balance brought forward		256.986	200.155
Amount available for appropriation		447.812	562.282
APPROPRIATION			
Dividend @ 60% (Previous year 100%)		54.000	90.000
Tax on Dividend @ 16.995%		9.177	15.296
General Reserve		200.000	200.000
Surplus to be carried over		184.635	256.986
		447.812	562.282
Earnings per Share (Basic/Diluted) (in Rupees) (Face value of Re.1/-)	XV	2.12	4.02

Schedules X to XVI, Significant Accounting Policies and the Notes on Accounts form part of this Profit & Loss Account

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

For and on behalf of the Board
Vijay Mohan
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D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule I - SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Re.1/- each	100.000	100.000
Issued, Subscribed and Paid-up		
90,000,000 Equity Shares of Re.1/- each (Of the above 37,500,000 Equity Shares of Re.1/- each have been issued as fully paid-up Bonus Shares by capitalisation of Reserves).	90.000	90.000
Schedule II - RESERVES & SURPLUS		
Share Premium Account	181.000	181.000
General Reserve		
As per last Balance Sheet	1,212.909	1,012.909
Add : Transfer from Profit & Loss Account	200.000	200.000
	1,412.909	1,212.909
Surplus		
Balance in Profit & Loss Account	184.635	256.986
	1,778.544	1,650.895
Schedule III - SECURED LOANS		
From Banks :		
a. Term Loans :		
Rupee Term Loans	1,447.034	312.247
Foreign Currency Term Loans	486.332	1,035.235
b. Working Capital Borrowings :		
Rupee Cash Credit Facilities	290.000	95.423
Foreign Currency Credit Facilities	699.258	478.954
	2,922.624	1,921.859
Schedule IV - UNSECURED LOANS		
Fixed Deposits	—	10.001
Loan from Banks	327.971	1,047.791
	327.971	1,057.792
Schedule V - DEFERRED TAX LIABILITY		
As per last Balance Sheet	67.190	87.190
For the Current Year	(30.000)	(20.000)
	37.190	67.190

SCHEDULES (Contd.,)

Schedule VI - FIXED ASSETS

(Rs. Million)

	Gross Block			Balance as on 31-3-2008	Upto 31-3-2007	Depreciation			Net Block	
	Cost as on 1-4-2007	Additions during 2007-08	Sales/Transfer during 2007-08			For 2007-08	Withdrawn during 2007-08	Total upto 31-3-2008	Written down as on 31-3-2008	Value as on 31-3-2007
Tangible Assets										
Land	208.208	6.457	106.541	108.124	—	—	—	—	108.124	208.208
Buildings	881.278	111.744	—	993.022	134.700	32.593	—	167.293	825.729	746.578
Plant & Machinery	2,586.735	520.228	0.811	3,106.152	1,489.753	269.021	0.363	1,758.411	1,347.741	1,096.982
Furniture, Fittings & Equipments	42.681	8.074	—	50.755	18.295	2.657	—	20.952	29.803	24.386
Vehicles	65.288	50.991	7.119	109.160	19.864	8.492	2.259	26.097	83.063	45.424
Total Tangible Assets	3,784.190	697.494	114.471	4,367.213	1,662.612	312.763	2.622	1,972.753	2,394.460	2,121.578
Intangible Assets										
Computer Software	44.580	12.409	—	56.989	26.054	10.015	—	36.069	20.920	18.526
Technical Knowhow	115.213	8.833	—	124.046	106.325	4.412	—	110.737	13.309	8.888
Total Intangible Assets	159.793	21.242	—	181.035	132.379	14.427	—	146.806	34.229	27.414
Sub-Total	3,943.983	718.736	114.471	4,548.248	1,794.991	327.190	2.622	2,119.559	2,428.689	2,148.992
Capital Work-in-progress	242.621	193.604	242.621	193.604	—	—	—	—	193.604	242.621
Total Assets				4,741.852				2,119.559	2,622.293	2,391.613

Note : Additions to Fixed Assets includes Research & Development Capital expenditure of Rs.54.513 Mn (Previous year 2006-2007 Rs.38.452 Mn and 2005-2006 Rs.47.887 Mn)

Schedule VII - INVESTMENTS	31-3-2008 Rs. Million	31-3-2007 Rs. Million
A. LONG TERM INVESTMENTS (at Cost)		
1. Non-Trade - Quoted :		
550,000 Units of Rs.10/- each in Canfortune 94	—	5.335
2. Shares in Subsidiary Company - Non Trade - Unquoted :		
2,250,000 Equity Shares of Rs.10/- each fully paid-up in Integral Investments Limited	22.500	22.500
3. Shares in Subsidiary Company - Trade - Unquoted :		
a) 7,933,700 Equity Shares of Rs.10/- each fully paid-up in English Tools and Castings Limited (Previous year 27,698,921 Equity Shares)	92.500	92.500
b) 1,500 Equity Shares of USD 1,000 each fully paid-up in PT Pricol Surya, Indonesia.	67.907	67.907
	182.907	188.242
B. CURRENT INVESTMENT (at lower of Cost and Fair Value)		
4,942,780 Units of Reliance Liquidity Fund - Growth Option	—	55.500
	—	55.500
Total Investments (A+B)	182.907	243.742
Aggregate Cost of Quoted Investments (long term)	—	5.335
Aggregate Cost of Un-Quoted Investments (long term)	182.907	182.907
Market Value of Quoted Investments (long term)	—	16.924

SCHEDULES (Contd.,)

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule VIII - CURRENT ASSETS, LOANS AND ADVANCES		
a. Inventories (At lower of cost and net realizable value) (As certified by Chairman & Managing Director)		
Stock of Stores & Spares	28.616	47.903
Raw Materials & Components	1,050.563	688.546
Materials in Transit	13.294	0.834
Work-in-progress	219.940	98.498
Finished Goods	316.644	77.905
Land - Stock in Trade	108.152	—
	<u>1,737.209</u>	<u>913.686</u>
b. Sundry Debtors :		
Unsecured Considered Good		
a) Outstanding for a period exceeding six months	297.424	115.671
b) Others	1,252.285	1,101.464
	<u>1,549.709</u>	<u>1,217.135</u>
Unsecured Considered Doubtful		
	24.249	31.567
Less : Provision for Doubtful Debts	24.249	31.567
	<u>—</u>	<u>—</u>
	<u>1,549.709</u>	<u>1,217.135</u>
c. Cash & Bank Balances :		
Cash on hand	0.362	0.249
Balances with Scheduled Banks		
In Current Account	40.596	34.556
In Unclaimed Dividend Account	4.894	4.097
In Fixed Deposit Account	8.323	270.082
	<u>54.175</u>	<u>308.984</u>
d. Loans and Advances :		
Advances Recoverable in cash or in kind or for value to be received and considered Good		
Unsecured		
(Due from subsidiary company - Nil)	340.650	502.253
(Previous year Rs.132.665 Mn)		
Less : Provision for Doubtful Advances	3.607	3.607
	<u>337.043</u>	<u>498.646</u>
Deposits	30.715	28.928
Prepaid expenses	7.119	9.312
Tax payments pending adjustment	379.767	543.540
	<u>754.644</u>	<u>1,080.426</u>
	<u>4,095.737</u>	<u>3,520.231</u>

SCHEDULES (Contd.)

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule IX - CURRENT LIABILITIES AND PROVISIONS		
a. Liabilities :		
Sundry Creditors (Due to Micro, Small and Medium Enterprises - Nil) (Due to Subsidiary companies Rs.6.257 Mn, Previous year Rs.15.167 Mn)	1,288.469	692.249
Interest accrued but not due on loans	22.523	11.578
Due to Chairman & Managing Director and Executive Director	5.279	8.889
Investor Education and Protection Fund - not due :		
Unclaimed Dividend	4.894	4.097
Unclaimed Deposits including interest	0.600	0.952
	<u>5.494</u>	<u>5.049</u>
	<u>1,321.765</u>	<u>717.765</u>
b. Provisions :		
For Current Taxation	337.296	529.919
For Fringe Benefit Tax	22.370	14.870
For Dividend	54.000	90.000
For Tax on Dividend	9.177	15.296
	<u>422.843</u>	<u>650.085</u>
	<u>1,744.608</u>	<u>1,367.850</u>
Schedule X - INCOME		
	2007-08 Rs. Million	2006-07 Rs. Million
Sales & Service Charges		
Domestic Sales & Service Charges		
Sale of Finished Products (Incl. of excise duty and sales tax)	5,925.955	5,884.744
Service Charges	41.666	29.507
Sale of Windmill Power	6.462	9.182
	<u>5,974.083</u>	<u>5,923.433</u>
Less : Excise Duty	904.332	810.821
: Sales Tax	248.682	287.881
: Discount & Commission on Domestic Sales	17.380	15.255
	<u>4,803.689</u>	<u>4,809.476</u>
Export Sales		
Sale of Finished Products (Incl. of excise duty)	1,310.630	1,030.183
Less : Excise Duty	44.521	—
: Commission on Export Sales	5.173	5.828
	<u>1,260.936</u>	<u>1,024.355</u>
	<u>6,064.625</u>	<u>5,833.831</u>

SCHEDULES (Contd.,)

	2007-08 Rs. Million	2006-07 Rs. Million
Schedule XI - Increase / (Decrease) in Stock of Finished Goods		
Stock at Closing	316.644	77.905
Less : Stock at Opening	77.905	84.757
	<u>238.739</u>	<u>(6.852)</u>
Schedule XII - EXPENDITURE		
RAW MATERIALS & COMPONENTS CONSUMED		
Opening Stock		
a) Raw Materials & Components	689.380	576.030
b) Work-in-Progress	98.498	77.200
	<u>787.878</u>	<u>653.230</u>
Add : Purchases	4,474.443	3,637.478
	<u>5,262.321</u>	<u>4,290.708</u>
Less : Closing Stock		
a) Raw Materials & Components	1,063.857	689.380
b) Work-in-Progress	219.940	98.498
	<u>1,283.797</u>	<u>787.878</u>
	<u>3,978.524</u>	<u>3,502.830</u>
Less : Sale of Raw Materials & Scrap	164.356	123.385
Add : Direct Expenses	89.058	69.066
	<u>3,903.226</u>	<u>3,448.511</u>
Includes materials consumed for In-house Manufacture of Machines & Toolings of Rs.110.830 Mn for 2007-08 (Rs.74.724 Mn for 2006-07)		
EMPLOYEES' COST		
a) Pay, Allowances, Performance Reward & Bonus	778.417	779.560
b) Company's Contribution to Provident, Superannuation and Gratuity Funds	50.811	40.097
c) Welfare Expenses	67.408	50.602
	<u>896.636</u>	<u>870.259</u>
REPAIRS AND MAINTENANCE		
Machinery	90.111	71.188
Building	30.107	24.076
Others	16.593	9.778
	<u>136.811</u>	<u>105.042</u>

SCHEDULES (Contd.,)

	2007-08 Rs. Million	2006-07 Rs. Million	
Schedule XII - EXPENDITURE (Contd..)			
OTHER EXPENDITURE			
Printing & Stationery	12.710	11.133	
Postage, Telegram and Telephone	15.170	13.761	
Rent	8.053	7.999	
Rates, Taxes & Licence	54.046	21.505	
Insurance	9.786	14.653	
Bank Charges	8.785	7.423	
Travelling & Conveyance	101.322	71.199	
Freight & Forwarding	191.387	141.500	
Advertisement, Publicity & Sales Promotion	24.226	14.212	
Royalty	53.093	40.532	
Bad Debts written off	10.375	12.277	
Provision for doubtful debts (Net)	(7.317)	6.554	
Director's Commission	2.190	2.490	
Auditor's Remuneration	1.375	0.993	
Professional Charges, Books and Periodicals	47.318	41.219	
Net Foreign Exchange (Gain)	(22.715)	(41.720)	
Miscellaneous Expenses	7.258	6.890	
Donations	0.625	17.000	
Loss on Sale of Assets (Net)	1.206	1.925	
	<u>518.893</u>	<u>391.545</u>	
Schedule XIII - OTHER INCOME			
Interest Received	17.886	19.707	
Income from Mutual Funds	16.185	4.417	
Rent Received	4.089	1.621	
Trading Income	2.717	3.868	
Sundry Income	16.263	0.749	
Export Incentives	12.267	—	
	<u>69.407</u>	<u>30.362</u>	
Schedule XIV - INTEREST & FINANCE CHARGES			
Interest on Fixed Loans	97.127	87.351	
Interest on Other Loans	178.040	91.358	
Finance Charges	11.836	1.772	
	<u>287.003</u>	<u>180.481</u>	
Schedule XV - EARNINGS PER SHARE (Basic / Diluted)			
a. Profit After Tax	190.826	362.127	
b. Equity Share of Re.1/- each (Nos. in Mn)	90.000	90.000	
c. Earnings per Share (a/b)	2.12	4.02	
Schedule XVI - RESEARCH & DEVELOPMENT EXPENDITURE			
	(Financial Year)		
	2007-2008	2006-2007	2005-2006
Capital	54.513	38.452	47.887
Recurring	184.872	169.115	139.286
	<u>239.385</u>	<u>207.567</u>	<u>187.173</u>

Note : Research & Development expenses of Revenue nature have been classified under the relevant heads of accounts in the Schedule XII of the Profit & Loss Account and the main statement of Profit & Loss Account and the expenditure of Capital nature is grouped under fixed assets.

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008

1. Secured Loans:

- a) Rupee Term Loan from The Bank of Nova Scotia (Rs.150 Mn) and Foreign Currency Term Loan from The Hongkong and Shanghai Banking Corporation Ltd (USD 3 Mn) are secured by a pari passu first charge on the specific immovable and movable properties of the company.
 - b) Rupee Term Loan from The Bank of Nova Scotia (Rs.200 Mn) is secured by an exclusive charge on the specific immovable properties of the company.
 - c) External Commercial Borrowings from BNP Paribas and Citibank N.A are secured by an exclusive charge on the specific movable and immovable properties of the company.
 - d) External Commercial Borrowings from Standard Chartered Bank is secured by an exclusive charge on the specific movable properties of the company.
 - e) Loan from ICICI Bank Ltd and IndusInd Bank Ltd is secured by hypothecation of specific assets covered under the loan.
 - f) Rupee Term Loan from State Bank of India is secured by way of an exclusive charge on the specific movable and immovable properties of the Company and by way of pari passu second charge on the specific immovable properties of the company.
 - g) Corporate Loan from Indian Bank is secured by an exclusive charge on the specific movable and immovable properties of the company.
 - h) Cash Credit facilities from banks and the Corporate Loan from State Bank of India are secured by way of hypothecation of stock of raw materials, finished goods, stores & spares, work-in-progress and book debts.
 - i) Cash Credit Facilities from State Bank of India, Andhra Bank, ICICI Bank, IndusInd Bank, HDFC Bank, BNP Paribas, The Hongkong and Shanghai Banking Corporation Ltd, Citibank N.A, Centurion Bank of Punjab, Standard Chartered Bank, Indian Overseas Bank and Corporate Loan from State Bank of India are further secured by pari passu second charge on the specific immovable properties of the Company.
 - j) Cash Credit Facilities from IDBI Bank and The Bank of Nova Scotia are further secured by a pari passu second charge on the specific immovable properties of the Company.
2. Estimated value of contracts remaining to be executed on capital accounts is Rs.38 Mn.
 3. Loans & Advances includes security deposit for leasehold land amounting to Rs.10.302 Mn.

4. Stores and spares consumed is net of realization of sale of stores materials of Rs.0.144 Mn (Previous Year Rs.0.278 Mn)
5. As approved by the Honourable Madras High Court, English Tools and Castings Limited, a wholly owned subsidiary of the company has during the year reduced its share capital from Rs.276.989 Mn to Rs.79.337 Mn. Consequently the number of shares held by the company in English Tools and Castings Limited has been reduced to 7,933,700 Shares from 27,698,921 Shares. However, this does not affect the value of the investments.
6. Provision for current taxation has been made after considering the application made before the appropriate authority for the eligible deductions under the provisions of the Income Tax Act. Provision for Taxation includes Wealth Tax.
7. Income tax assessments are completed up to Assessment Year 2005-2006.

8. Deferred Tax :	As at	As at
	31-03-2008	31-3-2007
	Rs. Million	

Deferred Tax Liability on account of :

Depreciation	107.168	89.493
Less : Deferred Tax Asset on account of :		
Tax, Duties, Cess etc.	69.978	22.303
	<u>37.190</u>	<u>67.190</u>

9. Provision for Doubtful debts (net) is after considering a reversal of previous year provision to the extent of Rs.10.375 Mn.
10. a) Net foreign exchange gain of Rs.22.715 Mn is on account of

	31.03.2008
	Rs. Million
i) Exports	14.969
ii) Payables	(16.620)
iii) Loans	19.480
iv) Interest rate swaps/Options/Derivatives	4.886
Gain / (Loss)	<u>22.715</u>

- b) The company has considered an amount of Rs.12.870 Mn in the Profit & Loss Account being exchange difference relating to loans taken for acquisition of fixed assets. Hitherto, the same was adjusted against the carrying cost of fixed assets. This is due to the changes made to Accounting Standard 11 read with the companies (Accounting standard) Rules, 2006 issued by the Ministry of Company Affairs, vide notification dated 7.12.2006 and applicable from 1.4.2007.

NOTES FORMING PART OF ACCOUNTS (Contd.,)

11. Trading Income represents Gain on Goods Traded of Rs. 2.717 Mn arising out of Sale of Rs. 191.461 Mn and Purchase of Rs.188.744 Mn.
12. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.
13. Figures have been rounded off to the nearest thousand.

14. Value of imported and indigenous Raw Materials and Components Consumed	2007-08		2006-07	
	Rs. Million	%	Rs. Million	%
Raw Materials and Components :				
Imported	925.268	22.99	766.337	22.09
Indigenous	3,099.400	77.01	2,703.472	77.91
	<u>4,024.668</u>		<u>3,469.809</u>	
Decrease / (Increase) in Work-in-Progress	(121.442)		(21.298)	
	<u>3,903.226</u>		<u>3,448.511</u>	
15. Earnings in Foreign Currency :				
Sales calculated on FOB Basis & Services	1,212.761		1,002.152	
Insurance & Freight on Sales	62.135		34.856	
	<u>1,274.896</u>		<u>1,037.008</u>	
16. Foreign Exchange Outgo :				
<u>CIF Value of Imports :</u>				
Raw Materials & Components	1,375.603		1,054.601	
Spares	6.392		5.693	
Capital Goods	140.089		144.767	
	<u>1,522.084</u>		<u>1,205.061</u>	
<u>Other Payments :</u>				
Lumpsum Know-how fee	8.010		3.719	
Royalty on Sales	43.073		31.479	
Consultancy charges	1.986		7.085	
Interest on Foreign Currency Loan	121.900		112.934	
Other matters	118.232		117.530	
Dividend *	11.250		11.250	
	<u>304.451</u>		<u>283.997</u>	
17. Dividend remitted in Foreign Currency *				
a) Dividend (Rs. Million)	11.250		11.250	
b) No. of Non-Resident Shareholders (in Nos.)	1		1	
c) No. of Shares of Re.1 each held by them (in Nos.)	11,250,000		11,250,000	
18. Remuneration to Auditors :				
For Audit (exclusive of Service Tax)	1.000		0.600	
For Taxation Matters	0.189		0.221	
For Certification	0.127		0.129	
Reimbursement of Expenses	0.059		0.043	
	<u>1.375</u>		<u>0.993</u>	

NOTES FORMING PART OF ACCOUNTS (Contd.,)

	31-3-2008			
	Rs. Million			
19. Contingent Liabilities as on the closing date are as follows :				
Sales Tax Matters				33.313
Excise Matters				7.341
Bill Discounting Facilities from Bank				258.078
Corporate Guarantee to Foreign Subsidiary				163.877
Other Claims against the company not acknowledged as debts				14.100
				476.709
20. Provisions as on the closing date are as follows :				
	Opening Balance	Additional	Reversal	Closing Balance
		(Rs. Million)		
1. Excise Duty Demands	32.617	7.206	1.874	37.949
2. Others	0.334	2.780	—	3.114
Total	32.951	9.986	1.874	41.063
<p>Note : The Company is contesting before the appropriate authorities in respect of the provisions made for the demands referred in Sl. No.1 above. Reimbursement of claims, if certain, has been appropriately considered.</p>				
21. The company has adopted the Revised Accounting Standard 15 in respect of defined benefit plan (gratuity) w.e.f. 1.4.2007.				
I) Description of the company's defined benefit plan:				
<p>The company operates a defined benefit plan for payment of post employment benefits in the form of gratuity. Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided for in the payment of Gratuity Act, 1972. The terms of the benefits are common for all the employees of the company.</p>				
II. Changes in the Present Value of the Obligation (PVO) - Reconciliation of opening and closing balances:				
		Rs. Million		
PVO as at the beginning of the period				104.891
Interest cost				8.120
Current service cost				8.673
Past service cost - (non vested benefits)				—
Past service cost - (vested benefits)				—
Benefits paid				(9.300)
Actuarial loss / (gain) on obligation (balancing figure)				3.701
PVO as at the end of the period				116.085
III. Changes in the Fair Value of plan assets - Reconciliation of opening and closing balances:				
Fair Value of plan assets as at the beginning of the period				104.819
Expected return on plan assets				12.618
Contributions				9.962
Benefits paid				(9.300)
Actuarial gain / (loss) on plan assets (balancing figure)				(1.167)
Fair Value of plan assets as at the end of the period				116.932

NOTES FORMING PART OF ACCOUNTS (Contd.,)

	31-3-2008 Rs. Million
IV. Actual return on plan assets	
Expected return on plan assets	12.618
Actuarial gain / (loss) on plan assets	(1.167)
Actual return on plan assets	11.451
V. Actuarial Gain / Loss Recognized	
Actuarial gain / (loss) for the period - Obligation	(3.701)
Actuarial gain / (loss) for the period - Plan Assets	(1.167)
Total (gain) / loss for the period	4.868
Actuarial (gain) / loss recognized in the period	4.868
Unrecognized actuarial (gain) / loss at the end of the year	—
VI. Amounts recognized in the Balance Sheet and related analysis	
Present Value of the obligation	116.085
Fair Value of plan assets	116.932
Difference	(0.848)
Unrecognized transitional liability	—
Unrecognized past service cost - non vested benefits	—
Liability recognized in the Balance Sheet	—
Negative Amount recognized under para 55 of AS15 R	(0.848)
Present Value of available future refunds & reductions in future contributions	—
Assets recognized in the Balance Sheet as per para 59 of AS15 R	—
VII. Expenses recognized in the statement of Profit & Loss Account	
Current service cost	8.673
Interest Cost	8.120
Expected return on plan assets	(12.618)
Net actuarial (gain) / loss recognized in the year	4.868
Transitional Liability recognized in the year	—
Past service cost - non-vested benefits	—
Past service cost - vested benefits	—
Expenses recognized in the statement of Profit & Loss Account	9.042
The expense has been included under the head "Contribution of gratuity" under "Employees Cost" in the Profit & Loss Account.	
VIII. Movements in the liability recognized in the Balance Sheet	
Opening Net Liability	0.072
Expense as above	9.042
Contribution paid	(9.962)
Closing Negative Amount recognized under para 55 of AS15 R	(0.848)
Present Value of available future refunds & reductions in future contributions	—
Asset recognized in the Balance Sheet as per para 59 of AS15 R	—

NOTES FORMING PART OF ACCOUNTS (Contd.,)

	31-3-2008 Rs. Million
IX. Amount for the current period	
Present Value of obligation	116.085
Plan Assets	116.932
Surplus / (Deficit)	0.848
Experience adjustments on plan liabilities	0.128
Experience adjustments on plan assets	(1.167)
X. Major categories of plan assets (As percentage of total plan assets)	
Government of India Securities	—
State Government Securities	—
High Quality Corporate Bonds	—
Equity shares of Listed Companies	—
Property	—
Special Deposit Scheme	—
Funds Managed by - ICICI Prudential Life Insurance	22.73%
- Life Insurance Corporation of India	77.27%
Others (to specify)	—
Total	100.00%
XI. Principal actuarial assumptions used as at the Balance Sheet date	
Discount rate	8.00%
Expected rate of return on plan assets	12.00%
Average future working life (Years)	8.20
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.	
XII. Enterprise's best estimate of contribution during next year	9.800
22. a) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of Chairman & Managing Director's and Executive Director's Commission for the year ended 31st March, 2008 :	
Profit Before Tax as per Profit & Loss Account	218.326
Add : Director's Commission	2.190
: Chairman & Managing Director's remuneration including commission	6.420
: Executive Director's remuneration including commission	2.521
: Loss on sale of assets	1.206
Net profit as per Section 198 of the Companies Act, 1956	230.663
Maximum amount payable 10% of the above	23.066
1.50% Commission on Net Profit for Chairman & Managing Director	3.460
0.75% Commission on Net Profit for Executive Director	1.730
b) Commission to Non-Whole Time Directors	2.190

NOTES FORMING PART OF ACCOUNTS (Contd.,)

	31-3-2008 Rs. Million			
23. Employees' Cost include :				
Chairman & Managing Director and Executive Director's Remuneration				
Salary				1.824
HRA				0.735
Commission				5.190
Contribution to Provident Fund & Other Funds				0.580
Perquisites & Benefits				0.612
				<u>8.941</u>
24. a. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information available with the company, there are no dues to Micro, Small and Medium Enterprises, outstanding as on 31.03.2008.				
b. Sundry Creditors includes Imports Buyers Credit of Rs.427.567 Mn (Previous year Rs.179.738 Mn) and Vendors Bill Discounting of Rs.67.812 Mn (Previous year - Nil)				
25. Opening and Closing Stock of Finished Goods : Main Products				
	Opening Stock		Closing Stock	
	As at 1-4-2007 Nos.	As at 1-4-2006 Nos.	As at 31-3-2008 Nos.	As at 31-3-2007 Nos.
Dashboard Instruments	240,200	153,124	397,388	240,200
Speedometer Cables (in mtrs)	58,200	42,964	69,120	58,200
Sensors (all types)	78,500	80,555	89,410	78,500
Oil Pumps	61,044	45,763	54,222	61,044
Chain Tensioners	22,200	25,755	24,600	22,200
Idle Speed Control Valve Assembly	920	785	1,115	920
26. Installed Capacity and Actual Production : Main Products				
	Installed capacity as on		Production	
	31-3-2008 Nos.	31-3-2007 Nos.	2007-08 Nos.	2006-07 Nos.
Dashboard Instruments	23,175,000	20,451,000	12,988,921	13,512,174
Speedometer Cables (in mtrs)	3,370,000	3,370,000	2,204,751	2,140,186
Sensors (all types)	11,060,000	9,448,000	8,080,097	7,221,505
Oil Pumps	9,966,000	6,709,000	4,920,255	5,519,899
Chain Tensioners	3,230,000	2,673,000	1,714,609	2,106,817
Idle Speed Control Valve Assembly	959,000	682,000	597,744	588,735
27. Turnover				
	2007-08		2006-07	
	Quantity (Nos.)	Value Rs. Million	Quantity (Nos.)	Value Rs. Million
1. Dashboard Instruments & Accessories :				
i. Dashboard Instruments	12,831,733	3,246.414	13,425,098	3,316.728
ii. Speedometer Cables (in mtrs)	2,193,831	95.454	2,124,950	88.282
iii. Sensors (all types)	8,069,187	1,037.053	7,223,560	934.568
iv. Accessories & Sub-assembly Components		101.848		104.665
2. Oil Pumps	4,927,077	434.322	5,504,618	456.715
3. Chain Tensioners	1,712,209	113.790	2,110,372	138.016
4. Idle Speed Control Valve Assembly	597,549	169.596	588,600	156.354
5. Other Auto Components		277.640		250.618
6. Other Products & Services		588.508		387.885
		<u>6,064.625</u>		<u>5,833.831</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

28. The Company's operations mainly relate to one segment, Automotive Components.

29. List of Related parties with whom transactions have taken place during the year 2007-08 and Relationship :

Holding Company : Nil; **Subsidiary Companies** : Integral Investments Limited, English Tools and Castings Limited and PT Pricol Surya, Indonesia ; **Key Management Personnel**: Mr. Vijay Mohan and Mrs. Vanitha Mohan; **Others** : Pricol Holdings Limited, Pricol Packaging Limited, Pricol Travel Limited, Pricol Technologies Limited, Pricol Properties Limited, Pricol Corporate Services Limited, Xenos Technologies Limited, Synoro Technologies Limited, Penta Enterprises (India) Limited, Ananya Innovations Limited, Vascon Pricol Infrastructures Limited, Priana Enterprises India Limited, Prime Agri Solutions (India) Limited, Shanmuga Steel Industries Limited, Carcerano Pricoltech (India) Private Limited, Libra Industries, Leo Industries, Ellargi & Co., Rudra Industries and Bhavani Treads.

(Rs. Million)

Nature of Transaction	Subsidiary Companies		Key Mgmt Personnel		Others	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Purchase / Labour Charges paid	33.753	22.929	—	—	256.496	113.958
Sales / Job Work Charges received	36.374	14.094	—	—	472.308	384.912
Receiving of Services	—	—	8.941	11.050	8.101	0.947
Rendering of Services	—	—	—	—	4.894	1.783
Outstanding advance - Opening	139.774	1.610	—	—	—	—
Add : Amount advanced during the year	—	131.088	—	—	—	—
Less : Amount received during the year	139.774	—	—	—	—	—
Add : Interest receivable for the year	—	7.076	—	—	—	—
Amount receivable - Closing	—	139.774	—	—	—	—
Advances payable - Opening	13.369	14.422	—	—	—	—
Less : Amount repaid during the year	10.000	1.053	—	—	—	—
Advances payable - Closing	3.369	13.369	—	—	—	—
Investments - Opening	182.907	147.907	—	—	—	—
Add : Investments made during the year	—	35.000	—	—	—	—
Investments - Closing	182.907	182.907	—	—	—	—
Guarantee	163.877	178.330	—	—	—	—

NOTES FORMING PART OF ACCOUNTS (Contd.,)

30. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. : 0641 State Code : 181
Balance Sheet Date : 31st day of March, 2008

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue : Nil Rights Issue : Nil
Bonus Issue : Nil Private Placement : Nil

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

Total Liabilities : 6,900,937 Total Assets : 6,900,937

Sources of Funds

Paid-up Capital : 90,000
Reserves & Surplus : 1,778,544
Secured Loans : 2,922,624
Unsecured Loans : 327,971
Deferred Tax : 37,190
Current Liabilities : 1,744,608

Application of Funds

Net Fixed Assets : 2,622,293
Current Assets : 4,095,737
Accumulated Losses : Nil
Investments : 182,907
Misc. Expenditure : Nil

IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Production Value : 6,432,794 Profit After Tax : 190,826
Other Income : 69,407 Earnings per Share : Rs.2.12
Total Expenditure : 6,283,875 Dividend rate : 60%
Profit Before Tax : 218,326

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	Major Product Description
9 0 2 9	: Dashboard Instruments, Sensors and Accessories
8 4 0 9	: Oil Pumps
8 7 0 8	
&	: Other Auto Components
8 7 1 4	

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

For and on behalf of the Board

P. Ravi
General Manager
Finance & Secretarial

D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

	2007-08 Rs. Million	2006-07 Rs. Million
A. Cash flow from operating activities:		
Net Profit Before Tax	218.326	508.127
Adjustments for :		
Depreciation	327.190	295.924
Bad debts written off	10.375	12.277
Provision for doubtful debts (Net)	(7.317)	6.554
Loss on sale of assets	1.206	1.925
Interest received	(17.886)	(19.707)
Interest paid	287.003	180.481
Income from Mutual Funds	(16.185)	(4.417)
	<u>584.386</u>	<u>473.037</u>
Operating profit before working capital changes	802.712	981.164
Trade and other receivables	(173.623)	(284.735)
Inventories	(723.439)	(134.154)
Trade and other payables	592.610	(182.198)
	<u>(304.452)</u>	<u>(601.087)</u>
Cash generated from operations	498.260	380.077
Direct taxes paid	(78.850)	(162.562)
Net cash from operating activities	419.410	217.515
B. Cash flow from investing activities:		
Purchase of fixed assets	(663.262)	(716.154)
Sale of fixed assets	4.102	29.267
Interest received	17.886	19.707
Purchase of investments	—	(35.000)
Sale of Mutual Fund Investments	77.020	73.417
	<u>(564.254)</u>	<u>(628.763)</u>
Net cash used in investing activities	(564.254)	(628.763)
C. Cash flow from financing activities:		
Long term borrowings	585.884	282.937
Unsecured Loans & Deposits	(730.173)	660.840
Working Capital borrowings	414.881	(167.929)
Dividend & Tax on Dividend paid	(104.499)	(101.831)
Interest paid	(276.058)	(179.879)
	<u>(109.965)</u>	<u>494.138</u>
Net cash from / (used in) financing activities	(109.965)	494.138
D. Net increase / (decrease) in cash and cash equivalents (A+B+C)	(254.809)	82.890
Cash and cash equivalents as at 1.4.2007 and 1.4.2006 (Opening balance)	308.984	226.094
Cash and cash equivalents as at 31.3.2008 and 31.3.2007 (Closing balance)	<u>54.175</u>	<u>308.984</u>

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

For and on behalf of the Board

P. Ravi
General Manager
Finance & Secretarial

D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of **Pricol Limited** ("the Company") and its subsidiaries as at 31st March 2008 and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 prepared, in all material aspects, 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 the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statement of an associate and certain subsidiaries whose financial statements reflect total assets of Rs.515.250 million as at 31st March 2008 and total loss of Rs.14.213 million for the year ended on that date. Those financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of those associate and subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the

requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and its aforesaid subsidiaries, in our opinion the consolidated financial statements read together with the attached schedules and Note on consolidation and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March 2008;
- b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328

Coimbatore
29th May 2008

SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. Principles of consolidation

The consolidated financial statements relate to Pricol Limited ("the Company") and its subsidiary companies. The Consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiary companies are 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 and intra-group transactions resulting in unrealized profit or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- ii) The difference between the cost of investment in the subsidiaries over the net assets at the time of

acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

- iii) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
2. Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments.
 3. **Other Significant Accounting Policies:**

These are set out under "Notes on Accounts" as given in the Unconsolidated Financial Statements of Pricol Limited.



CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2008

	Schedule	31-3-2008 Rs. Million	31-3-2007 Rs. Million
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	90.000	90.000
Reserves & Surplus	II	1,767.455	1,629.578
		<u>1,857.455</u>	<u>1,719.578</u>
Borrowed Funds			
Secured Loans	III	3,192.958	2,016.809
Unsecured Loans	IV	327.971	1,057.792
		<u>3,520.929</u>	<u>3,074.601</u>
Deferred Tax Liability	V	29.921	65.770
Total capital employed		<u>5,408.305</u>	<u>4,859.949</u>
APPLICATION OF FUNDS			
Fixed Assets			
a. Gross Block	VI	4,951.576	4,312.851
b. Less : Accumulated Depreciation		<u>2,232.728</u>	<u>1,887.837</u>
c. Net Block		2,718.848	2,425.014
d. Capital Work-in-progress		<u>206.491</u>	<u>249.866</u>
		<u>2,925.339</u>	<u>2,674.880</u>
Investments	VII	18.772	63.719
Current Assets, Loans and Advances			
a. Inventories	VIII	1,779.806	941.210
b. Sundry Debtors		1,628.926	1,308.635
c. Cash and Bank Balances		78.747	320.947
d. Loans and Advances		<u>770.463</u>	<u>975.273</u>
	(A)	<u>4,257.942</u>	<u>3,546.065</u>
Less : Current Liabilities & Provisions	IX		
a. Liabilities		1,369.317	772.852
b. Provisions		<u>424.431</u>	<u>651.863</u>
	(B)	<u>1,793.748</u>	<u>1,424.715</u>
Net Current Assets	(A-B)	<u>2,464.194</u>	<u>2,121.350</u>
Total Assets		<u>5,408.305</u>	<u>4,859.949</u>

Schedule I to IX, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet.

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

For and on behalf of the Board

D. Sarath Chandran
Director

P. Ravi
General Manager
Finance & Secretarial

T.G. Thamizhanban
Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule	2007-08 Rs. Million	2006-07 Rs. Million
INCOME			
Net Sales & Services - Domestic		5,074.184	5,004.289
- Export		1,249.557	1,024.940
Total Sales	X	6,323.741	6,029.229
Increase / (Decrease) in Stock of Finished Goods	XI	240.764	(6.852)
Cost of Inhouse Manufactured Machines & Toolings Capitalised		129.430	109.585
Production Value		6,693.935	6,131.962
EXPENDITURE			
Raw Materials & Components Consumed	XII	4,020.172	3,559.654
Employees' Cost		944.403	890.173
Power & Utilities		178.661	146.281
Stores & Spares Consumed		77.505	51.402
Repairs & Maintenance		146.978	109.761
Other Expenditure		534.487	395.472
Total Expenditure		5,902.206	5,152.743
Profit before Interest, Depreciation & Other Income		791.729	979.219
Add : Other Income	XIII	77.918	24.280
Less : Interest & Finance Charges	XIV	314.827	188.095
Depreciation		349.707	307.351
Profit Before Tax		205.113	508.053
Less : Provision for Current Tax		50.275	160.745
: Provision for Fringe Benefit Tax		7.616	6.094
: Provision for Deferred Tax (Asset)		(35.849)	(20.000)
Profit After Tax		183.071	361.214
Add : Balance brought forward		248.191	192.273
Amount available for appropriation		431.262	553.487
APPROPRIATION			
Dividend @ 60% (Previous year 100%)		54.000	90.000
Tax on Dividend @ 16.995%		9.177	15.296
General Reserve		200.000	200.000
Surplus to be carried over		168.085	248.191
		431.262	553.487
Earnings per Share (Basic/Diluted) (In Rupees) (Face Value Re.1/-)	XV	2.03	4.01

Schedules X to XV, Significant Accounting Policies and the Notes on Accounts form part of this Profit & Loss Account.

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

P. Ravi
General Manager
Finance & Secretarial

D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule I - SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Re.1/- each	100.000	100.000
Issued, Subscribed and Paid-up		
90,000,000 Equity Shares of Re.1/- each (Of the above 37,500,000 Equity Shares of Re.1/- each have been issued as fully paid-up Bonus Shares by Capitalisation of Reserves).	90.000	90.000
Schedule II - RESERVES & SURPLUS		
Share Premium Account	181.000	181.000
General Reserve		
As per last Balance Sheet	1,200.580	1,010.956
Add : Transfer from Profit & Loss Account	200.000	200.000
Less : Goodwill on aquisition written off	—	10.376
	1,400.580	1,200.580
Foreign Currency Translation Reserve	17.790	(0.193)
Surplus		
Balance in Profit & Loss Account	168.085	248.191
	1,767.455	1,629.578
Schedule III - SECURED LOANS		
From Banks :		
a) Term Loans :		
Rupee Term Loans	1,477.065	339.288
Foreign Currency Term Loans	610.252	1,035.235
b) Working Capital Borrowings :		
Rupee Cash Credit facilities	366.409	163.332
Foreign Currency Credit facilities	739.232	478.954
	3,192.958	2,016.809
Schedule IV - UNSECURED LOANS		
Fixed Deposits	—	10.001
Loan from Banks	327.971	1,047.791
	327.971	1,057.792
Schedule V - DEFERRED TAX LIABILITY		
Deferred Tax Liability	29.921	65.770
	29.921	65.770

CONSOLIDATED SCHEDULES (Contd.,)

Schedule VI - FIXED ASSETS

(Rs. Million)

	Gross Block				Upto 31-3-2007	Depreciation			Net Block	
	Cost as on 1-4-2007	Additions during 2007-08	Sales/trans fer during 2007-08	Balance as on 31-3-2008		For 2007-08	Withdrawn during 2007-08	Total upto 31-3-2008	Written Down as on 31-3-2008	Value as on 31-3-2007
Tangible Assets										
Land	271.938	7.284	106.541	172.681	—	—	—	—	172.681	271.938
Buildings	1,003.617	113.353	3.576	1,113.394	155.506	37.869	—	193.375	920.019	848.111
Plant & Machinery	2,749.705	554.151	0.811	3,303.045	1,557.300	283.337	2.557	1,838.080	1,464.965	1,192.405
Furniture, Fittings & Equipments	59.214	9.312	—	68.526	21.850	5.228	—	27.078	41.448	37.364
Vehicles	68.584	51.430	7.119	112.895	20.801	8.846	2.259	27.388	85.507	47.783
Total Tangible Assets	4,153.058	735.530	118.047	4,770.541	1,755.457	335.280	4.816	2,085.921	2,684.620	2,397.601
Intangible Assets										
Computer Software	44.580	12.409	—	56.989	26.054	10.015	—	36.069	20.920	18.526
Technical Know-how	115.213	8.833	—	124.046	106.326	4.412	—	110.738	13.308	8.887
Total Intangible Assets	159.793	21.242	—	181.035	132.380	14.427	—	146.807	34.228	27.413
Sub-Total	4,312.851	756.772	118.047	4,951.576	1,887.837	349.707	4.816	2,232.728	2,718.848	2,425.014
Capital Work-in-progress	249.866	199.246	242.621	206.491	—	—	—	—	206.491	249.866
Total - Assets				5,158.067				2,232.728	2,925.339	2,674.880

Schedule VII - INVESTMENTS

31-3-2008
Rs. Million

31-3-2007
Rs. Million

A. LONG TERM INVESTMENTS (at Cost)

1. Non-Trade - Quoted :

a) 550,000 Units of Rs.10/- each in Canfortune 94	—	5.335
b) 600 Equity Shares of Rs.2/- each fully paid-up in GMR Infrastructure Fund	0.143	—
c) 200 Equity Shares of Rs.10/- each fully paid-up in Mahindra & Mahindra	0.137	—
d) 200 Equity Shares of Rs.10/- each fully paid-up in Cholamandalam DBS Financial Services	0.062	—
e) 125 Equity Shares of Rs.10/- each fully paid-up in Tata Motors Limited	0.089	—
f) 75 Equity Shares of Rs.10/- each fully paid-up in ICICI Bank Limited	0.080	—
g) 71 Equity Shares of Re.1/- each fully paid-up in TVS Motors Limited	0.001	0.001
h) 55 Equity Shares of Rs.10/- each fully paid-up in Bharat Heavy Electricals Limited	0.132	—
i) 50 Equity Shares of Rs.10/- each fully paid-up in Munjal Auto Industries Limited	0.001	0.001
j) 50 Equity Shares of Rs.10/- each fully paid-up in Shivam Autotech Limited		
k) 40 Equity Shares of Rs.10/- each fully paid-up in Larsen & Toubro Limited	0.157	—

CONSOLIDATED SCHEDULES (Contd.,)

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule VII - INVESTMENTS (Contd..)		
l) 40 Equity Shares of Rs.10/- each fully paid-up in State Bank of India	0.095	—
m) 29,276 Units of DSP Merrill Lynch TIGER Fund - Dividend Option	1.000	—
n) 17,573 Units of HDFC Equity Fund - Dividend Option	1.000	—
o) 37,344 Units of ICICI Prudential Infrastructure Fund - Dividend Reinvestment	0.743	—
p) 36,538 Units of JM Basic Fund - Dividend Plan	1.120	—
q) 17,937 Units of Reliance Diversified Power Sector Fund - Dividend Plan	1.000	—
r) 7,362 Units of Reliance Vision Fund - Dividend Plan	0.500	—
	<u>6.260</u>	<u>5.337</u>
2. Non Trade - Unquoted :		
a. 199,700 Equity Shares of Rs.10/- each fully paid-up in Synoro Technologies Limited	1.997	1.997
b. 720,000 Equity Shares of Rs.10/- each fully paid-up in Pricol Technologies Limited	7.200	—
	<u>9.197</u>	<u>1.997</u>
3. Investment in Associates		
a. 720,000 Equity Shares of Rs.10/- each fully paid-up in Pricol Technologies Limited	—	7.200
b. 3,190 Equity Shares of Rs.100/- each fully paid-up in Shanmuga Steel Industries Limited	0.160	0.160
c. 400,000 Equity Shares of Rs.10/- each fully paid-up in Ananya Innovations Limited	4.000	—
	<u>4.160</u>	<u>7.360</u>
4. Application Money Paid		
State Bank of India - Rights Issue	0.016	—
Total (1+2+3+4)	19.633	14.694
Less : Share of Post Acquisition Loss	0.861	6.475
	<u>18.772</u>	<u>8.219</u>
B. CURRENT INVESTMENT (at lower of Cost and Fair Value)		
4,942,780 Units of Reliance Liquidity Fund - Growth Option	—	55.500
	—	55.500
Total Investments (A+B)	<u>18.772</u>	<u>63.719</u>
Aggregate Cost of Quoted Investments (long term)	6.260	5.337
Aggregate Cost of Un-quoted Investments (long term)	12.512	2.882
Market Value of Quoted Investments (long term)	4.260	16.939

CONSOLIDATED SCHEDULES (Contd.,)

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule VIII - CURRENT ASSETS, LOANS AND ADVANCES		
a. Inventories (At lower of cost and net realisable value) (As certified by Chairman & Managing Director)		
Stock of Stores & Spares	32.001	55.291
Raw Materials & Components	1,068.067	700.648
Materials in Transit	15.181	0.834
Work-in-progress	237.736	106.532
Finished Goods	318.669	77.905
Land - Stock in Trade	108.152	—
	<u>1,779.806</u>	<u>941.210</u>
b. Sundry Debtors :		
Unsecured Considered Good		
a) Outstanding for a period exceeding six months	317.351	132.650
b) Others	1,311.575	1,175.985
	<u>1,628.926</u>	<u>1,308.635</u>
Unsecured Considered Doubtful		
	24.249	31.567
Less : Provision for Doubtful Debts	24.249	31.567
	<u>—</u>	<u>—</u>
	<u>1,628.926</u>	<u>1,308.635</u>
c. Cash & Bank Balances :		
Cash on hand		
	0.663	0.485
Balances with Scheduled Banks		
In Current Account	49.442	45.238
In Unclaimed Dividend Account	4.894	4.097
In Fixed Deposit Account	23.748	271.127
	<u>78.747</u>	<u>320.947</u>
d. Loans and Advances :		
Advances Recoverable in cash or in kind or for value to be received and considered Good		
Unsecured		
	349.507	376.674
Less : Provision for Doubtful Advances	3.607	3.607
	<u>345.900</u>	<u>373.067</u>
Deposits		
	33.495	31.378
Prepaid expenses		
	7.967	10.007
Tax payments pending adjustment		
	383.101	560.821
	<u>770.463</u>	<u>975.273</u>
	<u>4,257.942</u>	<u>3,546.065</u>

CONSOLIDATED SCHEDULES (Contd.,)

	31-3-2008 Rs. Million	31-3-2007 Rs. Million
Schedule IX - CURRENT LIABILITIES AND PROVISIONS		
a. Liabilities :		
Sundry Creditors (Due to Micro, Small and Medium Enterprises is Rs.13.839 Mn) (Previous year Rs.34.971 Mn)	1,334.674	746.686
Interest accrued but not due on loans	23.870	12.228
Due to Chairman & Managing Director and Executive Director	5.279	8.889
Investor Education and Protection Fund - not due :		
Unclaimed Dividend	4.894	4.097
Unclaimed Deposits including Interest	0.600	0.952
	5.494	5.049
	1,369.317	772.852
b. Provisions :		
For Current Taxation	338.667	531.596
For Fringe Benefit Tax	22.587	14.971
For Dividend	54.000	90.000
For Tax on Dividend	9.177	15.296
	424.431	651.863
	1,793.748	1,424.715

	2007-08 Rs. Million	2006-07 Rs. Million
Schedule X - INCOME		
Sales & Service Charges		
Domestic Sales & Service Charges		
Sale of Finished Products (Incl. of Excise Duty and Sales Tax)	6,230.137	6,109.100
Service Charges	53.710	41.057
Sale of Windmill Power	6.462	9.182
	6,290.309	6,159.339
Less : Excise Duty	940.735	842.909
: Sales Tax	258.010	296.886
: Discount & Commission on Domestic Sales	17.380	15.255
	5,074.184	5,004.289
Export Sales		
Sale of Finished Products (Incl. of Excise Duty)	1,299.251	1,030.768
Less : Excise Duty	44.521	—
: Commission on Export Sales	5.173	5.828
	1,249.557	1,024.940
	6,323.741	6,029.229

CONSOLIDATED SCHEDULES (Contd.,)

	2007-08 Rs. Million	2006-07 Rs. Million
Schedule XI - Increase / (Decrease) in Stock of Finished Goods		
Stock at Closing	318.669	77.905
Less : Stock at Opening	<u>77.905</u>	<u>84.757</u>
	<u>240.764</u>	<u>(6.852)</u>
Schedule XII - EXPENDITURE		
RAW MATERIALS & COMPONENTS CONSUMED		
Opening Stock		
a) Raw Materials & Components	701.482	582.830
b) Work-in-Progress	<u>106.532</u>	<u>85.713</u>
	808.014	668.543
Add : Purchases	<u>4,602.170</u>	<u>3,755.001</u>
	5,410.184	4,423.544
Less : Closing Stock		
a) Raw Materials & Components	1,083.248	701.482
b) Work-in-Progress	<u>237.736</u>	<u>106.532</u>
	1,320.984	808.014
	4,089.200	3,615.530
Less : Sale of Raw Materials & Scrap	166.292	124.942
Add : Direct Expenses	<u>97.264</u>	<u>69.066</u>
	4,020.172	3,559.654
Includes materials consumed for In-house Manufacture of Machines & Toolings of Rs.110.830 Mn for 2007-08 (Rs.74.724 Mn for 2006-07)		
EMPLOYEES' COST		
a) Pay, Allowances, Performance Reward & Bonus	820.608	796.673
b) Company's Contribution to Provident, Superannuation and Gratuity Funds	53.624	41.968
c) Welfare Expenses	<u>70.171</u>	<u>51.532</u>
	944.403	890.173
REPAIRS AND MAINTENANCE		
Machinery	95.738	73.766
Building	32.488	24.660
Others	<u>18.752</u>	<u>11.335</u>
	146.978	109.761

CONSOLIDATED SCHEDULES (Contd.,)

	2007-08 Rs. Million	2006-07 Rs. Million
Schedule XII - EXPENDITURE (Contd.,)		
OTHER EXPENDITURE		
Printing & Stationery	13.446	11.457
Postage, Telegram and Telephone	17.145	14.101
Rent	8.389	7.999
Rates, Taxes & Licence	55.049	22.732
Insurance	10.477	15.038
Bank Charges	9.352	7.972
Travelling & Conveyance	104.063	71.576
Freight & Forwarding	191.958	142.184
Advertisement, Publicity & Sales Promotion	24.365	14.411
Royalty	53.093	40.532
Bad Debts written off	11.377	12.382
Provision for doubtful debts (Net)	(7.317)	6.554
Director's Commission / Sitting Fee	2.613	2.636
Auditor's Remuneration	1.507	1.071
Professional Charges, Books and Periodicals	49.392	41.777
Net Foreign Exchange (Gain)	(20.924)	(41.700)
Miscellaneous Expenses	10.133	5.800
Donations	0.635	17.025
(Profit) / Loss on Sale of Assets (Net)	(0.266)	1.925
	534.487	395.472
Schedule XIII - OTHER INCOME		
Interest Received	19.062	13.028
Income from Mutual Funds	16.185	4.417
Rent Received	4.089	1.621
Trading Income	2.717	2.966
Sundry Income	17.984	1.363
Export Incentives	12.267	—
Share in Profit / (Loss) of Associates	5.614	0.885
	77.918	24.280
Schedule XIV - INTEREST & FINANCE CHARGES		
Interest on Fixed Loans	110.408	88.765
Interest on Other Loans	189.698	97.558
Finance Charges	14.721	1.772
	314.827	188.095
Schedule XV - EARNINGS PER SHARE (Basic / Diluted)		
a. Profit After Tax	183.071	361.214
b. Equity Share of Re.1/- each (Nos. in Mn)	90.000	90.000
c. Earnings per Share (a/b) (in Rs.)	2.03	4.01

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2008.

1. The Subsidiary Companies considered in the Consolidated Financial Statements are:

S. No.	Name of the Subsidiary	Country of Incorporation	% of Ownership
1	English Tools and Castings Limited	India	100 %
2	Integral Investments Limited	India	100 %
3	PT Pricol Surya	Indonesia	100 %

2. The Associate Companies considered in the Consolidated Financial Statements are:

S. No.	Name of the Associate	Country of Incorporation	% of Ownership
1	Shanmuga Steel Industries Limited	India	49 %
2	Ananya Innovations Limited	India	40 % (Prev. Yr Nil)
3	Pricol Technologies Limited	India	Nil (Prev. Yr 36%)

3. The value of Investments made by the wholly owned subsidiary Company – Integral Investments Limited in the associates Shanmuga Steel Industries Limited and Ananya Innovations Limited has been accounted in compliance with Accounting Standard (AS-23).

4. Re-Structuring :

English Tools and Castings Limited had obtained approval from the Honourable High Court, Chennai and restructured its share capital by way of reduction of capital, from Rs.276.989 Mn to Rs.79.337 Mn.

5. The exchange rate considered for consolidation of foreign subsidiary, PT Pricol Surya is as follows :

	As at 31st March 2008 (In Indonesian Rupiah)	As at 31st March 2007
One Indian Rupee	230.57	209.86

6. Previous Year's figures have been regrouped wherever necessary to conform to the current year's classification.

7. Figures have been rounded off to the nearest thousand.

8. As per the information received from the Suppliers regarding their classification the amount due to Micro, Small and Medium Enterprises is disclosed.

	Rs. Million	
	2007-08	2006-07
Due to Micro, Small and Medium Enterprises		
— Principal due at the year end	13.839	34.971
— Interest payable at the year end	—	—
— Interest paid during the year	0.220	0.424

9. List of Related parties with whom transactions have taken place during the year 2007-08 and Relationship :

Key Management Personnel: Mr. Vijay Mohan, Mrs. Vanitha Mohan, Mr. Viren Mohan and Mr. K. Janardhanan; **Others:** Pricol Holdings Limited, Pricol Packaging Limited, Pricol Travel Limited, Pricol Technologies Limited, Pricol Properties Limited, Pricol Corporate Services Limited, Xenos Technologies Limited, Synoro Technologies Limited, Penta Enterprises (India) Limited, Ananya Innovations Limited, Vascon Pricol Infrastructures Limited, Priana Enterprises India Limited, Prime Agri Solutions (India) Limited, Shanmuga Steel Industries Limited, Carcerano Pricoltech (India) Private Limited, Libra Industries, Leo Industries, Ellargi & Co., Rudra Industries and Bhavani Treads. (Rs. Million)

Nature of Transaction	Key Mgmt Personnel		Others	
	2007-08	2006-07	2007-08	2006-07
Purchase / Labour Charges paid	—	—	256.496	113.961
Sales / Job Work Charges received	—	—	472.308	385.194
Receiving of Services	9.363	11.101	8.142	1.007
Rendering of Services	—	—	4.894	1.783

10. Other Notes forming part of Accounts :

These are set out in and under "Notes forming part of accounts for the year ended 31st March 2008" as given in the unconsolidated financial statements of Pricol Limited.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	2007-08 Rs. Million	2006-07 Rs. Million
A. Cash Flow from Operating Activities:		
Net Profit Before Tax	205.113	508.053
Adjustments for :		
Depreciation	349.707	307.351
Bad debts written off	11.377	12.382
Provision for Doubtful debts (Net)	(7.317)	6.554
Effect of Exchange Rate change	17.983	(7.969)
(Profit) / Loss on Sale of Assets	(0.266)	1.925
Interest received	(19.062)	(13.028)
Interest paid	314.827	188.095
Other Investment Income	(21.799)	(5.302)
	645.450	490.008
Operating profit before working capital changes	850.563	998.061
Adjustments for :		
Trade and other receivables	(297.261)	(282.562)
Inventories	(738.512)	(145.582)
Trade and other payables	584.378	(84.964)
	(451.395)	(513.108)
Cash generated from operations	399.168	484.953
Direct taxes paid	(65.484)	(179.077)
Net Cash from Operating Activities	333.684	305.876
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(706.940)	(860.739)
Sale of Fixed Assets	6.956	34.354
Interest received	19.062	13.028
Purchase of Investments	(10.274)	(0.997)
Sale of Investments	60.835	69.000
Other Investment Income	16.185	4.417
Net Cash used in Investing Activities	(614.176)	(740.937)
C. Cash Flow from Financing Activities:		
Long term Borrowings	712.794	294.456
Unsecured Loans & Deposits	(730.173)	660.838
Working Capital Borrowings	463.355	(138.623)
Dividend & Tax on Dividend paid	(104.499)	(101.831)
Interest paid	(303.185)	(187.006)
Net Cash from Financing Activities	38.292	527.834
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(242.200)	92.773
Cash and cash equivalents as at 1.4.2007 and 1.4.2006 (Opening balance)	320.947	228.174
Cash and cash equivalents as at 31.3.2008 and 31.3.2007 (Closing balance)	78.747	320.947

As per our report of date attached
For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328
Coimbatore, 29th May 2008

Vijay Mohan
Chairman & Managing Director

Vanitha Mohan
Executive Director

For and on behalf of the Board

P. Ravi
General Manager
Finance & Secretarial

D. Sarath Chandran
Director

T.G. Thamizhanban
Company Secretary

Disclosure of Information relating to the Subsidiary Companies as required by the Ministry of Corporate Affairs, Government of India vide their approval letter No.47/157/2008-CL-III dated 2nd June 2008.

Particulars	Integral Investments Ltd	PT Pricol Surya	English Tools and Castings Ltd
			2007-08 Rs. Million
a) Share Capital	22.500	65.771	79.337
b) Reserves & Surplus	0.815	(1.312)	10.134
c) Total Assets	23.323	256.830	238.116
d) Total Liabilities	23.323	256.830	238.116
e) Details of Investments **	19.632	—	—
f) Net Sales & Services including other income	0.502	86.789	248.403
g) Profit / (Loss) Before Tax	0.486	(24.575)	5.262
h) Provision for Taxation	(0.351)	(5.849)	0.742
i) Profit / (Loss) After Tax	0.837	(18.726)	4.520
j) Proposed Dividend	—	—	—
k) Reporting Currency*	Indian Rupee (INR)	Indonesian Rupiah (IDR)	Indian Rupee (INR)

* The financial statements of subsidiaries whose reporting currency are other than INR are converted into Indian Rupees on the basis of appropriate exchange rate.

The exchange rate as at 31st March 2008 : 1 INR = 230.57 IDR.

** Excluding investment in subsidiaries.

