



## Motherson Sumi Systems Limited

We are a diversified company providing customised solutions in the fields of electrical distribution systems, polymer processing, tooling, metal machining and integrated modules. We provide the complete spectrum of services from design to manufacturing, assemblies and logistics.

We have collaborated with global technology leaders to serve our customers with the latest technologies. We are continuously exploring new products, new markets and new areas of application where we can add value with our existing expertise or by acquiring new technologies. We have moved up in the supply chain graduating from a supplier of components and assemblies to a full system solutions provider, and a preferred source for higher level assemblies and complete modules.

Our network of manufacturing facilities, design centres and representative offices along with collaborators' support enable us to service our customers efficiently across the globe.

We focus on understanding the needs of our customers and provide them with comprehensive solutions, adding value as a single source for a diverse range of products. We have continuously expanded our product range and widened the customer base. Our endeavour is to bring sustainable, profitable and value-creating growth that enhances shareholder value.



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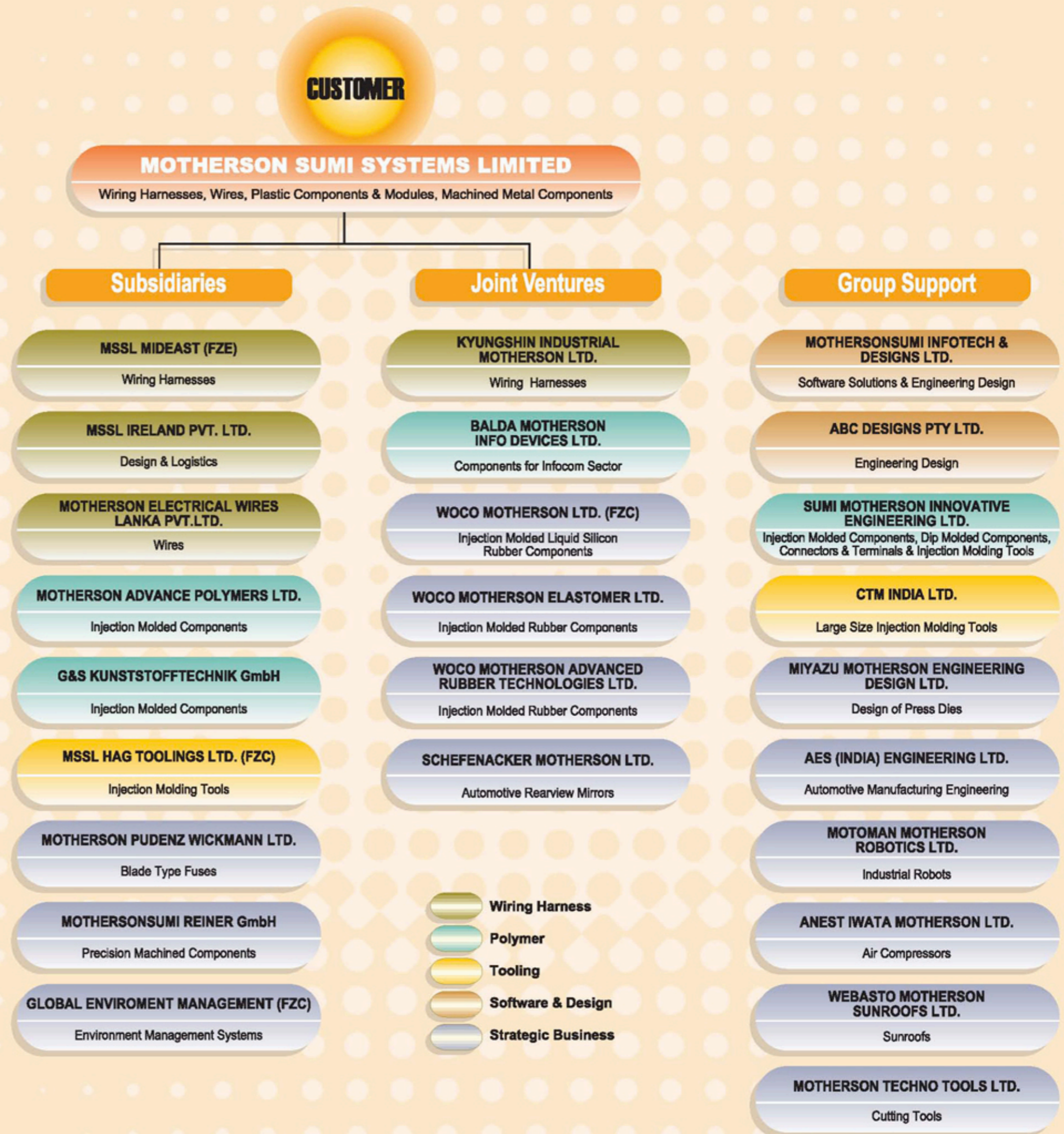
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# The Sumi Motherson Group

Sumi Motherson Group is a full system solutions provider to automotive and non automotive industries. The group's combined annual revenue is Rs. 19 billions.

The Group offers single window solutions encompassing product design, prototyping, tool design and manufacturing, assemblies, higher level assemblies and complete modules. The group also provides value added services in software solutions, automotive manufacturing engineering and process automation.

Backward integration and combination of different manufacturing technologies in the fields of electrical distribution systems, polymer processing and metal components within the group companies enable MSSL to offer integrated full system solutions for an extensive range of applications.





Founder Chairperson - (Late) Smt. S.L. Sehgal  
Chairman Emeritus - (Late) Sh. K.L. Sehgal

## Board of Directors

**Vivek Chaand Sehgal**

Chairman

**Toshimi Shirakawa**

Director

**Mohinder Singh Gujral**

Director

**Hiroto Murai**

Director

**Bimal Dhar**

Director

**Akihiko Yamauchi**

Whole Time Director

**Maj. Gen. Amarjit Singh (Retd.)**

Director

**Arjun Puri**

Director

**Masahiro Matsushita**

Alternate Director

**Pankaj K. Mital**

Alternate Director

# Chairman's Review

Dear Shareholders,

I am pleased to share with you the performance and developments within your company during the previous year.

The year 2005-06 was a year of consolidation. In this year we have taken steps that will be critical in propelling future growth of the company. The manifold strategy for preparing for growth involved a number of measures both in domestic as well as overseas operations. This year was marked with investments in expansion, mergers and acquisitions, reorganising and streamlining manufacturing facilities in line with our growth plans.

Overseas operations were strengthened with a clear focus on exports. A three pronged strategy was adopted for increasing overseas sales. This included mergers and acquisitions, exporting back to collaborators and organic growth in export customer base.

Europe, being the major target market, was the focus of activity. We acquired two businesses in the last year, G&S Kunststofftechnik GmbH (G&S) for injection molding and the new joint venture Mothersonsumi Reiner GmbH (MSR) for



machined metal components. From these ventures we are now catering to the requirements of Tier 1 suppliers



in the European automotive industry. This also opens opportunities for us to offer them our existing product range. New Europe corporate headquarters were established at Gelnhausen, near Frankfurt in Germany for better management of the expanded operations in Europe and exploring new opportunities.



Exporting back to the joint venture partner is going to be one of the key growth drivers. In the year 2005-06, the exports of wiring harnesses to Sumitomo Wiring Systems Ltd. (SWS) and Sumitomo Electric Wiring Systems (SEWS), Europe grew by over 150 percent, at Rs. 810 million. We have entered a new joint venture with SWS, proposed to be located in Sharjah, in which MSSSL has 51 percent holding. This opens more opportunities for us to partner with SWS in its global production strategies in emerging procurement markets. SWS

together with its parent company Sumitomo Electric Industries (SEI) has recently taken over Volkswagen Bordnetze GmbH (VWBN), which manufactures wiring harness for Volkswagen and has currently an annual turnover of Euro 446 million approx. By completing the acquisition of VWBN, the Sumitomo Electric / Sumitomo Wiring Systems group is expected to capture 20 percent of global share of the automotive wiring harness market.

Direct exports to customers also witnessed organic growth. Exports as well as deemed exports of wiring harnesses and plastic components to existing customers have increased. We have added new customers including Air International, GM Holden, Electrolux, Webasto, SAME, Gee Sink Norba, Yamaha-Spain and Komatsu-Germany. During the year direct exports to customers, including the customers of G&S & MSR, exceeded rupees two billion.

With a view to service our customers with better logistics, we have established more facilities close to manufacturing locations of major customers. The businesses being served from some of the existing locations were re-located to the new units depending upon the economic needs of each such business. While in the short term, this entails certain additional costs like initial set up costs, lower utilisation & additional capex, in the long term this simplifies the operations and makes them cost efficient. This re-arrangement will also give significant advantages in terms of more efficient logistics and better customer service. We would build more capacities in 2006-07 and continue to prepare ourselves for growth. We have been regularly adding new customers



and offering new products to our existing customers. We have invested in new cutting edge technologies and the efforts are already bearing fruit.

Plastics product line has been growing rapidly. In the last year it achieved a growth of 61 percent. It is in this product line that significant investments have been made. We believe this to be a high growth area for the company for the next few years as well. The new facilities include manufacturing of instrument panel (dashboard) assemblies, door trims, bumper molding and body colour matched parts. A significant addition has been the supply of higher



Bumper

level assemblies and modules to Ford Fiesta. We were involved from the designing stage to tooling, and eventual

manufacturing of components and higher level modules. We have now developed expertise in designing & manufacturing of large sized parts such as Instrument Panel Assemblies, Door trims and Bumpers. During the



Door Trim



IP Module

year we have received orders for supplies of instrument panel assemblies and bumpers for Honda Civic, bumpers for "Aveo" and bumpers, door trims and interior trims for "Aveo UVA" from General Motors. We started supplies of bumpers for new Honda

"City ZX" and components for Maruti "Swift". Export orders were received from Ford Europe, General Motors and Holden. In line with emerging opportunities, injection molding facilities are also being established at Sharjah to service our overseas customers.

The new JV with Balda AG has brought an altogether different technology platform and has opened a market with immense potential. This marks our entry in the manufacturing of plastic parts and assemblies for Mobile phone OEMs. Along with new technology for injection molding, Balda will also provide rapid tooling technology which would reduce development lead times significantly as prevalent in this business.

Wiring Harness is our key business area. During the year

we have added business for new models of Maruti, Honda, Mahindra & Mahindra, Honda Motorcycles, Hero Honda, Yamaha and JCB. We are now serving a broad customer base that includes the entire cross-section of automobile industry, agriculture & farm equipment, material handling & earthmoving equipment, electrical & electronics, office automation and medical diagnostic equipment. Though automotive sector will continue to be the main segment, we are making inroads in new segments as well. Our share in existing customers for exports has increased. We are strengthening our presence in all the segments that we serve.

As a step further to building capacities and getting new technologies through new joint ventures and tie ups, we have also started upgrading our human assets. In wiring harness operations where skilled manpower is the most important factor, skill up-gradation was started with global benchmarking. Increased focus on training with new facilities and methodologies has started showing results. In the Global Skill Olympics organised by Sumitomo Wiring Systems, MSSL team members have won one gold and one bronze medal. Our people are our most important assets. We strongly believe that world class companies can be made only with world class people.

We successfully raised funds through issue of Foreign Currency Convertible Bonds (FCCB) of Euro 50.30 million in July 2005 for financing capital expenditure and acquisitions abroad as per our policy of funding the capex out of net worth and long term funds. In line with conservative accounting policies followed by MSSL, the premium payable on redemption of bonds, in the event the bonds do not get converted, has been charged as an expense in profit and loss account. This of course, does not result in any outflow. The company had bank deposit of Euro 29.31million earmarked for future expansion and acquisition opportunities. We have consciously kept cash balances which would be utilised for acquisitions of assets and facilities within our scope of competence and strategy. Our actual cash outflow on account of capital expenditure during the last year was Rs. 1748 million. As of date, the planned capital expenditure for the fiscal 2006-07 is Rs. 1500-1750 million. Through all these developments we have been creating

infrastructure for expanded capacities, as well as in terms of fixed assets, human resources and other facilities. However, revenue streams from these expanded facilities contributed only for part of the year and in some cases will contribute entirely in the next year. This coupled with rising interest rates, increase in commodities' prices, mainly copper, and slower pace of growth of the automotive industry led to a reduced pace of growth in profits than the growth in turnover. Internally, however the management was alive to these challenges and strived to control costs based on a planned strategy.

I am happy to say that considering the above factors the team at MSSL lived up to the expectations and in the year of consolidation turnover grew by 30 percent at Rs. 10155 million and the profits (PAT) grew by almost 20 percent to level of Rs. 1008 million. The top 5 customers contribute 49 percent of the consolidated turnover, the largest being 22 percent of the total.

India is fast emerging as a hub for manufacturing and export of small cars. Nissan and Volkswagen are set to establish base in India. We foresee a great opportunity in these developments for all our products and services as both these companies have an existing relationship with our collaborator SWS. SWS is a major supplier to Nissan and with takeover of Volkswagen Bordanetze GmbH - Volkswagen's wiring harness factory, it is poised to become a key supplier to Volkswagen. The whole world is looking at India as a cost effective manufacturing base. This trend applies to automotive sector and to other sectors as well. As global majors in most of the industries are setting either manufacturing or sourcing base in India, we see huge opportunities. With our diversified portfolio and the ability to provide end to end solutions for a wide range of parts and modules, we are well positioned to serve their requirements.

We had set the vision for 2010 in our last annual report. We are moving forward towards realising this vision:

- With the direction that we have taken during this year, we have a better sight on the target of becoming a billion dollar company by 2010;

- A clear focus is on expanding overseas sales so that 60 percent of our consolidated turnover comes from customers outside India;
- We are already close to having a customer base where individual customer share would be less than 20 percent of the consolidated turnover;
- We are also working on maintaining a return on capital employed of 40 percent; and
- While we envisage increased capex, we would make efforts to move towards a dividend payout of around 40 percent of consolidated profits.

We are committed to achieving our long term targets and are moving in the right direction. Though the results may vary from targets for a particular year in between, our target for 2010 remain unchanged. We are confident, with the support of our customers, collaborators, vendors and tireless efforts of the employees, we will always achieve our targets. I would like to thank them all for their support.

In line with our targets, as a part of the growth strategy we have focused on creating a global infrastructure of manufacturing facilities and representative offices. We have built capacities by means of asset acquisitions and expansion of facilities. We will continue to explore acquisition opportunities, but we would be careful in evaluating each opportunity. We would invest only in business where we gain a clear advantage in terms of new technology, new facilities or increased customer base. Major criteria in selection will be how well the business matches with or adds to our competencies. While pursuing growth, we would always focus on long-term profitable business. We would always be committed to creating more value for our shareholders. I would like to thank our shareholders for their continued support.

V. C. Sehgal



## **Vision**

To be a  
**Globally Preferred  
Solutions Provider**

## **Mission**

- Ensure Customer Delight
- Involve Employees as “Partners” in Progress
- Enhance Shareholder Value
- Set new standards in good corporate citizenship

## **Values**

- Be a lean, responsive and learning organisation
- Continuously improve to achieve world-class standards and total customer satisfaction
- Proactively manage change
- Maintain high standards of integrity and safety
- Ensure a common culture and a common set of values throughout the organisation
- Recognise individuals' contributions
- Develop stronger leadership skills, greater teamwork and a global perspective
- Constantly upgrade skill levels across the organisation through knowledge sharing programmes

# Financial Highlights

## Consolidated

Rs. in Million

	2003-2004	2004-2005	2005-2006	% Change w.r.t Previous Yr.
Sales - Net of Excise				
Domestic	4,384.12	5,581.84	6,787.74	21.6%
Export	1,515.23	2,230.41	3,367.65	51.0%
<b>Total Sales</b>	<b>5,899.35</b>	<b>7,812.25</b>	<b>10,155.39</b>	<b>30.0%</b>
Profit Before Interest Dep. & Tax (PBIDT)	1,203.91	1,501.71	1,881.60	25.3%
Profit Before Tax (PBT)	857.50	1,130.53	1,260.93	11.5%
Profit After Tax (PAT)	652.38	839.97	1,008.48	20.1%
Equity Capital	156.59	234.89	234.89	0.0%
Reserves and Surplus	1,452.30	1,964.79	2,641.89	34.5%
Loan Funds	954.62	1,258.05	1,572.95	25.0%
Foreign Currency Convertible Bonds	-	-	2,714.69	100.0%
Earning Per Share (EPS) - Rs.	2.78	3.58	4.29	19.8%

### Net Sales & Profit After Tax

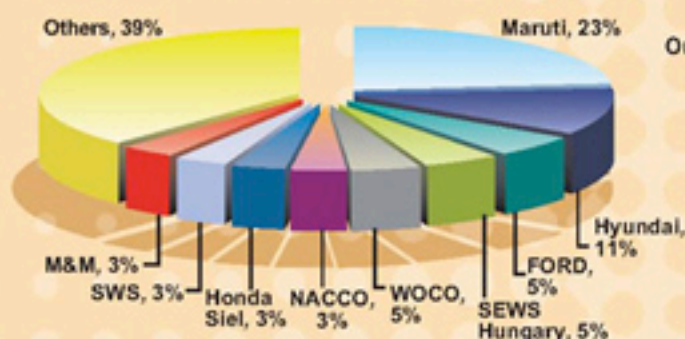


### Total Capital Employed & ROCE

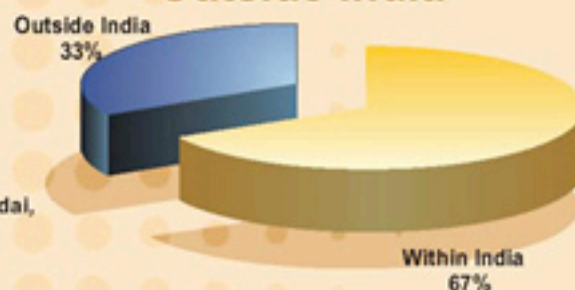


## 2005-06

### Sales Profile



### Sales Within India Vs Outside India





# Stand-alone

Rs. in Million

	2003-2004	2004-2005	2005-2006	% Change w.r.t Previous Yr.
Sales - Net of Excise				
Domestic	3,622.76	4,477.61	5,508.41	23.0%
Export	948.93	1,057.90	1,532.99	44.9%
<b>Total Sales</b>	<b>4,571.69</b>	<b>5,535.51</b>	<b>7,041.40</b>	<b>27.2%</b>
Profit Before Interest, Dep. & Tax (PBIDT)	982.85	1,133.78	1,415.78	24.9%
Profit Before Tax (PBT)	681.03	849.99	943.24	11.0%
Profit After Tax (PAT)	484.51	620.95	768.44	23.8%
Equity Capital	156.59	234.89	234.89	0.0%
Reserves and Surplus	1,231.26	1,506.07	1,987.34	32.0%
Loan Funds	659.94	722.34	1012.45	40.2%
Foreign Currency Convertible Bonds	-	-	2714.69	100.0%
Earning Per Share (EPS) - Rs. Per Share	2.06	2.64	3.27	23.9%
Dividend (%)	100%	100%	115%	15.0%

### Net Sales & Profit After Tax

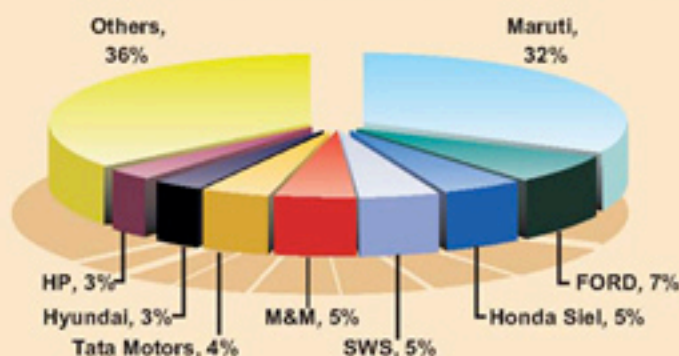


### Capital Employed & ROCE

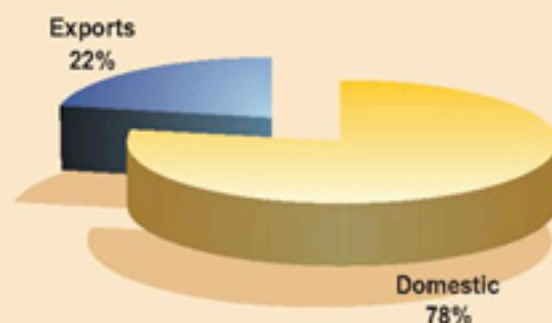


## 2005-06

### Sales Profile



### Sales Domestic Vs Exports



# Global Locations



## Key Information

**Registered Office:** 3<sup>rd</sup> Floor, Bhageria House, 43, Community Centre, New Friends Colony, New Delhi – 110 065

### Registrar

Karvy Computershare Private Ltd.  
"Karvy House", 46, Avenue 4,  
Street No. 1,  
Hyderabad - 500034,  
Andhra Pradesh.

### Auditors

Price Waterhouse  
Chartered Accountants  
P-1, Aditya Vihar, Saidulajab  
Opposite D-Block, Saket  
Mehrauli Badarpur Road  
New Delhi – 110 030

### Bankers

State Bank of India  
ICICI Bank Ltd.  
UTI Bank Ltd.  
Bank of Tokyo Mitsubishi Ltd.  
HDFC Bank Ltd.  
Citibank N.A

### Investor Cell

G.N. Gauba  
(Company Secretary & Chief Financial Officer)  
E-mail: investorrelations@motherson.com



# Our Principal Partner



Sumitomo Wiring Systems, Ltd. Japan



Our principal partner Sumitomo Wiring Systems, Ltd. (SWS) has the second highest share in wire harnesses in Japan and the third highest share worldwide. The company's current revenues are Japanese Yen 441 billion with 113 group companies spread over 29 countries.



SWS provides technical support to MSSL in the form of resident technical advisors, training of engineers & production personnel, manufacturing methodologies, Japanese manufacturing techniques, quality circle activities, kaizen, collaborative design & development and global benchmarking. SWS is aiming to realise at global level the best quality at the most competitive cost, and production in optimum locations. To achieve this goal, SWS conducts benchmarking on three levels - company, plant and associates. This global benchmarking has radically raised the competitive environment in MSSL at all levels.

# New Products\*



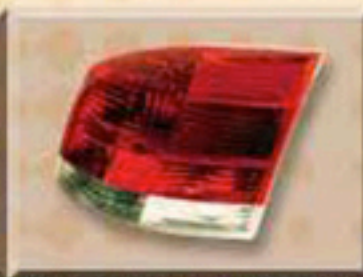
**Aerobin - Waste Management System**



**Machined Metal Components**



**Molded Products for White Goods & Electronics**



**Injection Molded Parts for Automotive Applications**



**Wiring Harnesses**



**Assemblies and Modules**

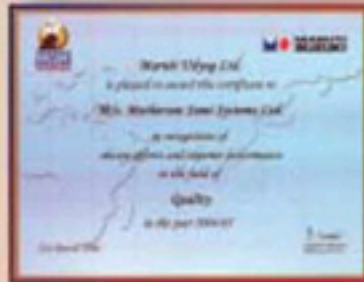
Autosave only

# Customer Recognition



## Maruti Udyog

Outstanding Overall Excellence



Quality Award



Award for Design & Development



Award for Cost Reduction



## Honda Sael Cars

Gold Award for Delivery



Gold Award for Quality Cost & Delivery - Spare Parts



Outstanding Performance - Cost



## Toyota

Best Quality Supplier



Best Improved Supplier



Zero PPM Award



**Sumitomo Wiring Systems**  
Global Quality Award



**MBK**  
Best Supplier Performance



**JCB**  
Best Supplier Award



**NACCO**  
Outstanding Supplier Performance



**Cummins**  
Outstanding Quality & Delivery Performance



**GE Healthcare**  
Quality Award



**Whirlpool**  
Overall Best Supplier



**Whirlpool**  
Best Supplier for Strategic Support

# Management Discussions and Analysis

Motherson Sumi Systems Limited (MSSL) manufactures high performance components assemblies and modules, mainly catering to the requirements of Automotive Industry in India and abroad. The sales performance of the company during the year 2005-2006 on stand-alone and consolidated basis is as follows:

Sales	2005-06	2004-05	Rs. in million	
			% Increase/ (decrease)	
<b>Stand-alone</b>				
• Domestic	5,508	4,478	23.0%	
• Exports	1,533	1,058	44.9%	
<b>Total</b>	<b>7,041</b>	<b>5,536</b>	<b>27.2%</b>	
<b>Consolidated</b>				
• Within India	6,788	5,582	21.6%	
• Outside India	3,367	2,230	51.0%	
<b>Total</b>	<b>10,155</b>	<b>7,812</b>	<b>30.0%</b>	

Consolidated sales outside India increased from 28.6% to 33.2%. The revenues of automotive and non automotive business have been as follows:

Total Revenue	2005-06	% of total	Rs. in million	
			2004-05	% of total
<b>Stand-alone</b>				
• Automotive	6,294	86.6%	5,082	90.3%
• Non – Automotive	927	12.7%	533	9.5%
• Unallocated/ Inter-segment	49	0.7%	11	0.2%
<b>Total</b>	<b>7,270</b>	<b>100.0%</b>	<b>5,626</b>	<b>100.0%</b>
<b>Consolidated</b>				
• Automotive	8,819	84.4%	6,831	86.3%
• Non automotive	1,591	15.3%	1,088	13.7%
• Unallocated/ Inter-segment	30	0.3%	-	-
<b>Total</b>	<b>10,440</b>	<b>100.0%</b>	<b>7,919</b>	<b>100.0%</b>

## Domestic Automotive Industry:

The Indian Automotive Industry has witnessed a slow down in the growth rate achieved as compared to earlier 2 years. The growth of the Indian Automotive Industry during the last 3 years including 2005-06 was as follows:

Figures in thousand Nos.

Segment	2005-06	2004-05	2003-04
<b>Passenger Vehicles:</b>			
• Numbers	1309	1210	990
• Growth Rate	8.2%	22.2%	36.8%
<b>Commercial Vehicles:</b>			
• Numbers	391	354	275
• Growth Rate	10.6%	28.7%	35.0%
<b>Two Wheelers :</b>			
• Numbers	7601	6530	5623
• Growth Rate	16.4%	16.1%	10.7%

Source: SIAM

On consolidated basis, MSSL achieved significantly higher growth rate compared to domestic automotive industry on account of continued support from its customers, increasing content per car and addition of new components and modules. MSSL also re-structured its subsidiaries and group companies and made acquisitions, which had the following impact in 2005-06:

1. Draexlmaier Motherson Electrical Systems India Limited (DMSIL), which was hitherto a subsidiary of the company, was merged into MSSL w.e.f. 01.04.2005. The company (now part of MSSL) has recorded a turnover of Rs. 219 million during 2005-06 and hence the domestic sales figures of MSSL standalone are higher to the extent, however, this has no impact on consolidated numbers.
2. MSSL has acquired 100% shareholding of Motherson Advance Polymers Limited (MAP) in January 2006 and consequently the figures of MAP are included in the consolidated numbers for a period from 01.02.2006 to 31.03.2006. Supplying mostly to the domestic market, MAP had a turnover of Rs. 94.14 million in these two months. It may be informed that MAP is also being merged into MSSL, the details of which are described elsewhere in the MDA.
3. MSSL through its subsidiary Mothersonsumi Reiner GmbH (MSR) acquired business of metal machining in Germany w.e.f. 01.04.2005. The figures of MSSL consolidated include MSR revenues of Rs. 268.63 million in 2005-06 which are included in the consolidated (outside India) revenue.
4. MSSL also acquired the shareholding of G & S Kunststofftechnik GmbH (G&S), Germany from the



receiver. The receivership was lifted w.e.f 22.08.2005. The consolidated figures of sales outside India include Rs. 169.11 million on account of sales of G&S.

The performance of the company in terms of each of the product groups during 2005-06 has been as follows:

Product Group	Rs. in million		
	2005-06	2004-05	% increase / (decrease)
<b>Standalone</b>			
• Wiring Harnesses	5,338	4,162	28%
• Polymer components	1,313	979	34%
• Rubber /Metal machined components	390	395	(1%)
<b>Total</b>	<b>7,041</b>	<b>5,536</b>	<b>27%</b>
<b>Consolidated</b>			
• Wiring Harnesses	6,996	5,647	24%
• Polymer components	1,766	1,095	61%
• Rubber /Metal machined components	1,393	1,070	30%
<b>Total</b>	<b>10,155</b>	<b>7,812</b>	<b>30%</b>

### Wiring Harnesses:

The wiring harnesses business, which constitutes more than 2/3<sup>rd</sup> of the sales of the company (both on standalone and consolidated basis) witnessed growth in all the segments in which it is operating. MSSL has 14 plants for manufacturing of wiring harnesses and wires in India, of which 3 units are EOUs. In addition to these, the company's subsidiaries and joint ventures have 2 plants in India and 4 outside India.

The company is a leading supplier of wiring harnesses to most of the OEMs in India. MSSL along with its subsidiaries and JVs has a market share of about 65% in the domestic passenger car market, based on assessment done on the numbers of vehicles manufactured.

MSSL customer base spans the entire cross-section of the automotive industry including passenger cars & MUVs, two

wheelers, and commercial vehicles. In addition to this MSSL has a well spread customer base in non automotive segments including tractors, material handling and earthmoving equipment, electrical & electronics and medical systems.

The company is exporting wiring harnesses for passenger cars in Japan and Europe through its collaborator Sumitomo Wiring Systems Ltd. Japan and Sumitomo Electric Wiring Systems, Hungary. MSSL is exporting directly to a wide customer base including J C Bamford in UK, NACCO in Ireland and other locations, Piaggio, Ducati, MBK, KTM, Yamaha, and Cummins USA. Export customer segments include automotive OEMs and automotive system suppliers, material handling & earthmoving equipment, agriculture & farm equipment and medical equipment. Major exports are to Japan, Europe and USA. Direct Exports to customers grew by 48.5% during the year.

Market	Rs in million		
	2005-06	2004-05	% increase/ (decrease)
<b>Standalone</b>			
• Domestic	4,195	3,435	22.1%
• Exports	1,143	727	57.2%
<b>Total</b>	<b>5,338</b>	<b>4,162</b>	<b>28.3%</b>
<b>Consolidated</b>			
• Domestic	5,167	4,335	19.2%
• Exports	1,829	1,312	39.4%
<b>Total</b>	<b>6,996</b>	<b>5,647</b>	<b>23.9%</b>

On consolidated basis, exports of wiring harnesses constitute 26% of the total wiring harness revenue. During the year exports from India grew by 57%. Company's exports to the Joint venture partner from India grew from Rs. 186.94 million to Rs. 340.66 million, showing growth of 82%. Exports to SEWS Europe grew from Rs. 127.79 million to Rs. 468.84 million in 2005-06.

### Polymer:

Motherson Automotive Technologies & Engineering (MATE), polymer division of the company, is engaged in manufacturing of wide range of injection molded components & assemblies, blow molded components, and integrated modules including door trims and IP Modules. The year 2005-06 was one of

# Management Discussions and Analysis

the landmark years for MATE. During the year, the company successfully established itself as a "Full System Solutions Supplier" supplying complete modules to its customers. MATE successfully implemented the project for manufacturing of plastic parts, door trims, bumpers and instrument panel (IP) modules to Ford's new car "Fiesta". Involving right from the design stage, MATE has developed 113 tools and 168 components for Fiesta. As mentioned in earlier Annual Reports, MATE entered into a technical know how agreement with KEP for design and successful implementation of parts. Since Fiesta was launched during the 2<sup>nd</sup> half of the year, the company's sales of modules and components for Fiesta do not cover full year of operations. In plastic components, MATE is partnering with its customers in designing vehicle exteriors and interiors and developing engineering capability to produce value added plastic parts and modules. MSSL's ability to provide integrated services, particularly in tool design and tool manufacturing within the group gives a competitive advantage to this business.

Rs. in million			
Market	2005-06	2004-05	% increase / (decrease)
<b>Standalone</b>			
• Domestic	1,162	930	25.0%
• Exports	151	49	206.9%
<b>TOTAL</b>	<b>1,313</b>	<b>979</b>	<b>34.2%</b>
<b>Consolidated</b>			
• Domestic	1,255	926	35.6%
• Exports	511	169	201.8%
<b>TOTAL</b>	<b>1,766</b>	<b>1,095</b>	<b>61.3%</b>

MATE is a key supplier of plastic parts and assemblies to Ford India, Maruti Suzuki, Hyundai Motors, Honda Siel and Toyota Kirloskar in the automotive business and to Whirlpool India, in the non automotive business. During the year, the company commenced manufacturing of AEROBIN for joint venture, Global Environment Management (FZC), described in details in "Performance of Subsidiaries & Joint Ventures." On consolidated basis, the results of the company include turnover from G&S for part of the year. G&S, located in Germany, is engaged in manufacturing of plastic components, catering to the requirements of Tier 1 Auto components manufacturers in Europe.

The consolidated figures also include figures of MAP for a period of 2 months. MAP is engaged in the manufacturing of injection molding plastic components; majority of its turnover comes from white goods industry.

MSSL has 11 units engaged in manufacturing of plastic components of which 9 units are in India and 2 are located outside India, under its subsidiaries.

## Rubber Components, Heat Sinks and Others:

Rs in million			
Market	2005-06	2004-05	% increase / (decrease)
<b>Standalone</b>			
• Domestic	151	114	33.4%
• Exports	238	281	(15.2%)
<b>TOTAL</b>	<b>389</b>	<b>395</b>	<b>(1.3%)</b>
<b>Consolidated</b>			
• Domestic	366	322	13.7%
• Exports	1,028	749	37.3%
<b>TOTAL</b>	<b>1,394</b>	<b>1,071</b>	<b>30.2%</b>

The figures on standalone basis for 2004-05 also include the figures of erstwhile Elastomer division for a period of 2 months since the same was transferred to Woco Motherson Elastomer Limited from 01.06.2004 and hence the same are not comparable with the current year figures. Export of Heat sinks, which is done by SPBU showed a good performance and grew by 18%. The division has now added new customers and is expected to grow the business.

The consolidated results also include the figures of Mothersonsumi Reiner GmbH, company's subsidiary in Germany which manufactures machined metal parts, supplying to automotive Tier 1 suppliers in Europe.

Other product groups of the company, namely mirrors, fuse and fuses related components have done well and the performance of these businesses, including Elastomer has been discussed in details under "Performance of Joint Ventures"



## Performance of Subsidiaries & Joint Ventures

The summary of performance of company subsidiaries and joint ventures is as follows :

	Rs in million								
	MSSL Holding	Capital Employed		Net Sales		Profit After Tax		Capital Expenditure	
	2005-06	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
<b>Subsidiary / Joint Ventures</b>									
MSSL Mideast (FZE) <sup>5</sup>	100%	935.59	617.52	1,040.15	783.75	145.92	112.38	179.49	74.56
Mothersonsumi Reiner GmbH <sup>1,6</sup>	80%	144.41	-	268.63	-	(29.34)	-	232.49	-
Motherson Electrical Wire Lanka Pvt. Ltd.	100%	180.73	94.59	411.25	172.98	60.03	15.77	20.04	11.55
Motherson PUDENZ WICKAMNN Ltd.	56.13%	48.55	38.81	58.19	66.09	8.99	7.54	0.45	3.54
Motherson Advance Polymers Ltd. <sup>4</sup>	100%	231.39	-	94.14	-	129.91	-	2.01	-
MSSL Hag Toolings Ltd. (FZC) <sup>1,2</sup>	100%	32.16	31.76	31.54	29.82	(5.78)	(8.46)	6.38	9.07
G & S Kunststofftechnik GmbH <sup>1,3</sup>	100%	108.58	-	169.11	-	75.44	-	14.10	-
Global Environment Management (FZC) <sup>1</sup>	50.01%	8.63	-	-	-	(16.69)	-	-	-
Kyungshin Industrial Motherson Ltd.	50%	365.55	317.11	1,610.80	1,357.28	106.27	77.34	17.76	271.26
Schafenacker Motherson Ltd.	49%	108.53	133.81	446.65	411.65	17.75	54.27	24.06	34.12
Woco Motherson Elastomer Ltd.	33.33%	166.17	110.77	384.14	342.45	34.53	38.78	5.13	75.72
Woco Motherson Ltd. - FZC	33.33%	137.50	111.26	252.91	198.43	87.57	57.51	0.95	13.64
Woco Motherson Advanced Rubber Technologies Ltd.	33.33%	250.69	0.50	-	-	(18.90)	(0.82)	251.09	-
Balda Motherson Info Devices Ltd.	100%	1.94	-	-	-	(0.57)	-	1.81	-
<b>Support Companies</b>									
MSSL Ireland Pvt Ltd. <sup>1,2</sup>	100%	1.71	3.10	26.78	15.65	7.85	(3.70)	0.07	0.58
MSSL (S) Pte Ltd.	100%	2.25	2.71	-	-	(0.45)	0.08	1.55	-
MSSL GB Ltd.	100%	0.11	0.39	-	-	(0.27)	0.31	0.05	-
MSSL GmbH <sup>1,2</sup>	100%	153.67	13.28	6.86	-	(1.89)	(0.23)	5.67	-
MSSL Mauritius Holdings Ltd. <sup>1,2</sup>	100%	89.32	54.25	-	-	18.53	9.00	-	-
MSSL Handels GmbH	100%	3.65	2.71	0.32	-	(2.93)	(1.47)	-	1.41

### Notes :

1. The following exchange rates have been considered for 2005-06 (rate used in 2004-05 given in brackets) :

- Euro = Rs 53.89 (Previous year Rs 56.51)
- Sri Lankan Rs = Rs 0.442 (Previous year Rs 0.442)
- Sing \$ = Rs 26.63 (Previous year Rs 26.81)
- Aus \$ = Rs 31.67
- GBP = Rs 71.02 (Previous year Rs 82.19)

<sup>1</sup> Year ended December 2005

<sup>2</sup> The financial year changed to December closing and hence the figures represented are for a period of 9 months

<sup>3</sup> The figures of G&S are from 22<sup>nd</sup> August 2005 to 31<sup>st</sup> December 2005.

<sup>4</sup> The figures of Motherson Advance Polymers Limited are for a period of 2 months from 01.02.2006 to 31.03.2006.

<sup>5</sup> Excludes trading sales of Rs. 142.28 million

<sup>6</sup> Includes Rs. 141.29 million assets acquired consequent to acquisition of business.

# Management Discussions and Analysis

## **MSSL Mideast (FZE) [MSSL-ME], Sharjah (100% owned by MSSL) :**

MSSL Mideast (FZE), located in SAIF Zone Sharjah, manufactures wiring harnesses for material handling equipment and off road vehicles. It also manufactures automotive wiring harnesses for global requirements of SWS, and is presently supplying to SEWS Hungary. Exports to SEWS grew from Euro 2.29 millions to Euro 8.70 million in 2005-06. Total turnover grew from Euro 13.87 million to Euro 21.94 million in 2005-06 which also includes a trading turnover of Euro 2.64 million. The actual increase in manufactured goods turnover is 39% over the previous year. During the year 2005-06, the company's main customer in material handling segment had change-over of models and the company has successfully introduced new products.

MSSL is forming a new joint venture with SWS. This JV will manufacture wiring harnesses for global requirements of SWS. As a first step, it has been agreed between JV partners to transfer the business of existing supplies to SWS to this joint venture. This will help MSSL Mideast to focus on direct exports to the customers, mainly in non-passenger car market, while the new JV will cater to global requirements of passenger car market for which SWS has orders and has decided to manufacture those harnesses at Sharjah.

## **Motherson Electrical Wires Lanka Pvt. Limited [MEWL] (100% subsidiary of MSSL):**

The company engaged in the manufacturing of wires at Sri Lanka achieved turnover of Rs. 411.25 million, growth of 138% over the last year.

## **MSSL Hag Toolings Ltd. (FZC)[MTL], Sharjah - (100% subsidiary of MSSL Mauritius Holdings Limited):**

MTL, strategically located at SAIF Zone, Sharjah, specialises in manufacturing of Precision injection molding tools and components, serving mainly European and US customers.

During the year, MSSL through MSSL Mauritius purchased the shareholding held by HAG Kunststofftechnik, and the company has now become 100% subsidiary of MSSL. As a part of the settlement, the loan of Euro 155,000 was waived off, however the same does not have an impact on the consolidated profitability of the company.

During the year, the company recorded Net Sales of Euro 585,287 against sales of Euro 527,730 in the previous year.

With the setting up of plastic manufacturing facilities at Sharjah, this company will also support the tooling requirements of the Group plastic business, in addition to its own tooling customers.

## **MSSL GmbH, Germany (100% subsidiary of MSSL Mideast):**

During the year 2004-05, the company promoted 100% subsidiary (through MSSL Mideast) as a holding company for holding investments into new entities/acquired entities in Europe. In addition to holding investments in company subsidiaries, the company provides management support to the European entities. It is also responsible for setting targets as well as monitoring the performance of these entities. The team at MSSL GmbH, together with the relevant people at each division in India, is also working very closely on acquisition targets, scanning the acquisition opportunities, carrying due diligences / negotiations etc.

The company is also restructuring its Europe offices / various subsidiaries and the same are being consolidated into MSSL GmbH. MSSL GmbH has recently purchased land measuring 23,290 sq meters at a location in Spraitbach, 57 Km from Stuttgart. The location is ideally suited for our existing subsidiary G&S and also for establishing warehousing and logistics centre for our exports to Germany.

The financial year of the company was changed to December and hence the figures of 2005-06 represent figures of 9 months from 01-04-2005 to 31-12-2005.

## **G & S Kunststofftechnik GmbH, Germany [G&S](100% subsidiary of MSSL GmbH): New Acquisition in Germany**

G & S Kunststofftechnik GmbH is a company specialising in manufacturing of injection moulded components and two component resin injection molding, supported by post manufacturing processes like mirror molding , rotation welding etc. Company's facilities are strategically located 57 kms from Stuttgart. Main customers of the company are European Tier 1 suppliers to automotive industry.

MSSL had been negotiating acquisition of G&S which was into receivership since May 2004. MSSL GmbH acquired 100% of the shares of the Company on August 22, 2005. For the applicable period from August 22, 2005 to December 31, 2005, G&S recorded sales of Euro 3.14 Million whereas for the full year 2005 G&S sales were Euro 8.73 Million.



The company is making cash profit as well as book profit from first year itself.

**Mothersonsumi Reiner GmbH [MSR], Germany (80% held by MSSL GmbH): New Acquisition in Germany**

Our second "acquisition" for the year was in the form of 80% shareholding in Mothersonsumi Reiner GmbH, located in Donaueschingen, about 120 Kms from Stuttgart in Germany. The Company was formed by taking over the running business of Reiner Präzision GmbH for manufacturing of precision machined components. The acquisition of MSR is another step towards expanding the product range as well enlarging the customer base of metal machining business. The Special Purpose Business Unit (SPBU) of MSSL at Bangalore, which manufactures metal machined heat sinks, has been consistently performing very well since the beginning. The Division, last year, recorded a turnover of Rs 223.67 millions and is one of the highest profitable division of the company.

For the nine month period from April–December 2005, Mothersonsumi Reiner GmbH had sales of Euro 4.98 Million. After taking over the business, the management is focussing on improving its performance in terms of cost, quality and delivery to the customers. The response from the customers is very encouraging and we are making investments in adding new capacities for meeting the increased requirements from them. The company is also working on plans for shifting of high labour content jobs to Bangalore. The increase in revenues together with the cost cutting measures being taken will help the company to turnaround within a period of 1-2 years.

**Global Environment Management (FZC) [GEM], Sharjah (50.01% held through MSSL Mauritius Holdings Limited) New Joint Venture in Sharjah & Australia**

Global Environment Management (GEM) is a joint venture between Motherson Group and E-Compost, Australia. The company provides systems for recycling of waste. The product AEROBIN incorporates patented AEREATING technologies which reduce the time required for composting. MSSL has exclusive rights for manufacturing of Aerobin. The Joint venture partner E-compost has transferred patents for Aus \$ 250,000 in consideration of shares to be allotted to them whereas MSSL Mauritius will be allotted shares at a premium, for which an advance against equity of Aus \$ 1 million has been invested.

The company has received a good feedback for the product. It has successfully launched a website ([www.aerobin400.com](http://www.aerobin400.com)) making it easier for the buyer to purchase the product online. GEM is aggressively working towards creating a good market for AEROBIN. We are expecting this joint venture to perform well in future.

The Joint venture had a loss of Rs. 16.69 millions mainly on account of costs associated with registration of the patents, techno feasibility study and initial set up costs.

**Motherson PUDENZ WICKMANN Ltd. [MPWL], India (MSSL Holding 56.13%)**

MPWL, joint venture with Wickmann Group (which is part of Littlefuse Inc., USA) is engaged in the manufacturing of blade type fuses for automotive industry, fuse holders and fuse holder systems for varied applications in electronics, electrical and automotive Industry. The Joint venture is also engaged in distribution of Electronic Circuit Protection components to leading OEMs' mainly in consumer electronics industry.

During the year 2005-06, the joint venture had a turnover of Rs.58.19 million as compared to Rs 66.09 million in 2004-05. The main focus of the joint venture during the year has been integration of the business into global Littlefuse portfolio, consolidation of product lines as well as customers' approvals for the new part numbers. The manufacturing of present range of blade type fuses may be phased out due to change of the technology associated with the same.

**Joint Ventures:**

**Kyungshin Industrial Motherson Ltd. [KIML], India (Joint Venture, 50% holding by MSSL):**

The joint venture with Kyungshin Industrial Corporation, Korea, is catering exclusively to the wiring harnesses requirements of Hyundai Motors India Limited for its complete range of cars manufactured in India. The joint venture achieved a turnover of Rs.1610.80 million as compared to Rs.1357.28 million in the previous year. The company has proposed a 30% dividend for the year 2005-06. The company has shifted to its newly set up plants at Chennai and is now in the process of adding new facilities in line with the customer's increasing requirements. In order to part finance the capital expenditure, KIML has proposed to enhance its present share capital from Rs.72 million to Rs.172 million in 2006-07.

# Management Discussions and Analysis

## Schfenacker Motherson Limited [SML], India (49% holding by MSSL):

This joint venture with Schfenacker AG, Germany is engaged in designing and manufacturing of automotive mirrors and cable assemblies, with manufacturing facilities at Noida and Chennai. The company achieved a turnover of Rs. 446.65 million (previous year: Rs. 411.65 million). During the year ending 31<sup>st</sup> December 2005, SML also revised the rates of depreciation with respect to certain assets, which had an additional one time depreciation charge of Rs. 21.64 million.

During the year ending 31<sup>st</sup> December 2005, the company declared an interim dividend of Rs. 31.51 million, of which MSSL received an amount of Rs. 15.44 million as dividend. As had been informed previously, MSSL had earlier made a provision of Rs. 50 million against its investment, which was added back since no longer required as "other Income".

## WOCO Motherson Ltd. (FZC) [WML], Sharjah (33 1/3 % held through MSSL Mauritius):

Woco Motherson, a joint venture with WOCO is located at SAIF Zone, Sharjah. The company specialises in Liquid Silicon Rubber Injection Molding. 100% production of the joint venture is exported back to the collaborator, utilising full advantage of logistics infrastructure at Sharjah. The Joint Venture recorded a turnover of Euro 4.69 million (previous year Euro 3.51 million) and MSSL Mauritius received a dividend amount of Euro 0.35 million during the year from the joint venture.

## WOCO Motherson Elastomer Limited, (WMEL) India (33 1/3 % by MSSL):

WMEL, a joint venture with WOCO, Germany is engaged in manufacturing of rubber and rubber metal components, with manufacturing facility at Noida. The joint venture achieved turnover of Rs. 384.14 million during the year 2005-06 as compared to Rs. 342.87 million in 2004-05. In Euro terms, turnover of the company was Euro 7.2 million as compared to Euro 7.1 million in 2004-05 including turnover done in April/May 2004 as a part of MSSL. Profitability of the joint venture was affected due to higher raw material costs and lower average Euro-Rupee realisation.

The shareholding of this joint venture has been re-structured at the end of the year wherein WMEL ceases to be subsidiary of MSSL. While for the year 2005-06, WMEL has been consolidated as subsidiary, the same will be considered as

joint venture from 2006-07 onwards.

## WOCO Motherson Advanced Rubber Technologies Limited [WMART], India (33 1/3 % holding by MSSL):

WMART a joint venture with WOCO has set up facilities for manufacturing and export of rubber, rubber to metal and rubber to plastic bonded parts mainly for automotive industry. The facility located in Kandla Special Economic Zone has been completed and trial runs for customers' approvals are underway. The project was delayed by about 3 months due to delay in construction of building and transfer of molds from Europe etc.

The Board is pleased to inform that the joint venture, during the year 2006-07 has commenced commercial supplies and is now working as per budgets.

## New Joint Ventures/acquisitions in India :

### Motherson Advance Polymers Limited, India [MAP] (100% held by MSSL – merger under consideration of Delhi High Court)

Motherson Advance Polymers Limited manufactures large sized injection molded plastic components with strong presence in products for consumer durables, white goods, electronics and automotive industry having specialisation in aesthetic items.

During the year 2005-06, the company acquired 100% of the shareholding from related party at valuation done by independent valuer at Rs. 98.28 million. The company also decided to merge the entity into MSSL w.e.f. 1<sup>st</sup> February, 2006 as approved by the shareholders.

The results for period of 2 months have been consolidated in the results

The summary of results of the company is as follows:

	2005-06	Rs in million 01.02.2006 to 31.03.2006
• Sales	448.24	94.14
• PBIDT	156.34	139.55
• PBT before extra ordinary expense/income	(22.11)	4.69
• Extraordinary Income/Expenditure	104.11	125.22
• Net Profit	82.00	129.91



The extraordinary income/expenditure includes an income of Rs. 134.18 million arising out of one time settlement that has been set off against the consideration and hence has no impact on consolidated results of the company.

MAP has carried forward unabsorbed depreciation of Rs. 359.37 million, which will be considered as set off against tax liability of MSSL on approval of merger scheme by Honorable High Court.

**Balda Motherson Info Devices Limited, India (100 % held by MSSL at present– to be converted into Joint Venture with MSSL holding 40% share)**

The company has signed new joint venture with Balda AG for manufacturing and distribution of parts, accessories and appliances for mobile phones and provision of after-sales services of these appliances in India. The Joint venture will have MSSL and Balda shareholding in the ratio of 40:60 respectively. The joint venture would supply parts to Balda's global customers who have announced to set up facilities for manufacturing of mobile hand sets or have already started to do so. Balda AG ([www.balda.de](http://www.balda.de)) is the world's 2<sup>nd</sup> largest systems supplier of precision components made from high performance plastics for the mobile phone industry. Balda's technologies in tool-making, manufacturing processes and in surface techniques hold leading position worldwide. In addition to five manufacturing plants in Germany, Balda has factories in China, Brazil, Malaysia and Hungary.

The Project implementation at Chennai is in full swing. Orders for major machinery have been placed and training of key personnel is being undertaken at Balda's plants. The Joint venture expects to go into operation in mid 2006.

**Support Subsidiaries:**

**MSSL Mauritius Holdings Limited [MMHL] , Mauritius (100% subsidiary of MSSL) :**

The company, incorporated in Mauritius, is holding investments in WOCO Motherson Limited (FZC) Sharjah, MSSL Ireland Pvt. Limited, Ireland, MSSL Hag Toolings Limited (FZC), Sharjah and Global Environment Management (FZC), Sharjah. During the year, the company had an income of Rs. 0.38 million, by way of dividend and interest from the subsidiaries.

**MSSL Ireland Pvt Limited [MSSL-IR], Ireland (100% subsidiary of MSSL Mauritius Holdings Limited)**

The company, incorporated in Ireland, provides design services, mainly to wiring harnesses customers. It also provides logistics support services to MSSL and MSSL Mideast enabling them to supply on line to the customers. During the year, the company had net sales & services of Rs.26.78 million as compared to Rs.15.66 million in the previous year. During the year , the company has been able to turn around and achieved both book as well as cash profit.

**MSSL (S) Pte Limited, Singapore (100% subsidiary of MSSL):**

The company, incorporated in Singapore, provides support to MSSL and its group companies mainly for international purchasing. During the year, the company earned a service income of Rs. 0.92 million as against Rs. 0.47 million in the previous year.

**MSSL (GB) Limited, UK (100% subsidiary of MSSL Mideast (FZE):**

The company, incorporated in UK, is engaged in providing services to MSSL, both for studying the market as well international purchasing from the region. During the year, the company earned service income of Rs. 0.71 million.

**MSSL Handels GmbH, Austria (100 % subsidiary of MSSL):**

The company, incorporated in Austria, provides support to MSSL by coordinating with the customers. During the year, the company had net sales of Rs. 0.32 million.

**Loans and Funds position:**

The position of loans as on 31.03.2006 is as follows:

Loans	Rs. in million			
	Consolidated		Standalone	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
Short terms loans	770.01	423.98	643.35	359.24
Long term loans	779.77	759.52	369.10	363.10
Foreign Currency				
Convertible Bonds	2,714.69	-	2,714.69	-
<b>TOTAL</b>	<b>4,264.47</b>	<b>1,183.50</b>	<b>3,727.14</b>	<b>722.34</b>

# Management Discussions and Analysis

The loan figures also include the following loans acquired from the acquired entities:

Rs. in million

	Short Term	Long Term
1. G&S	43.20	-
2. MSR	19.64	70.10
3. MAP	27.48	128.08*
<b>Total</b>	<b>90.32</b>	<b>198.18</b>

\* Does not include Rs. 134.18 million subsequently waived off as one time settlement (see note under MAP)

## Foreign Currency Convertible Bonds (FCCB):

During the year 2005-06, the company has raised long term funds of Euro 50.30 million, by way of Foreign Currency Convertible Bonds (FCCBs). These Bonds are convertible into shares at the option of Bondholders within the tenure of the Bonds at a share price of Rs. 111.15 per share at a fixed exchange rate of Euro1 = Rs. 52.01. As per current guidelines, these funds can be utilised either for expansion of the group's manufacturing operations in India and overseas acquisition and investments internationally. The company has bank deposit of Euro 29.32 million (including interest on deposits) equivalent to Rs.1,582.12 million as on 31.03.2006, out of funds raised by FCCB.

In consistence with the conservative policy being followed by MSSL, the premium payable on redemption of bonds on 16<sup>th</sup> July 2010, in case the Bonds are not converted into shares is being amortised as charge to P&L account as Finance Cost, apart from amortisation of issue expenses. In addition, the exchange fluctuation on the principal amount together with the amortised amount of premium is also accounted as Gain/(Loss) on exchange fluctuations. It may be noted that there is no cash outflow either on account of charge to P&L account in respect of amortised amount of premium or exchange fluctuation. These amount, net of tax, shall be added back to P&L or reserves in case of conversion.

## Profitability of the company:

During the year, the company's profitability was as follows:

Rs. in million

	2005-06	2004-05	% Increase/ (Decrease)
<b>Stand-alone</b>			
• Sales	7,041	5,536	27.2%
• Other Income	229	90	151.5%
• Raw Material	3,913	2,956	32.4%
• Employee Cost	657	501	31.1%
• Other Expenditure	1,284	1,035	24.0%
• PBIDT	1,416	1,134	24.9%
• Interest	124	20	533.2%
• Depreciation	349	264	31.9%
• Profit before tax	943	850	11.0%
• Profit after tax	768	621	23.8%
• Earning per share	3.27	2.64	23.9%
<b>Consolidated</b>			
• Sales	1,0155	7,812	30.0%
• Other income	285	107	165.8%
• Raw Material	5,603	4,276	31.0%
• Employee Cost	1,024	691	48.2%
• Other Expenditure	1,931	1,450	33.2%
• PBIDT	1,882	1,502	25.1%
• Interest	158	34	371.8%
• Depreciation	465	341	36.2%
• Profit before tax	1,259	1,127	11.5%
• Profit after tax	1,008	840	20.1%
• Earning per share	4.29	3.58	19.8%

## Other Income:

During the year, there has been increase in other income due to operating service income of the company, however, the same includes one time add back amount of Rs. 74.91 million by the old creditors of G&S which is included in "consolidated other income" (before MSSL took over) as per agreement filed/ approved by the Court. In addition, the company has also added back the provision of investment of Rs. 50 million, which was earlier made. The same is included in "Other Income", though the same does not have an impact on consolidated profitability.

## Raw Material Cost:

The company makes continuous efforts to reduce the raw material costs through VA/VE, cutting wastages year on year and by alternate sourcing. During the year price of copper, which is one of the key material used by wiring harnesses, had unprecedented rise. The raw material costs



in percentage terms also vary with the changes in product mix, eg: modules use higher bought-out content.

### Employee Cost:

The Employee cost for the year 2005-06 also includes Rs. 156.98 million incurred at new entities in Germany. At the same time, the company needs to prepare itself for new products well before launch by hiring and training manpower. The company has fair policy of rewarding its employees commensurate with the improvements brought in.

### Interest Costs:

The interest charge includes an amount of Rs. 121.32 million charged to P&L account on account of premium payable on redemption of FCCB bonds, in case the bonds do not get converted and issue expenses are amortised over the period of bonds. The deposits with the banks earned an income of Rs. 32.48 million during the year.

Depreciation includes one time charge of Rs. 38.41 million on account of revision in useful life of certain assets, mainly furniture & office equipment etc.

### Earning Per Share (EPS):

The EPS on consolidated basis is Rs. 4.29 per share, having an increase of 19.8% over the previous year. However this EPS has been considered on the existing capital base without dilution of equity on account of conversion of FCCB bonds into shares. The EPS, on diluted equity for the year (based on conversion into equity share i.e. after expanded capital), works out to Rs.4.27 per share.

### Capital Expenditure:

During the year, the company has incurred an amount of Rs. 1,748 million (including net capital advances of Rs. 331 million) on consolidated basis and Rs. 1057 million (inclusive of net capital advances of Rs.159 million) on standalone basis.

The company incurred main expenses on the following:

	Rs. in million	
	Consolidated	Standalone
1. Land & Building	581	234
2. Plant & machinery	959	764
3. other assets	208	59
<b>Total</b>	<b>1,748</b>	<b>1,057</b>

The consolidated figures also include addition to fixed assets of Rs. 141 million acquired consequent to take over of Mothersonsumi Reiner GmbH.

### Cash Flow:

Summary of cash flow during 2005-06 on consolidated and standalone basis is as follows:

(The details of funds utilisation during the year is included in Cash Flow)

	Rs. in million			
	Stand-alone		Consolidated	
	2005-06	2004-05	2005-06	2004-05
<b>Sources of Cash</b>				
Operating profit before working Capital	1,368	1,133	1,834	1,506
Non-Operating Income	26	8	-	1
Refund of Loan from Subsidiary	-	-	47	18
Increase of Debt				
- Foreign Currency Convertible Bonds	2,726		2,726	
- Other loans	384	187	456	402
Proceeds from minority Shareholders				
Consideration Received on Transfer of erstwhile Elastomer Division	-	123	-	-
<b>Total</b>	<b>4,504</b>	<b>1,451</b>	<b>5,065</b>	<b>1,980</b>
<b>Application of Cash</b>				
Net Capital Expenditure	1,057	801	1,748	1015
Increase in Working Capital	547	100	674	255
Net Debt Repayment	279	154	457	180
Investment in Subsidiaries/Others	148	17	103	-
Loan to Subsidiary	476	3	-	-
Interest Charge & Lease Rental	17	24	62	48
Purchase of minority interest in subsidiaries	-	-	12	-
Dividend Payout				
2004-05	267	176	271	176
Corporate Taxes	197	177	245	222
<b>Total</b>	<b>2,988</b>	<b>1,452</b>	<b>3,572</b>	<b>1,896</b>
Increase / (Decrease) in Cash & Cash Equivalents	1,516	(1)	1,493	84

# Management Discussions and Analysis

## Risk & Concerns:

The company operates mainly in automotive components industry, which is highly competitive. At the same time, the cyclical nature of automotive industry and economic growth affects the performance of our company.

The company is conscious of risks associated with the business and has been de-risking the model by developing a diverse customer base together with focus on increasing exports. The company is also acquiring overseas companies, apart from setting up units in overseas location with distinct location advantages to reduce the dependence on any single location, product or market segment.

## Human Resources:

We consider our human resource to be our most important asset. We have developed a culture where a sense of belongingness and ownership of work are the key motivating factors. In our manufacturing units, for each activity there is a person declared as the owner of that activity, who takes the onus of maintaining and improving that activity. This involvement spans from on the job activities to extra-curricular activities including cultural programs and competitions.

We continuously make efforts to upgrade the skills of our employees through training and development programs. Our endeavour is to provide world class training to create a world class work force. These efforts have started showing results. Our team participated in the Global Skill Olympics organised by our collaborator SWS, and won one gold and one bronze medal.

Quality Circle movement has been gaining more strength in the company. We have more than 135 quality circles operating within MSSL and its subsidiaries & JVs. During the year our quality circles have won prizes including first prize in quality circle competition organised by CII Northern region, Delhi Chapter, The Distinguished Case Study Award and Excellent ratings at competition held by QCFI and First prize at regional level QC competition organised by TKML Supplier Association.

During the year we declared a program – War on Waste aimed at waste reduction in all the processes. This involved employees at all the levels. Employees have been contributing valuable suggestions on reducing wastes in various areas.

Working at a global level we now have employees of different nationalities, languages and cultures. This has helped us in giving a global exposure and understanding to our employees. This also helps us in understanding and serving our customers across the globe in a better way.

## Environment, Health and Safety

We pay utmost attention to safety of our employees, related communities and environment at large. We are an environment conscious company. Most of our units are accredited with ISO 14001 certification.

We have been developing products that help in improving environment. Our subsidiary Global Environment Management is dedicated to developing products for environment improvement. Their first product Aerobin is a revolutionary product which employs patented Aereating technologies which reduce time required for composting in recycling of waste.

## Opportunities & Future Prospects:

The year 2005-06 ended on a good note, with last quarter sales both on standalone and consolidated turnover touching the new high at Rs. 2,206.64 million and Rs. 3,054.18 million respectively. The investments made during the first half of the year have started showing results. During the current year, we expect to make capital expenditure of Rs. 150 million to Rs.175 million, apart from any investment in new acquisitions, which are being evaluated by the company. While the commodities prices do not seem to give any respite, the company through its cost cutting measures and with the support of its customers and growth in the domestic market is expected to give good performance.

## Cautionary Statement

*Certain Statements made in the Chairman's Review and Management Discussions and Analysis Report relating to the company's objectives, projections, outlook, expectations, estimates etc. may constitute 'forward looking statements' within the meaning and scope of applicable laws and regulations. Actual results may differ materially from such expectations, projections etc. whether express or implied. Several factors could make significant difference to the company's operations. These include climatic conditions, economic conditions affecting demand and supply, government regulations and taxations, natural calamities etc. over which the company does not have direct control.*



## NOTICE

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth Annual General Meeting of the members of Motherson Sumi Systems Limited will be held at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi on Monday the 7<sup>th</sup> day of August, 2006 at 11.00 a.m. to transact the following business :

### AS ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To consider declaration of dividend by the Company, as recommended by the Board of Directors for the year ended March 31, 2006.
3. To appoint a Director in place of Mr. A. Yamauchi who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Bimal Dhar who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office up to the conclusion of next Annual General Meeting and to fix their remuneration.

### AS SPECIAL BUSINESS :

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

**“RESOLVED THAT** Mr. Arjun Puri who was appointed by the Board of Directors as an additional director of the Company with effect from 11<sup>th</sup> January, 2006 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing his candidature for the office of director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation.”

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

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, read along with Schedule XIII or any other applicable provisions, if any, of the Companies Act, 1956 approval be and is hereby accorded to the increase in remuneration payable to Mr. Pankaj Mital, Manager of the company and designated as Chief Operating Officer of the Company w.e.f. 01.04.06 :

#### A. Salary :

Rs. 153,000/- per month. Chief Operating Officer shall also be entitled to Bonus as per the Company's Rules.

#### B. Perquisites and Allowances :

Chief Operating Officer shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, medical reimbursement, leave travel concession for self and his family including dependants, other perquisites and amenities in accordance with the rules of the Company subject to overall ceiling on remuneration prescribed under Section 198 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

#### C. Provident Fund and Superannuation Fund etc.:

- Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable at the rate not exceeding half month salary for each completed year of service.
- Encashment of Leave at the end of tenure will be permitted in accordance with the rules of the Company.
- The Company shall provide a car for the use of Chief Operating Officer.

The above mentioned perquisites will not be included in the computation of the ceiling on remuneration.

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# Motherson Sumi Systems Ltd.

## D. Minimum Remuneration:

Notwithstanding anything herein, where in any financial year, during the currency of tenure of the Chief Operating Officer, the Company has no profits or its profits are inadequate in any financial year, the remuneration payable to him shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof.

By Order of the Board  
for **MOTHERSON SUMI SYSTEMS LIMITED**

Sd/-

Date : May 26, 2006  
Place : Noida

**G.N. GAUBA**  
**COMPANY SECRETARY & V.P. FINANCE**

## NOTES

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item 6 & 7 is annexed hereto. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE THE MEMBER OF THE COMPANY. Under the Companies Act , 1956 , voting is by a show of hands unless poll is demanded by a member or members present in person or by proxy, holding at least one-tenth of the total shareholding entitled to vote on the resolution or by those holding paid up capital of not less than Rs 50000. A proxy shall not vote except on a poll.**
2. Proxy must be deposited not later than 48 hours before the commencement of the meeting. The Members / Proxies should bring their attendance slip, sent herewith, duly filled in, for attending the meeting.
3. Register of Members and Share Transfer Books of the Company will remain closed from 1st August, 2006 to 7th August, 2006 (both days inclusive).
4. The dividend on equity shares, if declared, shall be paid to those members whose names appear in the Register of Members of the Company as on 7th August, 2006. With respect to shares held in electronic form the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on 31st July, 2006 as per details furnished by the Depositories for this purpose.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of 7 years would be transferred to the "Investor Education and Protection Fund (IEPF)", constituted by the Central Government and the shareholder(s) would not be able to claim any amount of dividend so transferred to the Fund.
6. The proposed date for the transfer of dividend by the Company for the year 1998-1999 to IEPF is 11th September, 2006.
7. The members are requested to :
  - a) Quote their folio number while corresponding with the Company.
  - b) Notify any change in their registered address immediately.



## EXPLANATORY STATEMENT

### (Pursuant to Section 173(2) of the Companies Act, 1956)

#### Item No. 6

- : The Board of Directors have appointed Mr. Arjun Puri as an Additional Director of the Company w.e.f. 11.01.06. Pursuant to Section 260 of the Companies Act, 1956, Mr. Arjun Puri will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Arjun Puri for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Arjun Puri aged 49 years is a Graduate in Economics (Hons.) and has been associated with the setting up of International Township in Auroville dedicated to the realization of the ideals of Human Unity and has been actively involved in the liaising with the Central & State Government, scientific institutions, mobilizing funds for various projects. Mr. Arjun Puri is a Director and member of Audit Committee of :

- MothersonSumi INFotech & Designs Limited

Your directors recommend the passing of the resolution.

Except Mr. Arjun Puri none of the directors is interested in the resolution.

Mr. Arun Puri does not hold any shares of the Company.

#### Item No. 7

- : The Board of Directors have approved an increase in salary payable to Mr. Pankaj Mital, Chief Operating Officer of the Company w.e.f. 01.04.06. The details of the remuneration payable have been specified in the text of the resolution.

The terms of remuneration specified above are now being placed before the Members in General Meeting for their approval.

Mr. Pankaj Mital is a Science Graduate and Post Graduate in Management. He has been associated with the Company for the last 16 years and the Company has benefited immensely from his wide and varied experience. Mr. Pankaj Mital is a director of other Companies as mentioned hereunder :

- Schefenacker Motherson Limited
- Saks Ancillaries Limited
- Motherson Engineering Research & Integrated Technologies Limited
- Motherson Innovative Technologies & Research
- MSSL Ireland Pvt. Ltd.
- MSSL Mideast (FZE)

Committee Memberships of other Company:

- Schefenacker Motherson Limited - Audit Committee

The resolution approving the increase in remuneration payable to Mr. Pankaj Mital shall be open to the inspection of any member of the Company at the Registered Office of the Company during public hours on any working day of the Company.

This may be treated as an abstract of the increase in remuneration for Mr. Pankaj Mital as Chief Operating Officer of the Company pursuant to section 302 of the Companies Act, 1956.

Your Directors recommend the passing of the resolution.

Except Mr. Pankaj Mital none of the Director is interested in the resolution.

By Order of the Board  
for **MOTHERSON SUMI SYSTEMS LIMITED**

Sd/-

**G.N. GAUBA**  
**COMPANY SECRETARY & V.P. FINANCE**

Date : May 26, 2006  
Place : Noida

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# Motherson Sumi Systems Ltd.

## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting Nineteenth Annual Report together with the audited accounts. Key financial figures on the profitability for the year ended 31<sup>st</sup> March, 2006 are as follows:

### FINANCIAL PERFORMANCE

(Rs. in Millions)

	For the year ended March 31, 2006	For the year ended March 31, 2005
Gross Sales	8,013.60	6,368.70
Net Sales	7,041.39	5,535.51
Gross Profit before Depreciation, Interest & Tax	1,415.78	1,133.77
Less: Depreciation	348.62	264.22
Less: Interest	123.92	19.57
Profit before tax	943.24	849.98
Less: Provision for Taxation	174.80	229.04
Profit after Tax	768.44	620.94
Add: Balance brought forward	795.65	596.77
Net Profit available for appropriation	1,564.10	1,217.71

### Appropriations :

	March 31, 2006	March 31, 2005
Proposed Dividend	270.12	234.89
Tax on Dividend	37.88	32.94
Transfer to General Reserve	200.00	150.00
Balance carried to Balance Sheet	1,056.09	799.88

### OPERATIONS

The Company recorded a turnover of Rs. 7,041.39 millions during the year as against Rs. 5,535.51 millions in the previous year and the Company achieved a Profit after Tax of Rs. 768.44 millions as against Rs. 620.94 millions during the previous year. The Company's performance is discussed at length in Management Discussion and Analysis, which forms part of the Directors Report.

### DIVIDEND

Your Directors have recommended a dividend of Rs. 1.15/- per share for the year ended 31.03.06. The dividend, if declared as above, will be paid to those shareholders whose names appear in the register of members as on 7th August, 2006. The total cash outgo on account of proposed dividend is Rs. 308.00 millions (Previous Year – Rs. 267.83 millions) which represents 40% of Profit after Tax.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS – 23 on Accounting for Investments in Associates and AS –27 on Financial Reporting of Interests in Joint Venture in Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report. The summary of consolidated results is as follows :



(Rs. in Millions)

	<b>For the year ended March 31, 2006</b>	For the year ended March 31, 2005
Gross sales	11,311.41	8,827.25
Net Sales	10,155.39	7,812.25
Profit before Interest, depreciation	1,881.59	1,501.70
Share of Profit in Associate	2.16	3.52
Profit before Tax	1,260.92	1,130.54
Provision for Tax	232.11	272.25
Profit after Tax	1,028.81	858.29
Minority Interest	20.33	18.32
Profit after Tax and Minority Interest	1,008.48	839.97

The performance of the Company on consolidated basis is discussed at length in Management Discussion & Analysis.

## FINANCE

The Company continues to enjoy “A1+” rating by ICRA for its Commercial Paper/ Short Term Debt programme of Rs. 500 million. During the year, the company issued Foreign Currency Convertible Bonds (FCCB) of Euro 50.30 millions. These bonds are listed at Singapore Stock Exchange and are convertible into shares at a price of Rs. 111.45 per share at any time, till its redemption, at the option of bond holders. On conversion, the bonds will result into additional issue of 23.474 million shares, which constitute 10% of the existing capital.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto in Annexure ‘A’.

## PARTICULARS OF EMPLOYEES

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 B to the Directors’ Report.

## MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis is enclosed and forms part of the Directors’ Report.

## EXPORTS

The company’s exports during the year have grown from Rs. 1058 millions to Rs. 1533 millions, achieving growth rate of 45%. The company continues to make its efforts towards achieving higher growth by providing cost competitive quality solutions to its customers. In addition, the company has set up offices, mainly in Europe, to constantly service the customers as well as scan the markets for growth.

## AMALGAMATIONS

During the year Draexlmaier & Motherson Electrical Systems (I) Limited, a 100% subsidiary of the Company amalgamated with the Company. The amalgamation is operative retrospectively from April 1, 2005.

## SUBSIDIARIES/JOINT VENTURES

During the year, the company made investments/acquired shareholding in the following companies, Motherson Advance Polymers Limited, G&S Kunststofftechnik GmbH (through MSSL GmbH), Balda Motherson Info Devices Limited, 100% subsidiaries of the Company and in the following joint venture subsidiaries Global Environment Management (FZC) (through MSSL Mauritius) and Mothersonsumi Reiner GmbH (through MSSL GmbH). Balda Motherson Info Devices Limited is proposed to be renamed as Balda Motherson Solution India Limited and shall be Joint venture between Balda AG and MSSL with 60:40 shareholding respectively. The company’s joint venture subsidiary Global

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# Motherson Sumi Systems Ltd.

Environment Management (FZC) has set up a 100% subsidiary, Global Environment Management Australia Pty Limited, Australia in January, 2006. However, the first financial year closing for this subsidiary is December, 2006 and hence the first Profit & Loss Account and Balance Sheet for the same shall be provided next year. During the year, WOCO Motherson Elastomer Limited and WOCO Motherson Advanced Rubber Technologies Limited cease to be subsidiaries of the company.

In addition to the above mentioned subsidiaries the Company has the following 100% subsidiaries viz. MSSL Mideast (FZE), MSSL Mauritius Holdings Limited, MSSL Handels\_(GmbH), Motherson Electrical Wires Lanka Pvt. Ltd., MSSL GmbH (through MSSL Mideast), MSSL Hag Toolings Ltd. (FZC) (through MSSL Mauritius), and MSSL Ireland Pvt Limited (through MSSL Mauritius), MSSL(S) Pte Ltd., MSSL (GB) Ltd. (through MSSL Mideast) and the joint venture subsidiary is Motherson PUDENZ WICKMANN Ltd.

The performance of the subsidiaries and joint ventures are discussed at length in Management Discussion and Analysis and forms part of the Directors' Report.

## **PARTICULARS REQUIRED AS PER SECTION 212 OF THE COMPANIES ACT, 1956**

As per Section 212 of the Companies Act, 1956, your Company is required to attach the Directors' report, balance sheet and profit and loss account of the subsidiaries of the Company. The Company applied to the Central Government for an exemption from such attachment as it presents the audited consolidated accounts of the Company and its subsidiaries in its annual report. The Central Government has granted exemption with respect to the above mentioned subsidiaries. In the opinion of the management, the consolidated accounts present full and fair picture of the state of the affairs and financial condition and is accepted globally.

The annual accounts of the subsidiary companies, along with related detailed information shall be made available to the holding and subsidiary investors seeking such information at any point of time. Any shareholder of the Company/ its subsidiaries interested in obtaining the annual accounts of the subsidiaries may write to the Secretary at the Registered Office of the Company. The annual accounts of the subsidiary companies shall also be kept for inspection by any investor in registered office of the Company and that of the subsidiary companies.

## **POST BALANCE SHEET DEVELOPMENTS**

The shareholders of the Company in their meeting convened on 20<sup>th</sup> May, 2006 have approved the amalgamation of Motherson Advance Polymers Limited (100% subsidiary of the Company) with the Company with a modification that the appointed date be changed to 01.02.06 from 01.04.05.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm :

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departure have been made for the same;
- b) That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That they have prepared the annual accounts on a going concern basis.

## **DIRECTORS**

During the year, Mr. R. Ganapati, Director of the Company left for his heavenly abode. Your Directors place on record their appreciation for the valuable guidance and services provided by Mr. R. Ganapati on various matters during his tenure and particularly, being Chairman of the Audit Committee and the contribution made by him to the strengthening of accounting function of the company.



Mr. Arjun Puri was appointed as an Additional Director by the Board of Directors of the Company. Mr. Arjun Puri is a Graduate in Economics (Hons.) and has been associated with the setting up of International Township in Auroville dedicated to the realization of the ideals of Human Unity and has been actively involved in the liaising with the Central & State Government, scientific institutions, mobilizing funds for various projects.

The Company has received notice from a member under section 257 of the Companies Act, 1956 proposing the appointment of Mr. Arjun Puri as Director of the Company at the forthcoming Annual General Meeting.

Mr. A. Yamauchi and Mr. Bimal Dhar retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

### **HUMAN RESOURCES**

The relations with the employees and associates continued to remain cordial throughout the year. The Directors of your company wish to place on record their appreciation for the excellent team spirit and dedication displayed by the employees of the company.

### **CORPORATE GOVERNANCE**

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the company's auditors confirming compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is included in the Annual Report.

### **AUDITORS**

M/s. PriceWaterhouse, Chartered Accountants, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received a certificate from them pursuant to Section 224(1B) of the Companies Act 1956, confirming their eligibility for re-appointment.

### **FIXED DEPOSITS**

The Company has neither invited nor accepted any deposits from the public during the year. There is no unclaimed or unpaid deposit lying with the Company.

### **LISTING**

The shares of your Company are listed at National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Delhi Stock Exchange Association Limited and Ahmedabad Stock Exchange. The bonds of the Company are listed at Singapore Exchange Securities Trading Limited. The listing fees for the year 2006-2007 have been paid well before the due date i.e. 30<sup>th</sup> April, 2006.

### **ACKNOWLEDGEMENT**

Your Board of Directors would like to place on record their sincere appreciation for the whole hearted support and contributions made by all the employees of the Company, as well as, Customers, Suppliers, Bankers, Governments of Delhi, Haryana, Uttar Pradesh, Maharashtra, Tamilnadu and Karnataka towards the conduct of the efficient operations of your Company. Last but not the least the Board of Directors wish to thank the shareholders of the Company and the Collaborators Sumitomo Wiring Systems Limited and Sojitz Corporation, Japan for their unstinted support.

for and on behalf of the Board  
for **MOTHERSON SUMI SYSTEMS LIMITED**

Date : May 26, 2006  
Place : Noida

Sd/-  
**V.C. SEHGAL**  
**CHAIRMAN**

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# Motherson Sumi Systems Ltd.

## ANNEXURE 'A'

### PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### A. CONSERVATION OF ENERGY

The various steps taken for energy conservation during the year were :

Installed energy saving relays on machines and temperature cut out on cooling tower  
Centralized on/ off control switch for shop floor lights  
PID control on BM controls  
Interlocking of hot water pump with main extruders  
Rationalization of air compressors/dryers during the night shifts  
Utilization of natural light for factory lighting during day time

#### B. TECHNOLOGY ABSORPTION

##### FORM 'B'

Form for disclosure of particulars with respect to:

##### RESEARCH AND DEVELOPMENT

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

The Company has been continuously working towards enhancing its research & development capabilities. The company has been keeping pace with the technological advances by implementation of state of art manufacturing best practices. Research & Development was carried out in the development of the new models for several Indian and overseas customers. During the year the Company also completed the implementation of new project management tool to enhance the product development lead time.

The Company has developed a computer controlled assembly manufacturing system which enhances the accuracy of the assembly board and thus the quality of the finished product and also undertook the activity of reducing the tolerances in the wiring harnesses, which makes the wiring harness more accurate and reliable.

The Company has also started producing modules such as Cockpit Assembly, Bumper Assembly, Door Trim Assembly.

###### Benefits derived as a result of above R&D

The benefits derived as a result of above research and development programmes are:

The overall benefit was in the form of winning new businesses, building confidence of existing customers and reducing the time to market.

###### Future plan of actions:

In future we intend to invest more resources in developing and acquiring technology for future vehicle thus building the capability to cater to the expectation of our customers.

###### Expenditure on R&D for the year ended March 31, 2006

Revenue Expenditure	–Rs. 8.75 million
Capital Expenditure	–NIL
Total R&D Expenditure	–Rs. 8.75 million
R&D expenditure as a percentage of total revenue	– 0.12%



## TECHNOLOGY ABSORPTION , ADAPTATION AND INNOVATION

The company has successfully developed and implemented the latest manufacturing technologies in the field of polymer technologies. The company has made automation in blow moulded product finishing by introduction of special purpose machine to improve the product quality and process efficiency. Product pickers/conveyors and handling units have been introduced for reduction in manual handling.

## C. FOREIGN EXCHANGE EARNING AND OUTGO

### 1. Activities relating to export, incentives to increase exports & development of new export markets.

The company has continued to maintain focus and avail of export opportunities based on economic consideration. During the year, the company has exports (FOB value) worth Rs.1486.94 millions.

### 2. Total foreign exchange used and earned

(Rs. in Millions)

a. Total Foreign exchange earned

Rs. 1,541.14

b. Total Foreign exchange used

Rs. 2,403.76

The detailed information on Foreign Exchange Earning and Outgo is also furnished in the notes to the Accounts

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for Board of Directors and Senior Management and the same is available on the Company's website.

I confirm that the Company has in respect of the financial year March 31, 2006 received from the Board of Directors and Senior Management a declaration of compliance with the code of conduct.

for **MOTHERSON SUMI SYSTEMS LIMITED**

Sd/-

**PANKAJ MITAL**

**CHIEF OPERATING OFFICER**

Date: May 26, 2006

Place: Noida

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## ANNEXURE "B"

## INFORMATION AS PER SECTION 217 (2A) OF COMPANIES ACT, 1956 , READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES ) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

Sl. No.	Name of the Employee	Age (Years)	Qualification	Experience (Years)	Date of Employment	Designation	Remuneration (Rs. in million)	Particulars of last Employment	Last Designation
1	Mr. A Yamauchi	50	Graduate in Commerce	22	18-Jan-01	Whole time Director	3.527	On deputation from Sumitomo Wiring Systems, Japan	Manager of International Business
2	Mr. Sukant Gupta	34	MBA	14	15-Mar-97	General Manager	2.824	Parry Engg. & Export Ltd.	Market Leader
3	Mr. Jayant Khemani	39	PGD PLAS.PROC. TECH	18	1-Jun-99	Mgr. Europe Operation	2.968	M/s A.G Industries	Manager Production
4	Mr. J.S Bindra	46	BCOM,DBM	21.5	15-Oct-84	General Manager	2.655	—	—
5	Mr. Paul Breen	42	Engineer	24	1-Dec-04	Chief Technical Officer	5.515	Draexlmaier & Motherson Electrical Systems India Ltd.	Operations Incharge
6	Mr. Saurabh Tyagi	33	MBA	10.5	1-Dec-04	Manager	4.109	Patel Roadways	Sales Executive
7	Mr. Pankaj Mital	39	B. Sc. P.G.D.M.	18	5-Jul-90	Chief Operating Officer - Wiring Harness	2.406	Modi Industries Ltd. (Steel Division), Modi Nagar	Sales Officer
8	Mr. G.N. Gauba	45	M.COM. AICWA, ACS	25	1-Dec-97	Co. Secretary and V.P. Finance	2.456	Solarson Industries Limited	G.M. (Corporate Finance) & Co. Secretary
9	Mr. Sanjay Mehta *	42	MBA , CAIIB , B.COM	17.5	1-Aug-04	Asst. Vice President	2.902	Motherson Advanced Systems & Solutions Ltd.	Asst. Vice President

## Notes :

1. Employment in the Company is non-contractual, except in case of Mr Paul Breen.
2. Designation denotes the nature of duties also.
3. Remuneration includes salary,allowances & value of perquisites.
4. The employee mentioned above doesn't holds (by himself or along with his spouse & dependent children ) more than two percent of equity shares of the Company.
5. The employee mentioned above is not related to any of the Directors of the Company.
6. Asterisk against a name indicates that the employee was in service only for a part of the year.



## REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance

At MSSL, we are committed to the key elements of Corporate Governance- transparency, disclosure and independent supervision to ensure that all functions of the Company are discharged in a professionally sound, competent and transparent manner.

### Board of Directors

The Board presently consists of a majority of non-executive/ independent directors, who are eminent professionals with experience in business/finance/public enterprises. The details of directors during the year were as follows :

Name of the Director	Executive/Non-Executive/Independent	Other Directorships held*	Committee Memberships	Committee Chairmanships
Mr. V. C. Sehgal	Non-Executive Chairman	13	4	NIL
Mr. Toshimi Shirakawa	Non-Executive Director	2	1	NIL
Mr. R. Ganapati#	Independent Director	-	-	-
Mr. M. S. Gujral	Independent Director	4	6	4
Mr. Hiroto Murai	Non-Executive Director	2	NIL	NIL
Maj. Gen. Amarjit Singh (Retd.)	Independent Director	2	4	NIL
Mr. Bimal Dhar	Non Executive Director	8	2	NIL
Mr. A. Yamauchi	Executive/Whole-time Director	2	1	NIL
Mr. Arjun Puri##	Independent Director	1	1	NIL
Mr. Masahiro Matsushita (Alt. Director to Mr. Hiroto Murai)	Non-Executive Director	2	NIL	NIL
Mr. Pankaj Mital (Alt. Director to Mr. Bimal Dhar)	Executive/Chief Operating Officer	3	1	1

\*Excluding private and foreign companies

# Ceased to be a director w.e.f. 03.08.05 due to death

## Appointed as director w.e.f. 11.01.06

### Attendance at Board Meetings and Annual General Meeting

The Board of Directors of the Company meets atleast once a quarter to review the quarterly results and other items on the agenda and also at the time of the Annual General Meeting of the Company. The Board of Directors of the Company met six times during the last financial year:

(i) 27th May, 2005 (ii) 23rd July, 2005 (iii) 20th August, 2005 (iv) 31st October, 2005 (v) 13th December, 2005 (vi) 28th January, 2006

The Company placed before the Board the annual operating plans, performance of various units/ divisions and all statutory and other significant information to enable it to discharge its responsibilities of strategic supervision of the company and as trustees of stakeholders.

Name of the Director	No. of Board Meetings Attended	Attendance at last AGM
Mr. V. C. Sehgal	6	Yes
Mr. Toshimi Shirakawa	4	Yes
Mr. R. Ganapati	NIL	No
Mr. M. S. Gujral	6	Yes
Mr. Hiroto Murai	1	Yes
Maj. Gen. Amarjit Singh (Retd.)	6	Yes
Mr. Bimal Dhar	5	Yes
Mr. A. Yamauchi	6	Yes
Mr. Masahiro Matsushita (Alt. Director to Mr. Hiroto Murai)	6	Yes
Mr. Pankaj Mital (Alt. Director to Mr. Bimal Dhar)	6	Yes
Mr. Arjun Puri	1	No

# Motherson Sumi Systems Ltd.

## Remuneration of Directors

Details of the payments made to the directors for the year ended March 31, 2006 are as follows :

Name of the Director	Gross Remuneration (Rs.)	Sitting Fee* (Rs.)	Total (Rs.)
Mr. M. S. Gujral	—	55,000/-	55,000/-
Maj. Gen. Amarjit Singh (Retd.)	—	40,000/-	40,000/-
Mr. Arjun Puri	—	5000/-	5000/-

\*Includes sitting fees paid for Committee Meetings

Name of the Director	Salary	Amount (p.a.)
Mr. A. Yamauchi	Basic Salary	Rs. 1,200,000/-
	Bonus	NIL
	Other Benefits	Rs. 2,327,416/-
	<b>TOTAL</b>	<b>Rs. 3,527,416/-</b>
Mr. Pankaj Mital	Basic Salary	Rs. 1,552,800/-
	Bonus	Rs. 250,100/-
	Other Benefits	Rs. 602,831/-
	<b>TOTAL</b>	<b>Rs. 2,405,731/-</b>

Shares held by non executive directors

Mr. V.C. Sehgal – 9,962,655

Mr. M.S. Gujral - 202,500

Mr. Bimal Dhar – 30,000

## Audit Committee

The members of Audit Committee met thrice during the financial year 2005-2006 and the Committee reviewed the half-yearly and annual financial statements before submission to the Board. The dates on which the meetings were held are as follows :

(i) 27th May, 2005 (ii) 31st October, 2005 (iii) 28th March, 2006

The Audit Committee of the Company comprises of majority of independent directors and the composition and attendance of each member of the Committee is given below :

Name	Designation	Non executive/Independent	Committee Meetings Attended
Mr. R. Ganapati*	Member	Independent/Non-Executive	NIL
Mr. Toshimi Shirakawa	Member	Non Executive	2
Mr. M.S. Gujral	Chairman	Independent/Non-Executive	3
Maj. Gen. Amarjit Singh (Retd.)	Member	Independent/Non-Executive	3

\* Mr. R. Ganapati ceased to be a member w.e.f. 03.08.05 due to death

The terms of reference of the Audit Committee includes the following:

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/ Internal Auditors.
- To review compliance with internal control systems.
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board.
- To investigate into any matter in relation to items specified in section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek professional advice, if necessary.
- To review the Company's financial and risk management policies.
- To obtain outside legal or other professional advise.
- To secure attendance of outside parties with relevant expertise, if it considers necessary.
- To seek information from any employee.



### Investors Grievance Committee

The Company has an Investors' Grievance Committee which looks into investors' grievances. The following are the members of the Committee :

Name	Designation	Executive/Non-executive/Independent
Mr. M.S. Gujral	Chairman	Independent/Non-executive
Mr. A. Yamauchi	Member	Executive

Mr. G.N. Gauba, the Company Secretary, is the Compliance Officer.

### Share Transfers

- All shares have been transferred and returned in about 20 days from the date of receipt, so long as the documents have been clear in all respects.
- The Share Transfer Committee meets normally once a fortnight.
- Total number of shares transferred during the year 2005-2006 was 117955 as compared to 138484 during 2004 – 2005.
- As on 31<sup>st</sup> March, 2006, there are NIL equity shares pending for transfer.

### Investor Relations

51 complaints relating to the non-receipt of shares after transfer, non-receipt of dividend etc. were received.

Complaints received during the year have been cleared within the financial year except 6 complaints that are constrained by disputes.

The complaints are generally replied within 10 days from their lodgment with the Company.

### Particulars of the Past three AGMs

AGM	Date	Time	Venue	No. of Special Resolutions passed
16 <sup>th</sup>	17.09.03	10.30 A.M.	Shah Auditorium, Delhi	1
17 <sup>th</sup>	18.09.04	11.00 A.M.	FICCI Golden Jubilee Auditorium, New Delhi	NIL
18 <sup>th</sup>	20.08.05	11.00 A.M.	FICCI Golden Jubilee Auditorium, New Delhi	NIL

### Postal Ballot

The Company had sent the resolution along with the explanatory statement to be passed by postal ballot for seeking the approval of the shareholders for creation of charges, mortgages, hypothecations on the movable and immovable properties of the Company to secure the facilities sanctioned to the Company and/or its subsidiaries. Mr. Suresh Shetty was the scrutinizer for conducting the postal ballot.

### Note on Director's appointment/reappointment

- a. Mr. Bimal Dhar aged 53 years has done his Masters in Mechanical Engineering from Purdue University, USA. He has rich experience of about 28 years in the Automobile Industry. He has not only been associated with the major players in the Automobile Industry but also with the companies in the Designing business in the Automobile Industry both in India and abroad.

He is on the Board of the following public limited companies :

- Motherson Advance Polymers Limited
- CTM India Limited
- MothersonSumi INFotech & Designs Limited
- SouthCity Motors Limited
- Motherson Engineering Research & Technologies Limited
- ASI Motherson Communication Solutions Limited
- AES (India) Engineering Limited
- Motherson Air Travel Agencies Limited

Committee Memberships

- Motherson Advance Polymers Limited - Audit Committee
- MothersonSumi INFotech & Designs Limited – Audit Committee

# Motherson Sumi Systems Ltd.

- b. Mr. A. Yamauchi aged about 50 years is a Graduate in Accounts. He has been associated with Sumitomo Wiring Systems Limited, Japan in various areas for over 20 years and was working as Manager (International Business & Admn.). Mr. A. Yamauchi is a Director of the Company since January, 2001.

Nature of Expertise - Commercial

He is on the Board of the following public limited companies namely :

- i) Motherson PUDENZ WICKMANN Limited
- ii) Schefenacker Motherson Limited

Committee Memberships

- i) Motherson Sumi Systems Limited - Investor Grievance

- c) Mr. Arjun Puri aged 49 years is a Graduate in Economics (Hons.) and has been associated with the setting up of International Township in Auroville dedicated to the realization of the ideals of Human Unity and has been actively involved in the liaising with the Central & State Government, scientific institutions, mobilizing funds for various projects.

He is on the Board of the following public limited company namely :

- i) MothersonSumi INFotech & Designs Limited

Committee Memberships

- i) MothersonSumi INFotech & Designs Limited – Audit Committee

## Particulars of loans/ advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement

(Rs. in Millions)

Name of the Company	Status	Nature	Balance as on 31 <sup>st</sup> March,		Maximum outstanding during the year
			2006	2005	
MSSL Mauritius Holdings Limited	100% Subsidiary	Loan	33.49	15.00	33.49
MSSL Mideast (FZE)	100% Subsidiary	Loan	301.00		301.00
Motherson Electrical Wires Lanka Pvt. Ltd	100% Subsidiary	Loan	78.00		78.00
MSSL Hag Tooling Ltd (FZC)*	100% Subsidiary	Loan	49.71	43.00	49.71
MSSL Handels GmbH	100% Subsidiary	Loan	6.92	3.00	6.92
Hag Kunststofftechnik GmbH#	Related Party	Loan	6.11	56.00	56.00

\* Through MSSL Mauritius Holdings Ltd.

Considering parity at 1 Euro = Rs. 53.97

# Ceases to be a related party during the year

### Disclosures

- No transaction of material nature has been entered into by the Company with Directors or Management and their relatives etc. that may have a potential conflict with the interests of the Company.
- Transactions with the related parties are disclosed in Note no. B(23) of Schedule XIII to the Accounts in the Annual Report.
- No penalties or strictures were imposed by SEBI or the Stock Exchanges.
- All mandatory requirements have been complied with and non mandatory requirements have not been complied with.

### Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website [www.motherson.com](http://www.motherson.com). These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like Economic Times.
- Management Discussion & Analysis forms part of this Annual Report.



## Shareholders' Information

### 1. Annual General Meeting

Date and Time : 7<sup>th</sup> August, 2006  
Venue : FICCI Golden Jubilee Auditorium,  
Tansen Marg, New Delhi.

### 2. Financial Calendar (tentative and subject to change)

Annual General Meeting for the year ending March 31, 2006 : 7<sup>th</sup> August, 2006  
Financial reporting for the first quarter ending June 30, 2006 : July, 2006  
Financial reporting for the second quarter ending September 30, 2006 : October, 2006  
Financial reporting for the third quarter ending December 31, 2006 : January, 2007  
Financial results for the year ending March 31, 2007 : May, 2007

### 3. Book Closure Date

: 1<sup>st</sup> August, 2006 to  
7<sup>th</sup> August, 2006

### 4. Dividend payment

: Rs.1.15/- per share to those shareholders whose names appears on the Register of members on 7<sup>th</sup> August, 2006. With respect to shares held in electronic form the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on 31<sup>st</sup> July, 2006 as per details furnished by the Depositories for this purpose.

#### Payment of Dividend through ECS :

Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number to Karvy Computershare Pvt Ltd., 46, Avenue 4, Street no. 1, Banjara Hills, Hyderabad – 500 034

Members holding shares in electronic form are advised to inform their particulars of their bank account to their respective depository participant.

### 5. Listing on Stock Exchanges — Equity Shares

: Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai  
Code : 517334

National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor  
Plot no. C/1, G Block  
Bandra - Kurla Complex  
Bandra (E), Mumbai  
Code : MOTHERSUMI

Delhi Stock Exchange Association Limited  
DSE House, 3/1, Asaf Ali Road, Delhi

Ahmedabad Stock Exchange  
Kamdhenu Complex,  
Near Polytechnic Panjara Pole  
Ahmedabad

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# Motherson Sumi Systems Ltd.

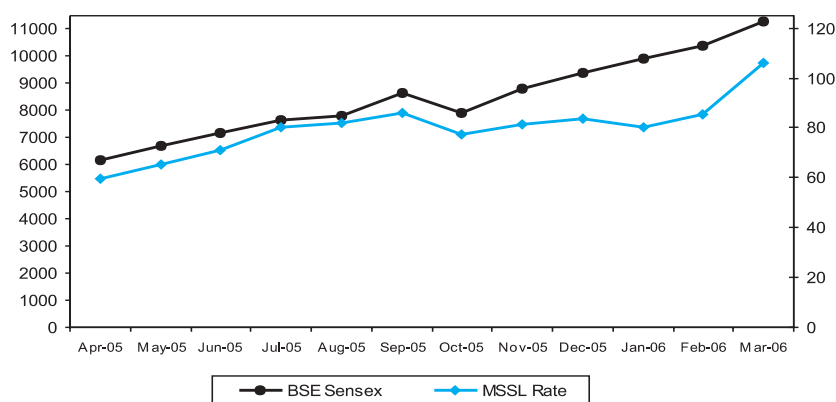
## Listing on Stock Exchange - Bonds

: Singapore Exchange Securities Trading Ltd.  
2, Shenton Way  
# 19-00 SGX Centre I  
Singapore

## 6. Market Price Data

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High	Low	High	Low
Apr - 2005	77.00	57.15	75.00	55.00
May - 2005	70.00	58.00	70.00	58.60
Jun - 2005	73.90	63.55	79.00	57.20
Jul - 2005	83.00	70.65	83.85	71.05
Aug - 2005	84.90	77.00	84.90	73.00
Sep - 2005	98.00	77.00	98.00	77.20
Oct - 2005	91.25	75.10	90.95	75.10
Nov - 2005	89.00	74.60	88.40	74.95
Dec - 2005	90.00	81.10	91.00	81.00
Jan - 2006	85.10	79.00	86.00	79.15
Feb - 2006	88.50	76.05	88.00	74.40
Mar - 2006	107.60	84.80	107.50	78.30

## 7. Performance in comparison to Broad Based Indices



## 8. Shareholding Pattern of the Company as on 31.03.06

Category	No. of Shares Held	% of Shareholding
Indian Promoters	81031522	34.50
Foreign Promoters	87375780	37.20
Institutional Investors	22725803	9.67
Private Corporate Bodies	16025935	6.82
Indian Public	26584442	11.32
NRIs/ OCBs	1145718	0.49
<b>TOTAL</b>	<b>234889200</b>	<b>100.00</b>

## 9. Registrar and Transfer Agents

The Registrar and Transfer Agents of the Company have been changed to M/s Karvy Computershare Pvt. Ltd. w.e.f. 01.04.06 with a view to increasing the efficiency of services being provided to the investors. The investors can send their queries to :

M/s Karvy Computershare Pvt. Ltd.  
46, Avenue 4, Street no. 1,  
Banjara Hills  
Hyderabad - 500 034  
[mailmanager@karvy.com](mailto:mailmanager@karvy.com)



### 10. Share Transfer System

To expedite the share transfer process in the physical segment, authority has been delegated to the Share Transfer Committee which comprises of:

Mr. V.C. Sehgal  
Mr. A. Yamauchi  
Mr. Pankaj Mital

Share transfer/ transmissions approved by the Committee are placed at the Board Meeting from time to time.

### 11. Distribution of shareholding as on March 31, 2006

Share Holding of Nominal Value of Rs.	No. of shareholders	% of shareholders to total	No. of shares	% of shares to total
1 - 5000	8230	95.09	7464699	3.18
5001 - 10000	203	2.35	1450123	0.62
10001 - 20000	89	1.03	1251183	0.53
20001 - 30000	29	0.34	720878	0.31
30001 - 40000	17	0.20	578766	0.25
40001 - 50000	10	0.12	458228	0.20
50001 - 100000	21	0.24	1502390	0.64
100001 and above	56	0.65	221462933	94.28
<b>TOTAL</b>	<b>8655</b>	<b>100.00</b>	<b>234889200</b>	<b>100.00</b>

### 12. Dematerialisation of shares and liquidity

Your company's share are tradable compulsorily in electronic form and your company has established connectivity with both the Depositories i.e. NSDL and CDSL. The members are requested to dematerialize their physical holding in view of various advantages in dematerialized form.

Demat ISIN Number in NSDL & CDSL for equity shares : ISIN No. INE775A01035

### 13. Plant Locations

Noida (Uttar Pradesh)  
New Delhi  
Gurgaon (Haryana)  
Manesar (Haryana)  
Pune (Maharashtra)  
Bangalore (Karnataka)  
Chennai (Tamilnadu)  
Pondicherry

#### Representative Office(s)

Austria  
Sharjah  
Germany

### 14. Investors' correspondence may be addressed to :

Mr. G.N. Gauba  
Company Secretary & V.P. Finance  
3<sup>rd</sup> Floor, Bhageria House  
43, Community Centre  
New Friends Colony  
New Delhi - 110 065  
Email : gngauba@mssl.motherson.com

# Motherson Sumi Systems Ltd.

## AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of  
**Motherson Sumi Systems Limited**

We have examined the compliance of conditions of Corporate Governance by Motherson Sumi Systems Limited, for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and 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(s).

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.

**Kaushik Dutta**  
**Partner**  
**Membership No. F 88540**  
**For and on behalf of**  
**Price Waterhouse**  
**Chartered Accountants**

Place: New Delhi  
Dated: May 26, 2006



## AUDITORS' REPORT

To the Members of

### MOTHERSON SUMI SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of Motherson Sumi Systems Limited, as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - (i) (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
    - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
  - (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
    - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
    - (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
  - (iii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
    - (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services.

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# Motherson Sumi Systems Ltd.

Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items/services purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act or any other relevant provisions of the Act and the rules framed thereunder.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, and other material statutory dues as applicable, with the appropriate authorities *except for dues of excise duty, the extent of dues for which would be ascertained if any, on reconciliation with a customer (refer Note B (22) of Schedule XIII).*
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues in respect of income-tax, wealth tax, customs duty, and cess as at March 31, 2006 which have not been deposited on account of a dispute. The particulars of dues of service tax and excise duty that have not been deposited on account of a dispute are as follows -

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty and penalty	923,452	2002-2003	Commissioner (Appeals) Customs & Central Excise, Bangalore-II
Central Excise Act, 1944	Service tax	311,367	1999-2000 and 2000-2001	Customs, Excise and Service Tax Appellate Tribunal, Chennai

- (x) The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.



- (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
  - (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.
  - (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  - (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
  - (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
  - (xix) The company does not have any debentures outstanding as at the year end.
  - (xx) The management has disclosed the end use of money raised by public issue (Refer Note B (21) of Schedule XIII) and the same has been verified by us.
  - (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Noida  
Date : May 26, 2006

**KAUSHIK DUTTA**  
**Partner**  
**Membership Number: F 88540**  
**For and on behalf of**  
**Price Waterhouse**  
**Chartered Accountants**

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# Motherson Sumi Systems Ltd.

## BALANCE SHEET AS AT MARCH 31, 2006

(Figures in Rs. thousands)

	Schedule	As at March 31, 2006	As at March 31, 2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	234,889	234,889
Reserves & Surplus	II	1,987,335	1,506,073
		2,222,224	1,740,962
<b>Loan Funds</b>			
Secured Loans	III	925,707	496,181
Unsecured Loans	IV	2,801,435	226,160
Deferred tax liability (net) (Refer B (18) of Schedule XIII)		95,995	120,465
<b>TOTAL</b>		<b>6,045,361</b>	<b>2,583,768</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	V	3,965,853	3,158,476
Less: Depreciation		1,546,242	1,188,525
Net Block		2,419,611	1,969,951
Capital Work in Progress		220,373	99,411
		2,639,984	2,069,362
<b>Investments</b>			
	VI	332,652	159,354
<b>Current Assets, Loans and Advances</b>			
Inventories	VII	880,111	632,182
Sundry Debtors		918,050	569,373
Cash & Bank Balances		1,617,431	26,544
Loans & Advances		1,262,989	372,480
		4,678,581	1,600,579
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	VIII	1,129,214	871,365
Provisions		1,231,886	374,162
		2,361,100	1,245,527
<b>NET CURRENT ASSETS</b>			
Miscellaneous Expenditure (To the extent not written of or adjusted)	IX	755,244	—
<b>TOTAL</b>		<b>6,045,361</b>	<b>2,583,768</b>
Significant Accounting Policies and Notes forming part of the Accounts	XIII		

This is the Balance Sheet referred to  
in our report of even date

**KAUSHIK DUTTA**

Partner  
M. No.: F 88540

For and on behalf of Price Waterhouse  
Chartered Accountants

Place: Noida

Date : May 26, 2006

The schedules referred above form integral part of the Balance Sheet  
for and on behalf of the Board

**V.C. SEHGAL**

Chairman

**A. YAMAUCHI**

Whole time Director

**PANKAJ MITAL**

Chief Operating Officer

**G.N. GAUBA**

Co. Secretary & V.P. Finance



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

(Figures in Rs. thousands)

	Schedule	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>INCOME</b>			
Sale of Finished Goods (Gross)		8,013,609	6,368,700
Less: Excise duty		972,213	833,189
Sale of Finished Goods (Net)		7,041,396	5,535,511
Other Income	X	228,739	86,345
<b>TOTAL</b>		<b>7,270,135</b>	<b>5,621,856</b>
<b>EXPENDITURE</b>			
Manufacturing and other expenses	XI	5,854,349	4,488,085
Depreciation		348,620	264,223
Interest (Net)	XII	123,916	19,566
<b>TOTAL</b>		<b>6,326,885</b>	<b>4,771,874</b>
<b>Profit Before Taxation</b>		<b>943,250</b>	<b>849,982</b>
<b>Tax Expense</b>			
Provision for Current Income Tax		205,500	240,000
Provision for Deferred Income Tax (Refer B (18) of Schedule XIII)		(24,555)	(8,582)
Provision for Fringe Benefit Tax		13,150	—
Provision for Wealth Tax		1,500	500
		747,655	618,064
Less : Income Tax for earlier years written back		(20,789)	(2,880)
<b>Profit After Taxation</b>		<b>768,444</b>	<b>620,944</b>
Add: Balance brought forward from previous year (Net of Rs. 4,223 thousand deduction on amalgamation. Refer B (4) of Schedule XIII)		795,659	596,770
<b>Surplus Available For Appropriation</b>		<b>1,564,103</b>	<b>1,217,714</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		200,000	150,000
Proposed Dividend		270,124	234,889
Tax on Dividend		37,885	32,943
Balance Carried to Balance Sheet		1,056,094	799,882
<b>TOTAL</b>		<b>1,564,103</b>	<b>1,217,714</b>
<b>Earning per share (Basic/Diluted) of face value Re. 1/- each</b> (Refer B (17) on Schedule XIII)		<b>3.27</b>	<b>2.64</b>
Significant Accounting Policies and Notes forming part of the Accounts	XIII		

This is the Profit & Loss Account referred to in our report of even date

### KAUSHIK DUTTA

Partner  
M. No.: F 88540

For and on behalf of Price Waterhouse  
Chartered Accountants

Place: Noida  
Date : May 26, 2006

The schedules referred above form integral part of the Profit & Loss Account for and on behalf of the Board

### V.C. SEHGAL

Chairman

### A. YAMAUCHI

Whole time Director

### PANKAJ MITAL

Chief Operating Officer

### G.N. GAUBA

Co. Secretary & V.P. Finance

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# Motherson Sumi Systems Ltd.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### CASH FLOW STATEMENT

(Figures in Rs. thousands)

	2005-06	2004-05
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	943,250	849,982
<b>Adjustments for:</b>		
Depreciation	348,620	264,223
Interest Expense	172,308	23,957
Interest Income	(48,392)	(4,391)
Income from Investment - Dividends	(26,398)	(8,083)
Lease Rent	10,875	4,759
(Profit)/Loss on Fixed Assets sold	(1,676)	1,638
(Profit)/Loss on sale of Investments	(23,919)	—
Debts/Advances Written off	112	9
Provision for Bad & Doubtful Debts/Advances	300	(1,664)
Liability no longer required written back	(8,259)	(10,972)
Provision for Gratuity & Leave Encashment	7,695	2,452
Provision for diminution in value of Long term Investment written back	(50,000)	—
Change in carrying amount of current investments	(2)	2,956
Unrealised foreign exchange (gain)/loss	43,797	7,751
Provision for warranty	74	(28)
<b>Operating profit before working capital changes</b>	<b>1,368,385</b>	<b>1,132,589</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/ Decrease in Sundry Debtors	(317,395)	(86,144)
- (Increase)/ Decrease in Other Receivables	(230,456)	(91,589)
- (Increase)/ Decrease in Inventories	(210,209)	(203,377)
- Increase/ (Decrease) in Trade and Other Payables	211,075	281,379
<b>Cash generated from operations</b>	<b>821,400</b>	<b>1,032,858</b>
- Taxes (Paid)/Received (Net of TDS)	(196,670)	(177,535)
<b>Net cash from operating activities</b>	<b>624,730</b>	<b>855,323</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets Including CWIP		
- Addition during the year	(1,075,545)	(811,958)
Proceeds from Sale of fixed assets	18,202	10,955
Proceeds from Sale of Investments	10,276	—
Purchase consideration paid on acquisition of subsidiary	(98,279)	—
Purchase of investments	(59,234)	(17,281)
Loan to Subsidiary (net)	(476,355)	(2,892)
Lease Rent Payment	(10,875)	(4,759)
Interest Received (Revenue)	40,095	3,602
Dividend Received	26,398	8,083
Consideration Received on transfer of erstwhile Elastomer Division	—	123,094
<b>Net cash used in investing activities</b>	<b>(1,625,317)</b>	<b>(691,156)</b>



(Figures in Rs. thousands)

	2005-06	2004-05
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term borrowings		
Receipts (Net of issue expenditure of Zero Coupon Foreign Currency Convertible Bonds Rs. 73,251)	2,725,689	87,398
Payments	(179,064)	(114,527)
Proceeds from short term borrowings		
Receipts	—	100,000
Payments	(100,000)	—
Proceeds from Cash Credits (Net)	384,115	(38,982)
Interest Paid	(46,370)	(23,237)
Dividend Paid	(234,182)	(156,088)
Corporate Dividend Tax Paid	(32,943)	(20,063)
<b>Net cash generated/(used) in financing activities</b>	<b>2,517,245</b>	<b>(165,499)</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	1,516,658	(1,332)
<b>Cash and cash equivalents Opening</b>	<b>26,544</b>	<b>39,258</b>
Cash and cash equivalents as at April 1, 2005 - acquired consequent to amalgamation of Draexlmaier & Motherson Electrical Systems India Limited (Refer B 4 of Schedule XIII)	17,587	—
Cash and Cash Equivalents on transfer of erstwhile Elastomer Division	—	(11,572)
<b>Cash and cash equivalents Closing</b>	<b>1,560,790</b>	<b>26,354</b>
Cash and cash equivalents comprise		
Cash In Hand	1,861	2,510
Cheque in Hand	6,875	1,223
Balance with Scheduled Banks	1,601,643	14,945
Balance with Non-Scheduled Banks	7,052	7,866
Cash and cash equivalents as per Balance Sheet (restated)	<b>1,617,431</b>	<b>26,544</b>
Less: Net unrealised (gain) on Foreign Currency cash & Equivalents	(56,641)	(190)
<b>Total Cash and Cash Equivalents as per cash flow statement</b>	<b>1,560,790</b>	<b>26,354</b>

- (i) The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountant of India .
- (ii) Previous year's figures have been regrouped wherever necessary to conform to the current year's classification .
- (iii) Following non cash transactions have not been considered in the cash flow statement :
- Tax deducted at source on income
  - Amalgamation of Draexlmaier & Motherson Electrical Systems India Limited with the company during the year.
- (iv) Figures in brackets indicate cash outgo.

This is the cash flow statement referred to in our report of even date

**KAUSHIK DUTTA**

Partner  
M. No.: F 88540

For and on behalf of Price Waterhouse  
Chartered Accountants

Place: Noida  
Date : May 26, 2006

**V.C. SEHGAL**

Chairman

for and on behalf of the Board

**A. YAMAUCHI**

Whole time Director

**PANKAJ MITAL**

Chief Operating Officer

**G.N. GAUBA**

Co. Secretary & V.P. Finance

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# Motherson Sumi Systems Ltd.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE I SHARE CAPITAL

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>Authorised</b>		
353,000,000 <sup>1</sup> Equity Shares of Re. 1/- each (Previous Year 300,000,000 Equity Shares of Re. 1/- each)	353,000	300,000
<b>Issued</b>		
234,892,400 Equity Shares of Re. 1/- each (Previous Year 234,892,400 Equity Shares of Re. 1/- each)	234,892	234,892
<b>Subscribed and Paid up</b>		
234,889,200 Equity Shares of Re. 1/- each (Previous Year 234,889,200 Equity Shares of Re. 1/- each) (Of the above shares 6,090,000 (6,090,000) shares are allotted as fully paid up in pursuant to a contract for consideration other than cash) (Of the above shares 165,292,400 (165,292,400) shares are allotted as fully paid bonus shares by way of capitalisation of share premium & general reserve).	234,889	234,889
<b>TOTAL</b>	<b>234,889</b>	<b>234,889</b>
<b>Note:</b>		
<sup>1</sup> Increased consequent to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the Company and in accordance with the order of Hon'ble High court of judicature of Delhi. Refer B (4) of Schedule XIII		

### SCHEDULE II RESERVES & SURPLUS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>Revaluation Reserve</b>	20,031	20,031
<b>Reserve on Amalgamation</b>		
As per Last Balance Sheet	80,352	80,352
Additions during the year <sup>1</sup>	25,050	—
Deductions during the year	—	—
	105,402	80,352
<b>General Reserve</b>		
As per Last Balance Sheet	605,808	478,826
Additions during the year	200,000	150,000
Deductions during the year	—	23,018
	805,808	605,808
<b>Profit and Loss Account</b>		
As per Last Balance Sheet	799,882	596,770
Additions during the year	460,435	353,112
Additions on Amalgamation <sup>1</sup>	(4,223)	—
Deductions during the year	200,000	150,000
	1,056,094	799,882
<b>TOTAL</b>	<b>1,987,335</b>	<b>1,506,073</b>
<sup>1</sup> Consequent to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the Company. Refer B(4) (e) of Schedule XIII.		



### SCHEDULE III SECURED LOANS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
1 Short term loans from banks <sup>1</sup>		
— Rupee Loan	573,349	156,963
— Foreign currency Loan	37,605	69,876
2 Long Term Loans <sup>2</sup>		
(i) From Banks		
— Foreign currency Loan <sup>3</sup>	239,022	191,770
(ii) From Others	75,731	
— Rupee Loan <sup>4</sup>		77,572
<b>TOTAL</b>	<b>925,707</b>	<b>496,181</b>

#### Secured Loans referred above are :

- <sup>1</sup> Secured by first charge by way of hypothecation of all present and future stocks, book debts and other specified moveable assets of the Company and second charge by way of hypothecation of all immoveable property.
- <sup>2</sup> Long terms loans due within a Year are Rs. 4,276 thousand (Previous Year Rs. 87,549 thousand ).
- <sup>3</sup> Secured by first pari-passu charge on entire fixed assets both moveable and immoveable of the company present and future and second pari-passu charge on the entire current assets of the company. These are also secured by way of deposit of title deeds of second pari-passu charge on the entire current assets of the company. These are also secured by way of deposit of title deeds of specified properties.
- <sup>4</sup> i) Tooling advances received from customers are repayable by way of amortisation on supply of components and hence cannot be distinguished between short term and long term.  
ii) Secured by hypothecation of specific moulds used for production of components.

### SCHEDULE IV UNSECURED LOANS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
Short term loans		
— Privately Placed Debentures <sup>1</sup>	—	100,000
— Others <sup>2</sup>	32,400	32,400
Long term loans <sup>3</sup>		
— From Others <sup>4</sup>	54,344	19,870
— Foreign currency Loan	—	73,890
— Zero Coupon Foreign Currency Convertible Bonds (Refer B (6) of Schedule XIII)	2,714,691	—
<b>TOTAL</b>	<b>2,801,435</b>	<b>226,160</b>

<sup>1</sup> Redeemable Rs. Nil (Previous year Rs. 100,000 thousand on May 13, 2005).

<sup>2</sup> Repayable on demand.

<sup>3</sup> Long Term Loan due within a Year Rs. Nil (Previous Year Rs. 73,890 thousand).

<sup>4</sup> Tooling advances received from customers are repayable by way of amortisation on supply of components and hence cannot be distinguished between short term and long term.

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# Motherson Sumi Systems Ltd.

## SCHEDULE V FIXED ASSETS

(Refer B(20) on Schedule XIII)

(Figures in thousands)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2005	As at April 1, 2005 taken over consequent to amalgamation <sup>1</sup>	Additions during the year <sup>2</sup>	Deletions/Sale/Adjustments	Total as at March 31, 2006	Upto March 31, 2005	Accumulated Depreciation as at April 1, 2005 taken over consequent to amalgamation <sup>1</sup>	Depreciation for the year	Depreciation on Deletions/sale/Adjustments	Upto March 31, 2006	As at March 31, 2006	As at March 31, 2005
<b>Tangible Assets</b>												
Leasehold Land	219,096	—	—	333	218,763	4,310	—	3,041	—	7,351	211,412	214,786
Freehold Land	86,544	—	31,712	34	118,222	—	—	—	—	—	118,222	86,544
Leasehold —												
Improvements	46,831	—	5,946	—	52,777	18,665	—	9,561	—	28,226	24,551	28,166
Building	628,183	—	178,372	—	806,555	74,465	—	25,481	—	99,946	706,609	553,718
Plant & Machinery	1,885,043	35,859	520,640	18,000	2,423,542	950,501	19,423	224,152	5,445	1,188,631	1,234,911	934,542
Furniture, Fixtures & Office equipments	93,909	3,025	15,961	1,594	111,301	25,603	1,151	42,820	364	69,210	42,091	68,306
Computers	91,749	3,632	17,972	781	112,572	65,834	3,124	17,325	662	85,621	26,951	25,915
Vehicles	107,121	721	25,385	11,106	122,121	49,147	721	26,240	8,851	67,257	54,864	57,974
<b>TOTAL</b>	<b>3,158,476</b>	<b>43,237</b>	<b>795,988</b>	<b>31,848</b>	<b>3,965,853</b>	<b>1,188,525</b>	<b>24,419</b>	<b>348,620</b>	<b>15,322</b>	<b>1,546,242</b>	<b>2,419,611</b>	<b>1,969,951</b>
Previous Year	2,597,436	—	768,341	207,301	3,158,476	1,057,661	—	264,223	133,359	1,188,525	1,969,951	1,539,775
Capital Work in Progress											220,373	99,411
											2,639,984	2,069,362

<sup>1</sup> Taken over pursuant to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the Company. Refer B (4) of Schedule XIII.

<sup>2</sup> Addition to Fixed assets include adjustment on account of exchange loss of Rs. 936 thousand (Previous Year exchange gain Rs. 43 thousand).



**SCHEDULE VI  
INVESTMENTS**

(Figures in thousands)

	As at March 31, 2006	As at March 31, 2005
<b>A. UNQUOTED (At Cost)</b>		
<b>In Subsidiaries (Long-term Investments)</b>		
<b>Motherson PUDENZ WICKMANN Ltd.<sup>1</sup></b> 1403226 equity shares (1403226) of Rs. 10/- each fully paid up	9,045	9,045
<b>Draexlmaier &amp; Motherson Electrical Systems (I) Ltd.<sup>2</sup></b> Nil equity shares (2767600) of Rs. 10/- each fully paid up	—	13,838
<b>Draexlmaier &amp; Motherson Electrical Systems (I) Ltd.<sup>2</sup></b> Nil 8% Non Cumulative Non Convertible Redeemable preference shares (1076565) of Rs. 10/- each fully paid up	—	—
<b>MSSL Mauritius Holding Ltd.<sup>1</sup></b> 525000 equity shares (525000) of 1 Euro each fully paid up	22,452	22,452
<b>MSSL Mideast (FZE)<sup>1</sup></b> 1 equity share (1) of AED 150000 equivalent to Euro 46,875 each fully paid up	1,997	1,997
<b>MSSL Handels GmbH<sup>1</sup></b> 1 share (1) of Euro 35,000	1,835	1,835
<b>Motherson Electrical Wires Lanka Pvt. Ltd.<sup>1</sup></b> 1456202 shares (1456202) of Srilankan Rs. 10/- each fully paid up	6,857	6,857
<b>MSSL (S) PTE Ltd.<sup>1</sup></b> 100000 shares (100000) of S\$ 1/- each fully paid up	2,655	2,655
<b>Woco Motherson Elastomer Ltd.<sup>1</sup></b> 1139333 equity shares (1675000) of Rs. 10/- each fully paid up	11,393	16,750
<b>Woco Motherson Advanced Rubber Technologies Ltd.<sup>1</sup></b> 666667 equity shares (50000) of Rs. 10/- each fully paid up	6,667	500
<b>Woco Motherson Advanced Rubber Technologies Ltd.<sup>1</sup></b> 2666667 6% redeemable preference shares (Nil) of Rs. 10/- each fully paid up	26,667	—
<b>Motherson Advance Polymers Ltd.<sup>1</sup> (Refer B (5) of Schedule XIII)</b> 43104774 equity shares (Nil) of Rs. 10/- each fully paid up	98,279	—
<b>Balda Motherson Info Devices Ltd.<sup>1</sup></b> - 50000 equity shares (Nil) of Rs. 10/- each fully paid up	500	—
- Advance against Equity	2,000	—
<b>In Others</b>		
<b>(Long-term Investments)</b>		
<b>Schefenacker Motherson Ltd.<sup>1</sup></b> 6712990 equity shares (6712990) of Rs. 10/- each fully paid up	67,368	67,368
<b>Saks Ancillaries Ltd.<sup>1</sup></b> 1000000 equity shares (1000000) of Rs. 10/- each fully paid up	10,724	10,724
<b>Kyungshin Industrial Motherson Ltd.<sup>1</sup></b> 3600000 equity shares (3600000) of Rs. 10/- each fully paid up	36,080	36,080
<b>Motherson Air Travel Agencies Ltd.<sup>1</sup></b> 120000 equity shares (120000) of Rs. 10/- each fully paid up	1,206	1,206
<b>Motherson Sumi Infotech &amp; Designs Ltd.<sup>1</sup></b> 1250000 7% preference shares (Nil) of Rs. 10/- each fully paid up	12,500	—
<b>(Current Investments)</b>		
<b>Lord Krishna Bank Ltd.</b> 8444 equity shares (8444) of Rs. 10/- each fully paid up	102	102
<b>Total (A)</b>	<b>318,327</b>	<b>191,409</b>

TOGETHER WE MAKE IT HAPPEN

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# Motherson Sumi Systems Ltd.

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>B. Quoted</b>		
<b>(Long-term Investments)</b>		
<b>Motherson Sumi Infotech &amp; Designs Ltd.</b> <sup>1</sup>	13,800	13,800
1200000 equity shares (1200000) of Rs. 10/- each fully paid up		
<b>(Current Investments)</b>		
<b>Balrampur Chinni Mills Ltd</b>	10	94
1200 equity shares (1200) of Rs. 10/- each fully paid up		
<b>Munjal Auto (Formerly Gujrat Cycles Ltd)</b>	—	10
Nil equity shares (1000) of Rs. 10/- each fully paid up		
<b>Hero Honda Motors Ltd</b>	—	4
Nil equity shares (250) of Rs. 2/- each fully paid up		
<b>ICICI Bank Ltd</b>	—	59
Nil equity shares (150) of Rs. 10/- each fully paid up		
<b>IL &amp; FS Venture Corporation Ltd</b>	—	67
Nil equity shares (1000) of Rs. 10/- each fully paid up		
<b>Electrolux Kelvinator Ltd. (Formerly Intron Ltd.)</b>	12	—
1250 equity shares (1250) of Rs. 10/- each fully paid up		
<b>Jaysynth Dyechem Ltd</b>	1	—
100 equity shares (100) of Rs. 10/- each fully paid up		
<b>GIVO Ltd.</b>	286	500
28475 equity shares (49800) of Rs. 10/- each fully paid up		
<b>Kinetic Motors Company Ltd</b>	—	26
Nil equity shares (500) of Rs. 10/- each fully paid up		
<b>LML Ltd</b>	—	202
Nil equity shares (4600) of Rs. 10/- each fully paid up		
<b>Mahindra &amp; Mahindra Ltd</b>	203	407
1822 equity shares (1822) of Rs. 10/- each fully paid up		
<b>Morgan Stanley Mutual Fund</b>	—	2,500
Nil Units (250000) of Rs. 10/- each fully paid up		
<b>Pearl Engineering Polymers Ltd</b>	13	24
3160 equity shares (3160) of Rs. 10/- each fully paid up		
<b>Pearl Global Ltd</b>	—	4
Nil equity shares (100) of Rs. 10/- each fully paid up		
<b>Subros Ltd</b>	—	9
Nil equity shares (980) of Rs. 10/- each fully paid up		
<b>Tata Motors</b>	—	239
Nil equity shares (800) of Rs. 10/- each fully paid up		
<b>Total (B)</b>	14,325	17,945
<b>Total (A+B)</b>	332,652	209,354
<b>Less: Provision for Diminution</b>	—	50,000
<b>Net Total</b>	332,652	159,354
<sup>1</sup> Trade Investment		
<sup>2</sup> Cancelled during the year consequent to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the company Refer B(4) of Schedule XIII		



(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
Note :		
a) Market value of quoted investments (Based on last traded price available as at March 31, 2006)	14,110	21,073
b) Investments made during the year :	<b>No. of Shares</b>	<b>Rs. in Thousands</b>
<b>- Equity Shares</b>		
Woco Motherson Advanced Rubber Technologies Limited	616,667	6,167
Draexlmaier & Motherson Electrical Systems India Limited	972,400	7,650
Motherson Advance Polymers Limited	43,104,774	98,279
Balda Motherson Info Devices Limited	50,000	500
<b>-Preference Shares</b>		
Draexlmaier & Motherson Electrical Systems India Limited	378,252	3,750
Woco Motherson Advanced Rubber Technologies Limited	2,666,667	26,667
Motherson Sumi Infotech & Designs Limited	1,250,000	12,500
<b>- Advance against equity</b>		
Balda Motherson Info Devices Limited	—	2,000

## SCHEDULE VII CURRENT ASSETS, LOANS AND ADVANCES

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>A. Current Assets</b>		
<b>(1) Stock in Trade</b>		
(i) Finished Goods	226,751	153,558
(ii) Work in Progress	137,236	106,091
(iii) Raw Material & Components	404,288	312,626
(iv) Goods in Transit (Raw Material & Components)	108,733	56,742
(v) Tools, Store & Spares	3,103	3,165
<b>TOTAL (1)</b>	<b>880,111</b>	<b>632,182</b>
<b>(2) Sundry Debtors<sup>1</sup></b> (Unsecured, unless otherwise stated)		
(i) Outstanding for more than six months		
Considered Good	—	—
Considered Doubtful	2,004	3,511
	2,004	3,511
Less: Provision for doubtful debts	2,004	3,511
	—	—

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# Motherson Sumi Systems Ltd.

## SCHEDULE VII (CONTD.) CURRENT ASSETS, LOANS AND ADVANCES

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
(ii) Other Debts		
Considered good	918,050	569,373
Considered Doubtful	2,499	2,800
	920,549	572,173
Less Provision for doubtful debts	2,499	2,800
	918,050	569,373
<b>TOTAL (2)</b>	<b>918,050</b>	<b>569,373</b>
<b>(3) Cash and Bank Balances :</b>		
(i) Cash in hand	1,861	2,510
(ii) Cheques in hand	6,875	1,223
(iii) Balance with		
(a) Scheduled Banks in		
(i) Current Accounts	15,047	9,597
(ii) Deposit account <sup>2</sup>	1,583,524	2,984
(iii) Dividend Account	3,072	2,363
(b) Non Scheduled Banks in <sup>3</sup>		
(i) Current Account with Bank Austria	2,413	2,158
(ii) Current Account with HSBC Bank Middle East Ltd.	1,058	5,709
(iii) Current Account with Commerz Bank Hanau Germany	3,581	—
<b>TOTAL (3)</b>	<b>1,617,431</b>	<b>26,544</b>
<b>TOTAL A (1+2+3)</b>	<b>3,415,592</b>	<b>1,228,099</b>
<b>B. Loans and Advances</b>		
(Unsecured, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received <sup>4</sup>		
— Considered good	428,024	219,135
— Considered doubtful	3,816	4,116
	431,840	223,251
Less Provision for doubtful advances	3,816	4,116
	428,024	219,135
(ii) Loan to Subsidiaries	493,942	17,587
(iii) Deposits with Excise, Customs & Govt Authorities	341,023	135,758
<b>TOTAL B</b>	<b>1,262,989</b>	<b>372,480</b>
<b>GRAND TOTAL (A+B)</b>	<b>4,678,581</b>	<b>1,600,579</b>

<sup>1</sup> Includes due from subsidiaries Rs. 21,429 thousand (Previous Year Rs.13,470 thousand).

<sup>2</sup> i) Includes Deposit out of proceeds of Zero Coupon Foreign Currency Convertible Bonds of Rs. 1,582,116 thousand (Previous Year Nil).

ii) Deposits pledged with Excise & Sales Tax authorities Rs. 20 thousand (Previous Year Rs. 156 thousand).

iii) Margin money Rs. 1,388 (Previous Year Rs. 2,560 thousand ).

<sup>3</sup> Maximum balance outstanding during the Year Rs. 23,258 thousand (Previous Year Rs. 10,385 thousand).

<sup>4</sup> i) Includes due from subsidiaries Rs. 2,067 thousand (Previous Year Rs. 891 thousand).

ii) Includes capital advances of Rs. 223,017 thousand (Previous Year Rs. 64,428 thousand).



**SCHEDULE VIII**  
**CURRENT LIABILITIES AND PROVISIONS**

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>A. Current Liabilities</b> (Refer B(3) on Schedule XIII)		
(i) Sundry Creditors <sup>1</sup>		
Small Scale Industrial Undertakings	29,992	17,278
Others	894,351	694,215
(ii) Advance from customers	136,777	122,172
(iii) Other Liabilities	59,389	34,321
(iv) Investor Education & Protection Fund shall be credited by the following amount:		
- Unpaid Dividend	3,072	2,364
(v) Interest Accrued but not due	5,633	1,015
<b>TOTAL (A)</b>	<b>1,129,214</b>	<b>871,365</b>
<b>B. Provisions</b> (Refer B(19) of Schedule XIII)		
(i) Premium on Redemption of Zero Coupon Foreign Currency Convertible Bonds (Refer B (6) of Schedule XIII)	807,470	—
(ii) For Dividend (including tax thereon)	308,007	267,832
(iii) For Income tax (net) <sup>2</sup>	77,479	89,319
(iv) For Fringe Benefit Tax	13,150	—
(v) For Wealth tax	1,500	500
(vi) For Employee benefit	22,234	14,539
(vii) For Warranty	2,046	1,972
<b>TOTAL (B)</b>	<b>1,231,886</b>	<b>374,162</b>
<b>TOTAL (A+B)</b>	<b>2,361,100</b>	<b>1,245,527</b>

<sup>1</sup> Includes due to subsidiaries Rs. 41,435 thousand (Previous Year Rs. 30,030 thousand).

<sup>2</sup> Net of Advance Tax Rs. 568,235 thousand (Previous Year Rs. 464,525 thousand).

**SCHEDULE IX**  
**MISCELLANEOUS EXPENDITURE**  
(To the extent not written off or adjusted)  
(Refer B (6) of Schedule XIII)

	As At March 31, 2006	As At March 31, 2005
Premium on Redemption/Issue Expenditure of Zero Coupon Foreign Currency Convertible Bonds		
Opening Balance	—	—
Add: Addition during the year <sup>1</sup>	876,566	—
Less: Written off during the year	121,322	—
<b>TOTAL</b>	<b>755,244</b>	—

<sup>1</sup> Includes issue expenditure Rs. 73,251 thousand (Previous Year Rs. Nil)

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# Motherson Sumi Systems Ltd.

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

### SCHEDULE X OTHER INCOME

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
(a) Dividend Received <sup>1</sup> - From other than Subsidiary companies	26,398	8,083
(b) Rent	13,043	12,830
(c) Change in carrying amount of current investments	2	(2,956)
(d) Service Income	5,258	9,227
(e) Provision for diminution in value of long term investment written back	50,000	—
(f) Sundries written back	8,259	10,972
(g) Miscellaneous Income	73,464	30,486
(h) Exchange fluctuation (net)	26,720	19,341
(i) Profit on sale of Fixed assets (net)	1,676	(1,638)
(j) Profit on sale of Investment <sup>2</sup>	23,919	—
<b>TOTAL</b>	<b>228,739</b>	<b>86,345</b>
Tax deducted on source		
(a) Rent	2,879	2,699
(b) Miscellaneous Income	2,934	711
<sup>1</sup> Includes dividend from Short term Non- Trade investments	158	883
<sup>2</sup> Includes profit on sale of investment in equity shares of a subsidiary Rs. 17,263 thousand (Refer B (25) of Schedule XIII)		



**SCHEDULE XI**  
**COST OF MATERIALS AND**  
**MANUFACTURING & OTHER EXPENSES**

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>Materials consumed</b>		
Opening Stock		
Raw materials	312,626	239,139
Work-in-progress	106,091	83,468
Finished goods	153,558	86,636
Additions consequent to amalgamation (Refer B (4) of Schedule XIII)		
Raw materials	22,701	—
Work-in-progress	1,833	—
Finished goods	—	—
	596,809	409,243
Add : Purchases of Raw materials	4,083,981	3,141,621
Less : Closing Stock		
Raw materials	(404,288)	(312,626)
Work-in-progress	(137,236)	(106,091)
Finished goods	(226,751)	(153,558)
Less : Transfer of Elastomer Division to a Subsidiary		
Raw materials	—	(16,422)
Work-in-progress	—	(5,854)
Finished goods	—	(520)
	(768,275)	(595,071)
<b>Total consumption for goods sold</b>	<b>3,912,515</b>	<b>2,955,793</b>
Salary, wages & bonus	545,235	411,148
Contribution to Provident & Other Fund	47,871	40,687
Staff Welfare	64,670	49,868
Electricity, Water and Fuel	168,079	129,038
Repairs and Maintenance		
Machinery	85,842	59,491
Building	40,976	44,138
Others	64,203	47,446
Consumption of Store and Spare parts	89,276	78,904
Conversion charges	115,273	105,428
Lease rent (non-cancellable leases)	10,875	4,759
Rent	41,136	30,692
Rates & taxes	13,216	8,309
Insurance	24,784	18,401
Donation	5,433	4,414
Travelling	105,419	95,286
Freight & forwarding	107,334	76,300
Royalty	39,449	33,938

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# Motherson Sumi Systems Ltd.

## SCHEDULE XI (CONTD.)

### COST OF MATERIALS AND MANUFACTURING & OTHER EXPENSES

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
Cash Discount	14,728	13,513
Commission	2,258	1,197
Bad Debts/Advances written off	112	9
Legal & professional expenses	174,878	99,613
Miscellaneous expenses	180,787	179,713
<b>TOTAL</b>	<b>5,854,349</b>	<b>4,488,085</b>

## SCHEDULE XII INTEREST (NET)

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>Interest &amp; Finance Expense</b>		
- Subsidiaries	—	120
- Privately Placed Debentures	13,108	3,678
- Fixed loans	13,648	8,491
- Amortisation of Premium on Redemption/Issue Expenditure of Zero Coupon Foreign Currency Convertible Bonds (Refer B (6) of Schedule XIII)	121,322	—
- Others	24,230	11,668
<b>Less : Interest Income (Gross)</b>		
- From Subsidiaries	15,087	2,335
- From Bank Deposits	32,480	388
- From Income Tax Refund	—	1,452
- From Others	825	216
<b>TOTAL</b>	<b>123,916</b>	<b>19,566</b>
Tax deducted on source		
Interest Income	381	390



## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE XIII

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. Convention

The Financial Statements are prepared under the historical cost convention as modified to include revaluation of certain fixed assets as indicated in (2) below, in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.

###### 2. Fixed Assets and Depreciation

###### Fixed Assets

- i) The fixed assets except as stated in (ii) below are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of inward freight, duties and taxes and other incidental expenses.
- ii) The fixed assets of the Component Division of erstwhile Motherson Auto Components Engineering Limited (MACE) have been stated at an amount inclusive of appreciation arising on revaluation of the assets by an approved valuer on December 31, 1998. The method adopted for revaluation of the assets are as under:
  - a) Land: Prevailing market rate of land as on the date of revaluation.
  - b) Buildings, Indigenous Plant and Machinery, Furniture and Fixtures, Moulds and Dies: Replacement value.

The Company charges assets Costing less than Rs. 5,000 to expense, which could otherwise have been included as Fixed Asset, because the amount is not material in accordance with Accounting Standard 10 - 'Accounting for Fixed Assets'.

###### Depreciation

- i) Depreciation on fixed assets except as stated in (ii) below, is provided from the month the asset is ready for commercial production on a pro-rata basis at the SLM rates prescribed in schedule XIV to the Companies Act, 1956 or based on useful life, whichever is higher. In accordance with the above policy the following assets are depreciated, at rates higher than those prescribed in schedule XIV of the Companies Act, 1956:

	Rate (%)
Computers	33.33
Vehicles	25.00
Furniture, fixtures & Office equipments	16.67
Electrical Installations	10.00
Specific Identified Plant & Machinery	25.00

- ii) In respect of revalued assets, depreciation is being provided on the revalued amounts over the remaining useful life of the assets at the SLM rates. Leasehold Land is amortised over the balance period of lease.

###### 3. Investments

Investments are classified into long term and current investments. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value. Fair value in the case of quoted investments refers to the market value of the investments arrived at on the basis of last traded prices as at the year-end.

###### 4. Inventories

Stores and spares, loose tools are valued at cost or net realisable value, whichever is lower.

# Motherson Sumi Systems Ltd.

Raw materials, components, finished goods and work in progress are valued at cost or net realisable value, whichever is lower. The basis of determining cost for various categories of inventories are as follows:

- |  |   |
|--|---|
| i) Stores and Spares, Raw Materials and Components | - First in First Out (FIFO) method  |
| ii) Work in Progress and Finished Good             | - Material cost plus appropriate share of labour and production overheads.  |
| iii) Tools   | - Cost less amortisation based on useful life of the items ascertained on a technical estimate by the management. |

## 5. Retirement Benefits

The Company's contribution to defined contribution schemes such as provident fund, family pension fund and superannuation fund are charged to the profit and loss account as incurred. The Company also provides gratuity benefits to the employees, which is funded through a LIC group gratuity scheme. The liability at the year-end for the same is determined by an actuarial valuation done at year-end and shortfall/surplus over the amount contributed to the scheme is charged off to the profit and loss account or treated as prepaid, as the case may be. Provision for Leave Encashment is made on the basis of actuarial valuation done at the year-end.

## 6. Revenue Recognition

Sales are recognised upon the transfer of significant risks and rewards of ownership to the customers.

## 7. Foreign Exchange Transactions

Transactions involving foreign currencies are recorded at the exchange rate prevailing on the transaction date. Foreign currency monetary items are translated at the exchange rate prevailing at the balance sheet date and the gain/loss arising on such translation other than monetary items related to acquisition of fixed assets is credited / charges to profit and loss account. The gain/loss arising on translation of monetary items related to acquisition of fixed assets are adjusted to the cost of fixed assets. Premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of contract.

## 8. Borrowing Costs

The borrowing costs on funds other than those directly attributable to the acquisition of a qualifying asset i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use, is charged to revenue in the period in which they are incurred.

The borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset.

## 9. Leases

Lease rental in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement on a straight-line basis over the lease period.

Lease rentals in respect of finance lease transactions entered into prior to 31<sup>st</sup> March 2001 is charged to expense when due as per the terms of the related agreement. Finance lease transactions entered into after this date are considered as financing arrangements in accordance with Accounting Standard 19 and the leased asset is capitalized at an amount equal to the present value of future lease payments and a corresponding amount is recognized as a liability. The lease payments made are apportioned between finance charge and reduction of outstanding liability in relation to leased asset.

## 10. Taxation

### Current Tax

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions of Income tax Act, 1961 after considering the benefits available under the said Act.

### Deferred Taxes

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered



Accountants of India, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

Deferred Tax Assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

## B. NOTES TO THE ACCOUNTS

### 1. Contingent Liabilities :

(Rs. in thousands)

	As at March 31, 2006	As at March 31, 2005
a) In respect of Excise <sup>1</sup>	26,917	24,303
b) In respect of Entry Tax	—	145
c) In respect of Sales Tax	9,362	4,851
d) In respect of Service tax	6,324	3,523
e) In respect of Stamp Duty	1,804	3,608
f) In respect of Income Tax	—	864
g) In respect of Labour Cases	11,852	11,365
h) The Company has given corporate guarantee in respect of: <sup>2</sup>		
i) Subsidiary company	293,965	553,205
ii) Joint Ventures	97,500	97,500
i) Bank Guarantees furnished by the company	123,806	36,349

<sup>1</sup> Excludes interest.

<sup>2</sup> Actual amount outstanding

Subsidiary Company

Rs. 181,053 thousand (Rs. 367,311 thousand)

Joint Ventures

Rs. 88,013 thousand (Rs. 141,528 thousand)

### 2. Outstanding Capital Commitments :

(Rs. in thousands)

	As at March 31, 2006	As at March 31, 2005
Unexpired amount of the contracts on capital accounts and not provided for (net of advance)	141,175	328,729

### 3. The small scale industrial undertakings to whom the Company owes and which is outstanding for more than 30 days as at March 31, 2006 are:

Affy India Pvt Ltd., Ajit Industries Pvt Ltd., Ashoka Insulations, Asian Rubber Industries, Autonix Auto Industries (P) Ltd., B.R. Auto Connectors & Spares P. Ltd., Bharti Wood Works, CelloPlast Industries, Chaithnaya Dip Moulding Works, Chitra Rubber Udyog, Cubix Control Systems Pvt. Ltd., Deusch Mediquip Pvt. Ltd., Die Mansion, Ema Rubber Industries, Ghaziabad Flopol Insulations Pvt. Ltd., Grand Industries, Harinder Industries Pvt. Ltd., Hartech Plastics Pvt. Ltd., Haryana Industries, Hytech Engineers, Interface Microsystems, Jain Transfer Projects, Jayashree Polymers Pvt. Ltd., J M D Enterprises, Kamal Auto Industries, Laxmi Enterprises, L M C Enterprises P. Ltd., Manu Enterprises, Mega Rubber Technologies Pvt. Ltd., National Electronics Corporation, Newpack Plastics Pvt. Ltd., Nippon Audiotronix, Paragon Autotech Products Pvt Ltd., Pioneer Industries, Plastometal Engineering India Pvt. Ltd., Pranay Insulations and Packaging (P) Ltd., Pranita Plastic Die N Crafts Pvt. Ltd., Precision Tools and Components, Protectron Electromech P Ltd., S. R. Enterprises, SGR Elastomers (India) Pvt. Ltd., Shiv Industries, Super Screws Pvt. Ltd., Surelock Plastics Pvt. Ltd., T. P. Singh & Co., Techno Auto Components (I) Pvt. Ltd., Tech Plast India Pvt. Ltd., Terminal Technologies (I) Pvt. Ltd., Vidya Rubber Industries, Wonder Polymers Pvt. Ltd., Hartech Plastics Pvt. Ltd., Yash Industries, Priya Plastics, India Wire, Wirex Dies and Steel India Pvt. Ltd., Vishwakarma Electricals, SGS Refrigeration Works, Sree ganesh Steel and Wood Crafts,

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# Motherson Sumi Systems Ltd.

Prabhat Containers (p) Ltd., Parul Printers, Gaurav Engineers, Hi-Tech Engineers, Veenoo Electronics, Bertech Engineering Co., Evergreen Packers, Microtek Services, Sunbeam Electric Industries, Bar Code Inc., Juneja Plastics, Noids Engineering Works, Orient Polyfilms Pvt. Ltd., Vishal Engg. Works, Bafna Packaging Pvt. Ltd., Aglow Engineers Pvt. Ltd., Senna Polymers, Chennai Polypack Pvt. Ltd., Vips Plastic Combination, Alpha Springs Chennai P Ltd, CNCC Plastic Products, Action Spring Products, Alfa Industries and CNCC Engineering Products.

The above information regarding small scale industrial undertaking has been determined to the extent such parties have been identified on the basis of information available with the Company.

#### 4. Amalgamation of Draexlmaier & Motherson Electrical Systems India Limited (DMESIL) with the Company

- a) The High Court of judicature at Delhi have approved on March 27, 2006 the arrangement as embodied in the Scheme of Amalgamation ("the Scheme") of the erstwhile M/s Draexlmaier & Motherson Electrical Systems India Limited (DMESIL), a subsidiary of the company, the transferor company with the Company (M/s Motherson Sumi Systems Limited), the transferee Company. On complying with the requisite formalities by the Company, the Scheme became effective on May 16, 2006 ("the effective date"), operative retrospectively from April 1, 2005, the appointed date as per the scheme. Accordingly, the whole of the undertakings of DMESIL was transferred to and vested in the Company as a going concern and DMESIL without any further act was dissolved without winding up.
- b) DMESIL is in the business of manufacture and sale of wiring harness and cockpit assembly.
- c) During the year on April 29, 2005 the company had, pursuant to an agreement with M/s Lisa Draexlmaier GmbH, purchased the 26% shareholding held by it, thereby making DMESIL a 100% subsidiary of the company. As per the scheme the said transaction is recorded in such a manner so that with effect from the appointed date, all assets and liabilities are vested in the company. The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India and the specific provisions of the Scheme. Accordingly, all the assets, liabilities and reserves of the transferor company as on April 1, 2005 have been recorded by the Company at their respective amounts. These values were adjusted for the following differences in the accounting policies of the transferor company, the impact of which has been adjusted against the amalgamation reserve of the Company:

	<b>Amount (Rs. in thousands)</b>
Net Block of Fixed Assets	460
Accumulated Depreciation	1,076
Miscellaneous Expenditure to be written off	123
<b>TOTAL</b>	<u>1,659</u>

- d) With effect from the Appointed Date, all debts, liabilities, duties and obligations of the transferor company as on the close of the business on the date preceding the appointed date, whether or not provided in the books of the transferor company and all liabilities which arise or accrue on or after the Appointed date shall be deemed to be the debts, liabilities, duties and obligations of the Company.
- e) In view of the amalgamation of DMESIL with the Company effective from April 1, 2005, the figures for the current year are not directly comparable to those of the previous year. The Company's Fixed Assets for the current year include Net Fixed Assets of Rs. 18,818 thousand, Net Current Assets of Rs. 27,332 thousand and Debit balance of Profit & Loss Account of Rs. 4,223 thousand attributable to DMESIL. Rs. 25,050 thousand being the excess of the value of assets over the value of the liabilities after adjusting for the aggregate value of the investments held in the transferee company and the adjustments mentioned in (c) above has been credited to the amalgamation reserve of the Company, in accordance with the scheme. The said investment by the company stands cancelled.

#### 5. Proposed Amalgamation of Motherson Advance Polymers Limited (MAPL) with the Company

The Company has purchased 43,104,774 shares of MAPL from its erstwhile shareholders. Consequent to the above purchase, MAPL has become a 100% subsidiary of the Company w.e.f. February 1, 2006. The Company



has also filed the merger petition with the High Court of Delhi on March 31, 2006 for amalgamation of MAPL with the Company w.e.f. April 1, 2005. Subsequently, the Company has, at its meeting held on May 20, 2006, changed the effective date to February 1, 2006, subject to necessary approvals. However, no effect has been given in the above financial statements of such amalgamation, pending the decision of High Court of Delhi on the same.

## 6. Issue of Zero Coupon Convertible Bonds

During the year ended March 31, 2006, the Company has issued Euro 50,300,000 Zero Coupon Convertible Bonds due 2010 (the "Bonds"). The Bonds are convertible either at the option of the holder at any time on or after August 24, 2005 (or such earlier date as is notified to the holders of the Bonds by the Company) upto July 6, 2010 by holders into fully paid equity shares with full voting rights at par value of Re. 1.00 each of the Issuer ("Shares") at an initial Conversion Price (as defined in the "Terms & Conditions of the Bonds") of Rs. 111.45 per Share with a fixed rate of exchange on conversion of Rs. 52.01 = Euro 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The Bonds may otherwise be redeemed, in whole or in part, at the option of the Issuer, at any time on or after July 15, 2008 and prior to July 7, 2010 subject to satisfaction of certain conditions and at their "Early Redemption Amount" (as defined in the "Terms & Conditions of the Bonds") at the date fixed for such redemption if the "Closing Price" (as defined in the "Terms & Conditions of the Bonds") of the Shares translated into Euro at the "prevailing rate" (as defined in the "Terms & Conditions of the Bonds") for each of 20 consecutive "Trading Days" (as defined in the "Terms & Conditions of the Bonds") the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 130 per cent, of the "Conversion Price" (as defined in the "Terms & Conditions of the Bonds") then in effect translated into euro at the rate of Rs. 52.01 = Euro 1.00.

The Bonds may also be redeemed, in whole, but not in part, at any time at the option of the Issuer at their Early Redemption Amount, if less than 10 per cent, in aggregate principal amount of the Bonds originally issued is outstanding.

The Bonds may also be redeemed in whole, but not in part, at the option of the Issuer subject to satisfaction of certain conditions including obtaining Reserve Bank of India ("RBI") approval, at their Early Redemption Amount, on the date fixed for redemption in the event of certain changes relating to taxation in India.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed by the Issuer in Euros on July 16, 2010 at 126.77 per cent of its principal amount.

The issuer will, at the option of any holder of any Bonds, repurchase at the Early Redemption Amount such Bonds at such time as the Shares cease to be listed or admitted to trading on the BSE and the NSE (as defined in the "Terms & Conditions of the Bonds") in respect of the Issuer. These Bonds are listed in the Singapore Exchange Securities Trading Limited (the "SGX-ST").

## 7. Managerial Remuneration :

(Rs. in thousands)

	For the year ended March 31, 2006 <sup>3</sup>	For the year ended March 31, 2005 <sup>3</sup>
a) Salaries	3,003	2,701
b) Contribution to Provident and other Funds	414	313
c) Perquisites	2,516	2,384
d) Directors Sitting Fees	100	235
<b>TOTAL</b>	<b>6,033</b>	<b>5,633</b>

<sup>3</sup> As the employee-wise break up of gratuity and leave encashment is not ascertainable, the amount related to one of the directors has not been included in the above particulars.

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# Motherson Sumi Systems Ltd.

## 8. Payment to Auditors :

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Statutory Audit Fee	3,250	2,900
b) Taxation Matters	100	101
c) Reimbursement of Expenses	275	252
d) Others (certification charges & other services)	1,000	—
<b>TOTAL</b>	<b>4,625</b>	<b>3,253</b>

## 9. Value of imports on CIF Basis in respect of :

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Raw Material	1,728,798	1,195,511
b) Capital Goods	346,968	85,371
c) Spare Parts	25,605	34,649

## 10. Expenditure in foreign currency on account of: (Cash Basis) (Net of Taxes)

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Royalty	44,677	22,760
b) Travelling	28,730	44,314
c) Interest	5,947	1,957
d) Professional Fee	39,235	16,914
e) Technical Assistance fees	6,487	6,730
f) Commission	891	—
g) Others (Includes software charges, training, salary, bank charges, and Representative office expenses of salary, rent etc)	89,045	35,924

## 11. Value of imported and indigenous consumed and percentage of each to total consumption:

### A. Raw Materials and Components

(Rs. in thousands)

	(%)	For the year ended March 31, 2006	(%)	For the year ended March 31, 2005
a) Imported	49	1,957,350	40	1,216,342
b) Indigenous	51	2,057,670	60	1,835,370
<b>TOTAL</b>	<b>100</b>	<b>4,015,020</b>	<b>100</b>	<b>3,051,712</b>



## B. Stores & Spares

(Rs. in thousands)

	(%)	For the year ended March 31, 2006	(%)	For the year ended March 31, 2005
a) Imported	14	12,485	42	33,464
b) Indigenous	86	76,791	58	45,440
<b>TOTAL</b>	<b>100</b>	<b>89,276</b>	<b>100</b>	<b>78,904</b>

## 12. Actual Production, opening stock, closing stock and sales:

### A. Quantity

(Numbers in thousands)

	For the year ended March 31, 2006					For the year ended March 31, 2005				
	Wiring Harness	High Tension Cords	Rubber Comp.	Plastic Comp.	Wires	Wiring Harness	High Tension Cords	Rubber Comp.	Plastic Comp.	Wires
	(No's.)	(No's.)	(No's.)	(No's.)	(Km's.)	(No's.)	(No's.)	(No's.)	(No's.)	(Km's.)
Opening Stock	249	1	—	339	13	185	7	671	319	9
Production	16,779	389	—	42,868	365	12,647	356	21,270	27,991	362
<b>Total</b>	<b>17,028</b>	<b>390</b>	<b>—</b>	<b>43,207</b>	<b>378</b>	<b>12,832</b>	<b>363</b>	<b>21,941</b>	<b>28,310</b>	<b>371</b>
Sales/ Consumption	16,660	390	—	42,705	365	12,583	362	21,941	27,971	358
Closing Stock	<b>368</b>	<b>—</b>	<b>—</b>	<b>502</b>	<b>13</b>	<b>249</b>	<b>1</b>	<b>—</b>	<b>339</b>	<b>13</b>

### B. Value

(Rs. in thousands)

	For the year ended March 31, 2006							For the year ended March 31, 2005						
	Wiring Harness	High Tension Cords	Rubber Comp.	Plastic Comp.	Wires	Others <sup>4</sup>	Total	Wiring Harness	High Tension Cords	Rubber Comp.	Plastic Comp.	Wires	Others <sup>4</sup>	Total
	Opening Stock	59,588	9	—	3,263	61,944	28,754	1,53,558	44,981	1,200	1,613	1,292	24,135	13,415
Sales	5,025,569	103,906	—	1,304,759	348,485	258,677	7,041,396	3,826,407	106,132	58,720	959,667	342,413	242,172	5,535,511
Closing stock	<b>82,882</b>	<b>1</b>	<b>—</b>	<b>74,321</b>	<b>65,501</b>	<b>4,046</b>	<b>226,751</b>	<b>59,588</b>	<b>9</b>	<b>—</b>	<b>3,263</b>	<b>61,944</b>	<b>28,754</b>	<b>1,53,558</b>

<sup>4</sup> Quantitative information in respect of value disclosed in others is not being given separately as the related revenue and costs are less than 10% of total revenue and cost of the Company.

## 13. Earnings in foreign currency during the year :

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) FOB value of Exports <sup>5</sup> Interest Received	1,486,939	1,031,660
b) - from Subsidiary - from Others	14,813 32,480	689 —
c) Reimbursement from Customers	5,237	1,476
d) Service Income	—	6,520
e) Refund of Value Added Taxes Received	1,669	—

<sup>5</sup>Include Deemed Exports of Rs. 117,990 thousand (Previous year Rs. 18,777 thousand)

# Motherson Sumi Systems Ltd.

## 14. Remittance in foreign currency during the year on account of dividend :

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Amount remitted	87,376	54,338
b) Number of non-resident shareholders	2	2
c) Number of shares held by them (in thousands) (Increased consequent to issue of bonus share during the Year ended March 2005)	87,376	54,338
d) Year to which dividend pertains	Year ended March 31, 2005	Year ended March 31, 2004

## 15. Licensed and Installed Capacity :

(Figures in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Licensed Capacity	N.A.	N.A.
b) Installed Capacity of <sup>6</sup>		
a) Wiring Harness (Nos.)	N.A.	N.A.
b) High Tension Cords (Nos.)	N.A.	N.A.
c) Rubber Components (M. T.)	N.A.	N.A.
d) Plastic Components (M. T.)	N.A.	N.A.
e) Wires (Km's.)	N.A.	N.A.
c) Actual Production of		
a) Wiring Harness (Nos.)	16,779	12,647
b) High tension Cords (Nos.)	389	356
c) Rubber Components (Nos.)	—	21,270
d) Plastic Components (Nos.)	42,868	27,991
e) Wires (Km's.)	365	362

<sup>6</sup> Not ascertainable as the products manufactured by the company are of variable size & technical complexities

## 16. Raw Materials and Components consumed during the year :

(Figures in thousands)

	For the year ended March 31, 2006		For the year ended March 31, 2005	
Raw Materials and Components	Qty	Value	Qty	Value
a) Copper (Kg's.)	3,689	738,935	3,498	542,275
b) Others <sup>7</sup>	—	3,276,085	—	2,509,437

<sup>7</sup>No single raw material or components account for more than 10% of total consumption.

## 17. Earnings per share

	For the year ended March 31, 2006	For the year ended March 31, 2005
Weighted Average number of Equity Shares of Re. 1/- each (Previous Year Re. 1/- each) outstanding at the end of the year	234,889,200	234,889,200
Net profit after tax available for equity Shareholders (Rs. in thousand)	768,444	620,944
Basic/ Diluted Earnings (in Rupees) Per Share of Re. 1/- each. (Previous Year Re. 1/- each)	3.27 <sup>8</sup>	2.64

<sup>8</sup>Potential conversion of Zero Coupon Currency Convertible Bonds issued is anti-dilutive and accordingly, has not been considered in the calculation of diluted earnings per share.



## 18. Deferred Tax

(i) The break up and movement of net deferred tax liability for the year ended March 31, 2006 is as under:

(Rs. in thousands)

Timing differences on account of:	As at March 31, 2006	Credit/ (Charge) for the year	As at March 31, 2005 <sup>9</sup>
Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act (to the extent considered realizable)	(24,849)	(16,218)	(8,631)
Unabsorbed depreciation allowance and business loss carried forward (to the extent considered realizable based on future profit projections)	—	4,349	(4,349)
Difference between depreciation as per financial statement and depreciation as per Income Tax Return	120,844	(12,686)	133,530
Net Deferred Tax Liability/ (Asset)	95,995	24,555	120,550

<sup>9</sup> Included Deferred tax asset amounting to Rs. 84 thousand taken over consequent to amalgamation of Draexlmaier & Motherson Electrical Systems India Limited.

(ii) In view of the Company's past financial performance and future profit projections, the company expects to fully recover the Deferred Tax Assets.

19. The company has the following provision in the books of accounts as on March 31, 2006

Description	Balance as on 01.04.2005	Additions during year	Utilised/ Reversed during year	Balance as on 31.03.2006
Warranty	1,972	229	155	2,046

Warranty provision relate to the estimated outflow in respect of warranty for products sold by the company. Due to the very nature of such costs, it is not possible to estimate the timing/uncertainties relating to the outflows of economic benefits.

## 20. Additional Depreciation on Fixed assets

With effect from April 1, 2005 the Company based on technical review and management estimate has revised the useful lives in respect of Electrical Installations (included under Plant & Machinery) and Furniture, fixtures & Office equipments. The resultant revised rates of depreciation have been arrived at as 10% and 16.67% respectively which were earlier 4.75% for electrical installations and office equipment and 6.33% for Furniture & Fixtures. Accordingly, the charge for depreciation in the current year in respect of such machines is higher by Rs. 38,411 thousand with consequent effect on the net fixed assets.

21. The Company has utilized the proceeds on issue of Euro 50,300,000 Zero Coupon Foreign Currency Convertible Bonds to the public in the following manner:

Particulars	Year ended March 31, 2006	
	Amount (Euro '000)	Amount (Rs.'000)
Public Issue Proceeds	50,300	2,616,103
Less: Issue Expenses	1,408	73,251
Less: Loans & Advances given to Subsidiaries	7,152	374,372
Less: For Capital Acquisition	12,924	695,179
Add : Interest Received	500	27,020
<b>Unutilized Public Issue Proceeds in Deposits</b>	<b>29,316</b>	<b>1,582,116</b> <sup>10</sup>

<sup>10</sup> Reinstated as at year end rate.

# Motherson Sumi Systems Ltd.

22. The Company is in the process of reconciling its balances with one of the customers in respect of advances received. The consequent impact on duties payable in respect of excise, if any, will be ascertainable on the completion of the aforesaid reconciliation.

## 23. Related Party disclosures

Related party disclosures, as required by ASI8, "Related Party Disclosures", are given below:

### I Relationships where control exists:

#### Subsidiaries of the company:

MSSL Mideast (FZE)  
MSSL (GB) Limited  
MSSL GmbH  
G & S Kunststofftechnik GmbH  
Mothersonsumi Reiner GmbH  
MSSL Mauritius Holdings Limited  
MSSL Hag Toolings Ltd. (FZC)  
MSSL Ireland Pvt. Ltd.  
Global Environment Management (FZC)  
Motherson Advance Polymers Ltd.  
Motherson Electrical Wires Lanka Pvt. Ltd.  
MSSL Handels GmbH  
Motherson PUDENZ WICKMANN Limited  
MSSL (S) Pte Ltd  
Balda Motherson Info Devices Limited

### II. Other Related Parties

#### a. Joint Ventures:

WOCO Motherson Elastomer Limited <sup>11</sup>  
Kyungshin Industrial Motherson Limited  
Schefenacker Motherson Limited  
WOCO Motherson Ltd. (FZC)  
WOCO Motherson Advanced Rubber Technologies Limited <sup>12</sup>

<sup>11</sup> Change in share holding on March 31, 2006 consequent to which the company became a joint venture instead of a subsidiary.

<sup>12</sup> Change in share holding on October 17, 2005 consequent to which the company became a joint venture instead of a subsidiary.

#### b. Associate Companies:

Saks Ancillaries Limited

#### c. Key Management Personnel:

##### i) Board of Directors:

Mr. V C Sehgal  
Mr. Toshimi Shirakawa  
Mr. M S Gujral



Mr. Bimal Dhar  
Mr. H Murai  
Mr. A Yamauchi  
Mr. M Matsushita  
Maj. Gen Amarjit Singh (Retd)  
Mr. Pankaj Mital  
Mr. Arjun Puri

**ii) Other Key Management Personnel:**

Mr. Vivek Avasthi  
Mr. Ravindra Mathur  
Mr. G.N. Gauba  
Mr. Vijay Mediratta  
Mr. N Ramanathan

**iii) Relatives of Key Management Personnel:**

Mr. Laksh Vaaman Sehgal  
Mrs. Renu Sehgal  
Ms. Vidhi Sehgal  
Mrs. Geeta Soni  
Mrs. Neelu Mehra  
Late Mr. P. Avasthi  
Mrs. P. Avasthi  
Mr. Harjit Singh  
Ms. Upkar Gujral  
Ms Subina Avasthi

**d. Companies in which Key Managerial Personnel or their relatives have control significant influence:**

Motherson Air Travel Agencies Limited  
Motherson Auto Ltd  
Sumi Motherson Innovative Engineering Limited  
MothersonSumi Infotech and Designs Limited  
Motherson Techno Tools Limited  
Motherson  
Vaaman Auto Industries  
Ganapati Auto Industries  
Southcity Motors Ltd.  
A Basic Concepts Designs Pty Ltd.  
A Basic Concepts Designs India Private Ltd.  
Motherson Engineering Research and Integrated Technologies Limited  
Motherson Triplex & Optic System Technologies Pvt. Ltd  
ASI Motherson Communications Ltd.  
SWS India Management Support & Service (P) Ltd.  
Moon Meadows Pvt. Ltd.

# Motherson Sumi Systems Ltd.

Sisbro Creations Pvt. Ltd.  
Motherson Advance Automobile Solutions Pvt. Ltd.  
Motherson Tool Engg. & Design Pvt. Ltd.  
Motherson Auto Solutions Pvt. Ltd  
Motherson Advanced Auto Engg. Pvt. Ltd.  
Motoman Motherson Robotics Ltd.  
Motherson Consultancy Pvt. Ltd.  
Samvardhana Motherson Finance Ltd.  
ATAR Mauritius Pvt. Ltd.  
Webasto Motherson Sunroofs Limited  
Anest Iwata Motherson Limited  
Miyazu Motherson Engineering Design Limited

**e. Joint Venturers:**

Sumitomo Wiring Systems Limited, Japan  
Lisa Draexlmaier GmbH, Germany  
Wilhelm Pudenz GmbH, Germany  
Schefenacker International AG & Co.  
Kyungshin Industrial Co., Korea  
WOCO Franz Josef Wolf Holding GmbH  
Hag Kunststofftechnik GmbH (ceases with effect from August 26, 2005)  
Balda AG



III. Details of transactions, in the ordinary course of business at commercial terms, and balances with related parties as mentioned in I & II above:

(Rs. in thousands)

S. No	Particulars	Parties mentioned in 23 (I) above		Parties mentioned in 23 (II) (a) above		Parties mentioned in 23 (II) (b) & (d) above		Parties mentioned in 23 (II) (e) above		Parties mentioned in 23 (II) (c) above	
		Current Year	Previous year	Current Year	Previous year	Current Year	Previous year	Current Year	Previous year	Current Year	Previous year
		1	Sale of Goods	181,871	72,585	195,694	265,516	12,419	11,528	340,661	244,557
2	Rendering of Services	7,012	7,649	139	11	9,411	5,696	—	349	—	—
3	Sale of Fixed Assets	11,164	2,383	—	—	223	11	—	—	—	—
4	Purchase of Goods	276,311	190,653	7,950	5,560	390,063	346,364	277,164	177,370	—	—
5	Purchase of Fixed Assets	155,266	2,851	4,023	—	36,715	21,269	1,147	3,241	—	—
6	Purchase of Services	11,517	11,920	—	44	201,974	177,806	7,878	12,757	2,844 <sup>13</sup>	2,349 <sup>13</sup>
7	Reimbursement (Net)	17,984	3,361	(172)	21	(396)	1,776	6,354	—	—	—
8	Investments made during the year	500	17,250	32,833	—	12,500	—	—	—	—	—
9	Purchase of Shares	—	—	—	—	27,233	—	11,400	—	—	—
10	Sale of Shares	—	—	—	—	—	—	22,620	—	—	—
11	Royalty	—	—	—	—	—	—	39,909	33,938	—	—
12	Remuneration/Sitting Fees of Directors	—	—	—	—	—	—	—	—	14,274	12,782
13	Interest Income	15,087	2,335	—	—	—	—	—	—	—	—
14	Interest Expense	—	120	—	—	639	—	329	1,653	—	—
15	Dividend Paid	—	—	—	—	67,150	48,450	64,595	39,150	14,269 <sup>14</sup>	9,761 <sup>14</sup>
16	Dividend Received	—	—	26,240	7,200	—	—	—	—	—	—
17	Inter Corporate Deposits accepted during the year	—	5,000	—	—	25,000	—	—	—	—	—
18	Inter Corporate Deposits repaid during the year	—	5,000	—	—	25,000	—	—	—	—	—
19	Advance given against Equity	2,000	—	—	—	—	—	—	—	—	—
20	Loans given during the year	469,323	2,866	—	—	—	—	—	—	—	—
21	Loans Repaid during the year	—	—	—	—	—	—	71,388	—	—	—
22	Security Deposits Received	2,561	—	—	—	1,607	—	—	—	—	542
23	Security Deposits Repaid	—	—	—	—	2,400	—	—	—	—	—
	<b>Balances as at year end</b>	—	—	—	—	—	—	—	—	—	—
24	Investments	155,012	75,928	136,781	103,448	38,230	25,730	—	—	—	—
25	Advance given against Equity	2,000	—	—	—	—	—	—	—	—	—
26	Loans Payable	—	—	—	—	—	—	—	73,890	—	—
27	Loans Receivable	493,942	17,587	—	—	—	—	—	—	—	—
28	Advances Receivable	2,067	891	26	—	7,317	5,969	22,620	936	—	—
29	Security Deposit Received	2,561	—	—	—	2,040	2,743	—	—	542	542
30	Security Deposits Given	—	—	—	—	7,626	8,066	—	—	—	—
31	Guarantees Closing	291,865	553,205	97,500	97,500	—	—	—	—	—	—
32	Trade Payable	41,435	30,030	1,122	2,611	133,447	81,185	50,347	64,562	—	—
33	Trade Receivable	21,429	13,470	22,088	29,438	40,240	19,446	27,966	61,406	—	—

<sup>13</sup> Rent of Rs 2,844 thousand paid to relatives, Mr. V.C. Sehgal, Mr. Laksh Vaaman Sehgal, Mrs. Renu Sehgal, Ms. Vidhi Sehgal, Mr. P. Avasthi & Ms. Geeta Soni.

<sup>14</sup> Dividend of Rs. 14,269 thousand paid to relatives, Mr. Laksh Vaaman Sehgal, Mr. V.C. Sehgal, Mrs. Neelu Mehra, Mrs. Geeta Soni, Ms. Vidhi Sehgal, Mr. Pankaj Mital, Mr. M.S. Gujral, Mr. G.N.Gauba, Mr. Vivek Avasthi, Mrs. Renu Sehgal, Mrs. Padma Avasthi, Mr. Harjit Singh, Mrs. Subina Avasthi, Mr. R.Ganpati

# Motherson Sumi Systems Ltd.

## 24. Segment Information

### a) Information about Primary Business Segments

(Rs. in thousands)

	Automotive		Non Automotive		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Segment revenue</b>								
External	6,294,501	5,081,867	926,881	5,32,901	105,743	21,521	7,327,125	5,636,289
Inter segment	56,990	9,839	—	—	—	—	56,990	9,839
Total revenue	6,237,511	5,072,028	926,881	5,32,901	105,743	21,521	7,270,135	5,626,450
<b>Results</b>								
Segment result	737,233	758,216	224,190	92,768	—	—	961,423	850,984
Interest expense (net of Interest income)	—	—	—	—	123,916	19,566	123,916	19,566
Other Unallocable (Net of Income)	—	—	—	—	(105,743)	(18,564)	(105,743)	(18,564)
Profit before taxation	—	—	—	—	—	—	943,250	849,982
Provision for taxation	—	—	—	—	174,806	229,038	174,806	229,038
Net profit after tax	—	—	—	—	—	—	768,444	620,944
<b>Other items</b>								
Segment assets	4,828,845	3,386,912	389,816	265,133	3,167,769	177,250	8,386,430	3,829,295
Segment liabilities	1,053,023	827,196	187,761	77,168	4,943,453	1,183,969	6,184,237	2,088,333
Capital expenditure	776,226	720,277	19,762	48,064	—	—	795,988	768,341
Depreciation	330,101	256,631	18,519	7,592	—	—	348,620	264,223
Amortisation of Premium on Redemption of Zero Coupon Foreign currency convertible bonds.	—	—	—	—	121,322	—	121,322	—

### b) Information about Secondary Business Segments

(Rs. in thousands)

	India		Outside India <sup>15</sup>		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Revenue by geographical markets</b>								
External	5,743,977	4,547,636	1,420,415	1,057,901	105,743	20,913	7,270,135	5,626,450
Total	5,743,977	4,547,636	1,420,415	1,057,901	105,743	20,913	7,270,135	5,626,450
Carrying amount of segment assets	5,023,714	3,447,260	194,947	204,785	3,167,769	177,250	8,386,430	3,829,295
Addition to fixed assets	791,372	766,321	4,616	2,020	—	—	795,988	768,341

<sup>15</sup> Includes Europe, America, Asia Pacific and Middle East

### c) Composition of Business Segments

The Company is organised into two main business segments, namely:

Automotive	Wiring Harness, High Tension Cords, Wire, Plastic Components, Rubber Components, Cockpit Assembly
Non Automotive	Wiring Harness, Pen-Stamp Assembly, Plastic Components, Household Wires, Plates

### d) Inter Segment Transfer Pricing

Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, with an overall optimisation objective for the company.



## 25. Interests in Joint Ventures:

The company's interests, as a venture, in jointly controlled entities as at March 31, 2005 are: -

Name of the Company	Country of Incorporation	% Voting power held As at March 31, 2006	% Voting power held As at March 31, 2005
Schefenacker Motherson limited	India	49%	49%
Kyungshin Industrial Motherson Limited	India	50%	50%
WOCO Motherson Advanced Rubber Technologies Limited	India	33.33%	100%
WOCO Motherson Elastomers Limited <sup>16</sup>	India	33.33%	100%

The following amounts represent the Groups share of the assets and liabilities and revenue and expenses of the joint venture and are included in the consolidated balance sheet and consolidated profit & loss account:

Particulars	(Rs. in thousands)	
	2006	2005
<b>Assets</b>		
Fixed Assets	162,539	143,925
Capital Work in Progress	74,384	4,737
Current Assets	428,366	286,665
Miscellaneous Expenditure	—	8
<b>Liabilities</b>		
Secured Loans	107,164	72,429
Unsecured Loans	16,665	6,000
Current Liabilities & Provisions	288,484	215,302
Deferred Tax (Net)	1,898	(4,096)
<b>Reserves &amp; Surplus</b>	103,221	42,570
<b>Revenues</b>		
Sales	1,024,260	880,350
Other Income	5,451	8,485
Expenditure	941,139	803,473
<b>Profit before Tax</b>	88,573	85,362
Provision for Tax	32,898	20,102
<b>Profit after Tax</b>	55,675	65,260
<b>Contingent Liabilities</b>		
- In respect of Excise, Sales tax & Service tax matters	4,097	1,988
- Bank Guarantees	1,171	5,183
<b>Capital Commitment</b>	6,309	1,076

<sup>16</sup> The Company has sold 535,667 equity shares of Woco Motherson Elastomers Limited (WMEL) to its Joint Venture partner Woco Franz Josef Wolf Holding GmbH. Consequent to the above sale, WMEL has ceased to be a 100% subsidiary of the Company and has become a joint venture with 33.33% holding of the Company w.e.f March 31, 2006

26. The company is in the process of completing the required transfer pricing study. The impact if any, which may arise consequent to the study, has not been considered in these accounts and would be accounted on completion of the said study.

27. The corresponding figures of previous year have been regrouped, rearranged wherever necessary.

for and on behalf of the Board

**V.C. SEHGAL**  
Chairman

**A. YAMAUCHI**  
Whole time Director

**PANKAJ MITAL**  
Chief Operating Officer

Place: Noida  
Date : May 26, 2006

**G.N. GAUBA**  
Co. Secretary & V.P. Finance

# Motherson Sumi Systems Ltd.

## INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.	<b>2 6 4 3 1</b>	State Code	
Balance Sheet Date	<b>3 1 - 0 3 - 0 6</b>		<b>5 5</b>
	Date Month Year		

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

Public Issue	<b>NIL</b>	Rights Issue	<b>NIL</b>
Bonus Issue	<b>N I L</b>	Private Placement	<b>NIL</b>

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

<b>Sources of Funds</b>	Total Liabilities	<b>6 0 4 5 3 6 1</b>	Total Assets	<b>6 0 4 5 3 6 1</b>
	Paid - up Capital	<b>2 3 4 8 8 9</b>	Reserves & Surplus	<b>1 9 8 7 3 3 5</b>
	Secured Loans	<b>9 2 5 7 0 7</b>	Unsecured Loans	<b>2 8 0 1 4 3 5</b>
	Deferred Tax (Net)	<b>9 5 9 9 5</b>		
<b>Application of Funds</b>	Net Fixed Assets	<b>2 6 3 9 9 8 4</b>	Investments	<b>3 3 2 6 5 2</b>
	Net Current Assets	<b>2 3 1 7 4 8 1</b>	Misc. Expenditure	<b>N I L</b>
	Accumulated Losses	<b>NIL</b>		

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

Turnover	<b>7 2 7 0 1 3 5</b>	Total Expenditure	<b>6 3 2 6 8 8 5</b>
Profit/Loss before Tax	<b>+ 9 4 3 2 5 0</b>	Profit/Loss after Tax	<b>+ 7 6 8 4 4 4</b>
Earning per share in Rs.	<b>3 . 2 7</b>	Dividend Rate %	<b>1 1 5 %</b>

### V. Generic Names of three principal products/services of the Company (as per monetary terms)

Product Description	Item Code
<b>Integrated Wiring Harness</b>	<b>8 5 4 4 . 9 0</b>
<b>Rubber Components</b>	<b>4 0 1 6 0 0 0 0</b>
<b>PVC Insulated Wire</b>	<b>8 5 4 4 . 9 0</b>

for and on behalf of the Board

**V.C. SEHGAL**  
Chairman

**A. YAMAUCHI**  
Whole time Director

**PANKAJ MITAL**  
Chief Operating Officer

**G.N. GAUBA**  
Co. Secretary & V.P. Finance

Place: Noida  
Date : May 26, 2006

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Particulars	Name of the Subsidiary Companies														
	MSSL Mideast (FZE)	MSSL Mauritius Holdings Ltd.	MSSL Ireland Private Limited	MSSL Handels GmbH	Motherson Electrical Wires Lanka (Pvt.) Ltd	MSSL (S) Pte Ltd	MSSL Hag Tolings Ltd. (FZC)	MSSL GB Ltd.	MSSL GmbH	Motherson PUDENZ WICK-MANN Limited	Global Environment Management (FZC)	Motherson Advance Polymers Limited	Balda Motherson Info Devices Ltd	G&S Kunststofftechnik GmbH	Mother-sonsumi Reiner GmbH
The financial year of the Subsidiary Companies ended on	31st March, 2006	31st December, 2005	31st December, 2005	31st March, 2006	31st March, 2006	31st March, 2006	31st December, 2005	31st March, 2006	31st December, 2005	31st March, 2006	31st December, 2005	31st March, 2006	31st March, 2006	31st December, 2005	31st December, 2005
Number of shares held in Subsidiary Company as on above date:	Equity Share of AED 150,000 equivalent to EURO 46,875	Equity Share of EURO 1 each	Equity Share of of EURO 10 each, 100% held by MSSL Mauritius Holdings	Equity Share of Euro 35000	Equity Share of SR Rs 10 each	Equity Share of SGD 1 each	Equity Share of AED 100 each	Equity Share of GBP 1 each held by MSSL Mideast (FZE)	Equity Share of Euro 1 each	Equity Share of Rs. 10 each	Equity Share of AED 150,000 equivalent to AUD 54,458	Equity Share of Rs. 10 each	Equity Share of Rs. 10 each	Equity Share of Euro 51200/100% subsidiary of GmbH	Equity Share of Euro 160000/ 80% subsidiary MSSL GmbH
- Equity (Nos.)	1	525,000	5,000	1	1,456,202	100,000	1,500	1,000	250,000	1,403,226	150,000	43,104,774	50,000	1	1
- Extent of Holding (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	56.13%	50.07%	100%	100%	100%	80%
- Preference (Nos.)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- Extent of Holding (%)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net aggregate amount of profits / (losses) of the Subsidiary Companies so far as it concerns the members of the Holding Company and is not dealt in the accounts of the Holding Company.	(Figures in thousands)														
- Profits/Losses of the Subsidiary Companies for the financial year ended March 31, 2006	Euro 2,708 Rs 146,124	Euro 344 Rs 18,565	Euro 146 Rs 7,865	Euro (54) Rs (2,937)	SR Rs 135,810 Rs 59,485	\$S (17) Rs (463)	Euro (107) Rs (5,790)	GBP (3) Rs (262)	Euro (35) Rs (1,893)	Rs 5,046 —	Aud (264) Rs (8,433)	Rs 129,911 —	Rs (557) —	Euro 1,400 Rs 75,547	Euro (435) Rs (23,503)
- Profits for the previous financial years of the Subsidiary Companies since it became a subsidiary of the Holding Company	Euro 4,946 Rs 266,925	Euro 174 Rs 9,375	Euro (831) Rs (44,856)	Euro (38) Rs (2,046)	SR Rs 13,878 Rs 6,078	\$S 1 Rs 35	Euro (395) Rs (21,301)	GBP 4 Rs 292	Euro (4) Rs (190)	Rs 7,245 —	Aud 0 Rs 0	Rs 0 —	Rs 0 —	Euro 0 Rs 0	Euro 0 Rs 0
Net aggregate amounts of profits/ (losses) of the Subsidiary Companies so far as those profits are dealt with, or provision is made for those losses in the Accounts of the Holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- Profits of the Subsidiary Companies for the financial year ended 31st March, 2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- Profits for the previous financial year of the Subsidiary Companies since it became a subsidiary of the Holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Changes in the interest of the Holding Company in the subsidiary between the end of the financial year of the subsidiary and that of the Holding Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the financial year of the subsidiary and that of the Holding Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

# Reporting dates revised to December 31, 2005 in the current year

\* The company's joint venture subsidiary Global Environment Management (FZC) has set up 100% subsidiary, Global Environment Management Australia Pty Limited, Australia in January 2006, however, the first financial year closing for this subsidiary is December, 2006 and hence the first Profit & Loss Account and Balance Sheet for the same shall be provided next year.

\* Indian Rupee figures have been arrived at by applying the year end interbank exchange rate, Euro 1 = Rs 53.97, SGD 1 = Rs 27.61, AUD \$ 1 = Rs 31.97, SRILANKAN Rs 1 = Rs 0.438, GBP 1 = Rs 77.50

for and on behalf of the Board

**V.C. SEHGAL**  
Chairman

**A. YAMAUCHI**  
Whole time Director

**PANKAJ MITAL**  
Chief Operating Officer

**G.N. GAUBA**  
Co. Secretary & V.P. Finance

Place : Noida  
Date : May 26, 2006



## Statement pursuant to exemption received under Section 212 (8) of the Companies Act ,1956 relating to subsidiary companies

(Figures in Rs. Thousand)

S.No	Name of the Subsidiary Company	MSSL Holding	Reporting Currency	Exchange rate	Capital	Reserves	Total assets	Total Liabilities	Investments	Turnover	Profit before tax	Provision for taxation	Profit after tax	Proposed dividend
1	MSSL MIDEAST (FZE)	100%	EURO	53.97	2,530	414,314	1,101,522	1,101,522	—	1,183,996	146,124	—	146,124	—
2	MSSL GB LIMITED <sup>2</sup>	100%	GBP	77.50	78	29	2,570	2,570	—	—	(262)	—	(262)	—
3	MSSL GmbH <sup>2,5</sup>	100%	Euro	53.97	13,493	(33,954)	160,250	160,250	—	6,870	(1,893)	—	(1,893)	—
4	G & S Kunststofftechnik GmbH <sup>3</sup>	100%	Euro	53.97	2,763	86,680	210,533	210,533	—	169,351	78,668	3,120	75,548	—
5	Mothersonsumi Reiner GmbH <sup>3</sup>	80%	Euro	53.97	10,794	2,699	366,760	366,760	—	269,013	(27,814)	1,565	(29,379)	—
6	MSSL Mauritius Holding Ltd <sup>5</sup>	100%	Euro	53.97	28,334	27,940	89,743	89,743	815	—	19,141	577	18,564	—
7	MSSL Hag Toolings Ltd (FZC) <sup>4,5</sup>	100%	Euro	53.97	1,754	(18,726)	41,716	41,716	—	31,588	2,575	—	2,575	—
8	MSSL Ireland Pvt Limited <sup>4,5</sup>	100%	Euro	53.97	2,699	(36,990)	5,005	5,005	—	10,657	7,865	—	7,865	—
9	Global Environment Management (FZC) <sup>4</sup>	50.01%	Aus \$	31.97	1,741	(16,846)	12,331	12,331	—	—	(16,846)	—	(16,846)	—
10	Motherson Electricals Wire Lanka Pvt. Ltd.	100%	Sri Lankan Rupee	0.44	6,378	68,922	183,842	183,842	—	407,527	59,988	503	59,485	(3,359)
11	Motherson PUDENZ WICKMANN Limited	56.13%	Rs.	1.00	25,000	22,797	59,316	59,316	—	58,192	10,630	1,640	8,990	—
12	MSSL (S) Pte Limited	100%	Singapore \$	27.61	2,761	(428)	2,982	2,982	—	—	(463)	—	(463)	—
13	MSSL Handels GmbH	100%	Euro	53.97	1,889	(4,984)	2,993	2,993	—	323	(2,937)	—	(2,937)	—
14	Motherson Advance Polymers Limited	100%	Rs.	1.00	431,048	(337,258)	325,139	325,139	—	94,138	129,951	40	129,911	—
15	Balda Motherson Info Devices Limited	100%	Rs.	1.00	500	(557)	2,338	2,338	—	—	(539)	18	(557)	—

**Notes :**

- As required under Para VI of the approval dated April 26, 2006 - issued by Ministry of Company Affairs , Indian rupees equivalents of the figures in the foreign currencies in the accounts of subsidiary companies has been given based on year end interbank exchange rates.
- Subsidiary of MSSL Mideast (FZE) <sup>2</sup>
- Subsidiary of MSSL GmbH <sup>3</sup>
- Subsidiary of MSSL Mauritius Holding Limited <sup>4</sup>
- Reporting dates revised to December 31, 2005 in the current year <sup>5</sup>
- Woco Motherson Elastomer Limited on March 31, 2006 ceases to be a subsidiary.
- Draexlmaier & Motherson Electrical Systems (India) Limited (DMESIL) was subsidiary & has been merged w.e.f 01.04.2005



## AUDITORS' REPORT

### To the Directors' of MOTHERSON SUMI SYSTEMS LIMITED

1. We have audited the attached Consolidated Balance Sheet of Motherson Sumi Systems Limited and its subsidiaries, joint ventures and associate as at March 31, 2006, 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, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We have 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, joint ventures and associate, who collectively in these Financial Statement reflect total assets of Rs. 2,477,329 thousand as at March 31, 2006 and total revenues of Rs. 3,787,271 thousand for the year ended on that date. These financial statements have been audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, joint ventures and associate, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Motherson Sumi Systems Limited and its subsidiaries, joint ventures and associate, included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Motherson Sumi Systems Limited and its aforesaid subsidiaries, joint ventures and associate, in our opinion, the consolidated financial statements give 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 Motherson Sumi Systems Limited and its subsidiaries as at March 31, 2006;
  - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Motherson Sumi Systems Limited 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 Motherson Sumi Systems Limited and its subsidiaries for the year ended on that date.

Place: Noida  
Date: May 26, 2006

**KAUSHIK DUTTA**  
Partner  
Membership No.: F88540  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

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# Motherson Sumi Systems Ltd.

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

(Figures in Rs. thousands)

	Schedule	As at March 31, 2006	As at March 31, 2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	234,889	234,889
Reserves & Surplus	II	2,641,881	1,964,791
		2,876,770	2,199,680
<b>Minority Interest</b>			
Capital		13,157	42,767
Reserves		10,006	31,784
<b>Loan Funds</b>			
Secured Loans	III	1,212,253	797,167
Unsecured Loans	IV	3,052,219	386,327
Deferred tax liability (net) (Refer B(10) of Schedule XIII)		105,784	123,963
<b>TOTAL</b>		<b>7,270,189</b>	<b>3,581,688</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	V	5,405,312	3,946,598
Less: Depreciation		2,178,998	1,498,642
Net Block		3,226,314	2,447,956
Capital Work in Progress		553,505	117,360
		3,779,819	2,565,316
<b>Investments</b>			
	VI	47,068	37,277
<b>Current Assets, Loans and Advances</b>			
Inventories	VII	1,449,787	1,058,344
Sundry Debtors		1,396,461	836,740
Cash & Bank Balances		1,780,654	209,024
Loans & Advances		1,071,559	454,627
		5,698,461	2,558,735
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	VIII	1,763,710	1,198,134
Provisions		1,246,693	381,506
		3,010,403	1,579,640
<b>NET CURRENT ASSETS</b>			
		2,688,058	979,095
<b>Miscellaneous Expenditure</b>			
(To the extent not written off or adjusted)	IX	755,244	—
<b>TOTAL</b>		<b>7,270,189</b>	<b>3,581,688</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>			
	XIII		

This is the Consolidated Balance Sheet referred to in our report of even date

**KAUSHIK DUTTA**

Partner  
M. No.: F 88540

For and on behalf of Price Waterhouse  
Chartered Accountants

Place: Noida

Date : May 26, 2006

The schedules referred above form integral part of the Consolidated Balance Sheet for and on behalf of the Board

**V.C. SEHGAL**  
Chairman

**A. YAMAUCHI**      **PANKAJ MITAL**  
Whole time Director      Chief Operating Officer

**G.N. GAUBA**  
Co. Secretary & V.P. Finance



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

(Figures in Rs. thousands)

Schedule	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>INCOME</b>		
	11,311,419	8,827,251
Sale of Finished Goods (Gross)		
Less: Excise duty	1,156,019	1,014,997
Sale of Finished Goods (Net)	10,155,400	7,812,254
Other Income	284,739	104,159
X		
<b>TOTAL</b>	<b>10,440,139</b>	<b>7,916,413</b>
<b>EXPENDITURE</b>		
Manufacturing and other expenses	8,558,537	6,414,704
Depreciation & Amortisation	464,579	341,156
Interest (net)	158,251	33,539
XI		
XII		
<b>TOTAL</b>	<b>9,181,367</b>	<b>6,789,399</b>
Share of Profit in Associate (Refer B(3) B of Schedule XIII)	2,158	3,525
<b>Profit Before Taxation</b>	<b>1,260,930</b>	<b>1,130,539</b>
<b>Tax Expense</b>		
Provision for Current Income Tax	256,946	283,487
Provision for Deferred Income Tax (Refer B (10) of Schedule XIII)	(20,802)	(9,689)
Provision for Wealth Tax	1,538	530
Provision for Fringe Benefit Tax	14,515	—
Less: Income Tax for earlier years	1,008,733	856,211
	(20,075)	(2,083)
<b>Profit After Taxation</b>	<b>1,028,808</b>	<b>858,294</b>
— Concern share	1,008,476	839,972
— Minority	20,332	18,322
Add: Balance brought forward from previous year	1,203,364	792,525
<b>Surplus Available For Appropriation</b>	<b>2,211,840</b>	<b>1,632,497</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	206,370	160,378
Proposed Dividend	270,123	234,889
Tax on Dividend	37,885	32,943
Tax paid on Dividend by Consolidated Company	3,699	923
Balance Carried to Balance Sheet	1,693,763	1,203,364
<b>TOTAL</b>	<b>2,211,840</b>	<b>1,632,497</b>
<b>Earning per share (Basic/Diluted) of face value Re. 1/- each</b>	<b>4.29</b>	<b>3.58</b>
(Refer B (9) of Schedule XIII)		
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	XIII	

This is the Consolidated Profit & Loss Account referred to in our report of even date

The schedules referred above form integral part of the Consolidated Profit & Loss Account for and on behalf of the Board

**KAUSHIK DUTTA**

Partner  
M. No.: F 88540

For and on behalf of Price Waterhouse  
Chartered Accountants

Place: Noida  
Date : May 26, 2006

**V.C. SEHGAL**

Chairman

**A. YAMAUCHI**

Whole time Director

**PANKAJ MITAL**

Chief Operating Officer

**G.N. GAUBA**  
Co. Secretary & V.P. Finance

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# Motherson Sumi Systems Ltd.

## CONSOLIDATED CASH FLOW STATEMENT

(Figures in Rs. thousands)

	2005-2006	2004-2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (loss)/profit before tax	1,260,930	1,130,539
Adjustments for:		
Share of Profit in Associate	(2,158)	(3,525)
Depreciation and amortisation	464,579	341,156
Interest Expense	200,384	39,858
Interest Income	(42,133)	(6,319)
Income from Investment - Dividends	(158)	(883)
Lease Rent	25,166	16,162
(Profit)/Loss on Fixed Assets sold	11,471	1,430
(Profit)/Loss on Sale of Investments	(6,680)	—
Gain on account of sale/dilution of shareholding in subsidiaries	(5,237)	—
Debts / Advances Written off	142	342
Provision for Bad & Doubtful Debts / Advances	1,727	(1,318)
Liability no longer required written back	(24,180)	(27,097)
Provision for Gratuity & Leave Encashment	11,714	5,481
Waiver of claims from suppliers	(74,905)	—
Unrealised foreign exchange (gain) /loss	13,196	7,788
Provision for warranty	617	(283)
(Increase)/Decrease in value of Current Investments	(2)	2,956
<b>Operating profit before working capital changes</b>	<b>1,834,473</b>	<b>1,506,287</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Sundry Debtors	(433,005)	(139,616)
- (Increase)/Decrease in Other Receivables	(313,989)	(78,722)
- (Increase)/Decrease in Inventories	(290,524)	(382,659)
- (Increase)/Decrease in Trade and Other Payables	363,481	346,117
<b>Cash generated from operations</b>	<b>1,160,436</b>	<b>1,251,407</b>
- Taxes (Paid)/Received (Net of TDS)	(244,720)	(221,475)
<b>Net cash from operating activities</b>	<b>915,716</b>	<b>1,029,932</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets Including CWIP	(1,779,170)	(1,029,246)
Proceeds from Sale of fixed assets	31,376	14,063
Proceeds from Sale of Investments	10,299	—
Purchase of minority interest in subsidiaries	(12,330)	—
Purchase of investments	(12,500)	(31)
Consideration paid for acquisition of a subsidiary (Refer B (5)(a) of Schedule XIII)	(98,279)	—
Consideration paid for acquisition of a business as a going concern (Refer B(5)(e) of Schedule XIII)	(2,695)	—
Lease Rent Payment	(25,166)	(16,162)
Interest Received (Revenue)	38,775	6,805
Dividend Received	158	883
Loan received back	47,182	18,365
<b>Net cash used in investing activities</b>	<b>(1,802,350)</b>	<b>(1,005,323)</b>



(Figures in Rs. thousands)

	2005-2006	2004-2005
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from minority Share holders'	2,156	52,290
<b>Proceeds from long term borrowings</b>		
Receipts	2,782,567	296,687
Payments	(369,544)	(179,094)
<b>Proceeds from short term borrowings</b>		
Receipts	14,856	100,000
Payments	(87,345)	(986)
Proceeds from Cash Credits (net)	384,115	5,088
Interest Paid	(75,405)	(38,881)
Dividend Paid	(234,182)	(156,088)
Corporate Dividend Tax Paid	(36,642)	(20,063)
<b>Net cash used in financing activities</b>	<b>2,380,576</b>	<b>58,953</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	1,493,942	83,562
<b>Cash and cash equivalents -Opening</b>	<b>209,024</b>	<b>125,606</b>
Add:Cash and cash equivalents acquired consequent to acquisition of subsidiaries/business during the year	22,146	—
Less: Proportionate share of Cash and Cash equivalents of the venturer transferred consequent to sale/dilution in shareholding in Woco Motherson Elastomers Limited (Refer B(5) (b) of Schedule XIII)	3,303	—
<b>Cash and cash equivalents -Closing</b>	<b>1,721,809</b>	<b>209,168</b>
Cash and cash equivalents comprise		
Cash In Hand	3,255	3,647
Cheque In Hand	10,804	3,210
Deposit Account	1,597,244	43,807
Balance with Banks	169,351	158,360
<b>Total Cash and cash equivalents</b>	<b>1,780,654</b>	<b>209,024</b>
Cash and Cash Equivalents include :		
Cash & bank balances as per Balance Sheet (restated)	1,780,654	209,024
Net Unrealised loss/(gain) on Foreign Currency Cash & Equivalents	(58,845)	144
<b>Cash and Cash Equivalents as per cash flow statement</b>	<b>1,721,809</b>	<b>209,168</b>

Notes:

- (i) The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountant of India.
- (ii) Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.
- (iii) Following non cash transactions have not been considered in the cash flow statement :
  - Tax deducted at source on income
  - Transfer of net assets to the venturer (erstwhile minority shareholder) consequent to sale/dilution in shareholding in Woco Motherson Elastomers Limited (Refer B(5)(b) of Schedule XIII).
- (iv) Figures in brackets indicate cash outgo.

This is the Consolidated Cash Flow Statement referred to in our report of even date

for and on behalf of the Board

**KAUSHIK DUTTA**

Partner

M.No.: F 88540

For and on behalf of Price Waterhouse Chartered Accountants

Place: Noida

Date : May 26, 2006

**V.C. SEHGAL**

Chairman

**A. YAMAUCHI**

Whole time Director

**PANKAJ MITAL**

Chief Operating Officer

**G.N. GAUBA**

Co. Secretary & V.P. Finance

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# Motherson Sumi Systems Ltd.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE I SHARE CAPITAL

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>Authorised</b>		
353,000,000 <sup>1</sup> Equity Shares of Rs. 1/- each (Previous Year 300,000,000 Equity Shares of Rs. 1/- each)	353,000	300,000
<b>Issued</b>		
234,892,400 Equity Shares of Rs. 1/- each (Previous Year 234,892,400 Equity Shares of Rs. 1/- each)	234,892	234,892
<b>Subscribed and Paid up</b>		
234,889,200 Equity Shares of Rs. 1/- each (Previous Year 234,889,200 Equity Shares of Rs. 1/- each) (Of the above shares 6,090,000 (6,090,000) shares are allotted as fully paid up pursuant to a contract for consideration other than cash) (Of the above shares 165,292,400 (165,292,400) shares are allotted as fully paid bonus shares by way of capitalisation of share premium & general reserve).	234,889	234,889
<b>TOTAL</b>	<b>234,889</b>	<b>234,889</b>

<sup>1</sup> Increased consequent to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the Company and in accordance with the order of Hon'ble High Court of judicature of Delhi. Refer B (4) of Schedule XIII



**SCHEDULE II  
RESERVES & SURPLUS**

(Figures in Rs. thousands)

	As at March 31, 2006		As at March 31, 2005	
<b>Revaluation Reserve</b>		20,031		20,031
<b>Reserve on Amalgamation</b> (Refer B (4) of Schedule XIII)				
As per Last Balance Sheet	80,352		80,352	
Additions during the year <sup>1</sup>	25,050		—	
Deductions during the year	—	105,402	—	80,352
<b>General Reserve</b>				
As per Last Balance Sheet	617,788		480,428	
Additions during the year	206,370		160,378	
Deductions during the year	—	824,158	23,018	617,788
<b>Exchange Reserve on Consolidation</b>				
As per Last Balance Sheet	(4,097)		(6,238)	
Additions during the year	(13,983)		2,141	
Deductions during the year	—	(18,080)	—	(4,097)
<b>Capital Reserve on Consolidation</b>				
As per Last Balance Sheet	47,353		29,919	
Additions during the year	—		17,434	
Deductions during the year	30,746	16,607	—	47,353
<b>Profit and Loss Account</b>				
As per Last Balance Sheet	1,203,364		792,525	
Additions during the year	696,769		571,217	
Deductions during the year	206,370	1,693,763	160,378	1,203,364
<b>TOTAL</b>		<b>2,641,881</b>		<b>1,964,791</b>

<sup>1</sup> Consequent to amalgamation of erstwhile Draexlmaier & Motherson Electrical Systems India Limited with the Company. (Refer B (4) (e) of Schedule XIII)

# Motherson Sumi Systems Ltd.

## SCHEDULE III SECURED LOANS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
I Short Term Loans		
(i) From Banks <sup>1</sup>		
— Rupee Loan	602,160	191,901
— Foreign Currency Loan	98,084	90,953
(ii) From Others <sup>2</sup>		
— Rupee Loan	5,507	8,726
2 Long Term Loans <sup>3</sup>		
(i) From Banks <sup>4</sup>		
— Rupee Loan	119,800	36,883
— Foreign Currency Loan	252,838	371,262
(ii) From Others <sup>5</sup>		
— Rupee Loan	133,864	97,442
<b>TOTAL</b>	<b>1,212,253</b>	<b>797,167</b>

### Secured Loans referred above are :

- <sup>1</sup> Rs. 9,721 thousand is secured against hypothecation of stocks and book debts, a guarantee from promoters of the company of Kyungshin Industrial Motherson Limited, Rs. 11,917 thousand is secured by hypothecation over plant & machinery, inventories, stocks and a corporate guarantee from promoters of the company of Motherson Electrical Wires Lanka Private Limited, Rs. 7,938 thousand secured by first charge by way of hypothecation of all current assets including present and future stocks, book debts and other specified moveable assets and first charge on entire fixed assets present & future of WOCO Motherson Elastomer Limited, Rs. 11,153 thousand secured by hypothecation of entire stock and book debts both present and future of Motherson Advance Polymers Limited, Rs. 48,561 thousand is secured by personal guarantee from Minority Shareholder of Mothersumi Reiner GmbH, balance secured by first charge by way of hypothecation of all present and future stocks, book debts and other specified moveable assets of the Company and second charge by way of hypothecation of all immovable property of the Company.
- <sup>2</sup> Rs. 5,507 thousand secured by hypothecation of specific moulds, tools & dies of Schefenacker Motherson Limited used for production of components.
- <sup>3</sup> Long terms loans due within a Year are Rs. 89,818 thousand (Previous Year Rs. 96,395 thousand).
- <sup>4</sup> Rs. 153 thousand secured by way of hypothecation of specific vehicles of Schefenacker Motherson Limited, Rs. 43,851 thousand is secured against fixed assets, a guarantee from promoters of the company of Kyungshin Industrial Motherson Limited, Rs. 13,816 thousand is secured by hypothecation of plant & machinery, inventories, stocks and a corporate guarantee from promoters of the company of Motherson Electrical Wires Lanka Private Limited, Rs. 35,800 thousand is secured by a pari pasu charge on all moveable and immovable properties both present and future of Motherson Advance Polymers Limited, Rs. 39,996 is secured by way of hypothecation of all current assets including stocks, book-debts and other specified assets, both present and future and entire fixed assets present and future of WOCO Motherson Advanced Rubber Technologies Limited and balance secured by first Pari-passu charge on entire fixed assets both moveable & immovable of the company present and future and second pari-passu charge on the entire current assets of the company, these are also secured by way of deposit of title deeds of specified properties.
- <sup>5</sup> Rs. 238 thousand secured by way of hypothecation of specific vehicles of Motherson Advance Polymer Limited and balance pertain to Tooling advances received from customers, repayable by way of amortisation on supply of components and hence cannot be distinguished between short term and long term and secured by hypothecation of specific moulds used for production of components.



## SCHEDULE IV UNSECURED LOANS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
Short Term Loans		
— Privately Placed debentures <sup>1</sup>	—	100,000
— Other than Banks <sup>2</sup>	64,264	32,400
Long Term Loans <sup>3</sup>		
From Other than Banks		
— Rupee Loan <sup>4</sup>	54,344	6,000
— Foreign currency Loan	218,920	247,927
—Zero Coupon Foreign Currency Convertible Bonds	2,714,691	—
<b>TOTAL</b>	<b>3,052,219</b>	<b>386,327</b>

<sup>1</sup> Redeemable Rs. Nil (Previous year Rs. 100,000 thousand on May 13, 2005)

<sup>2</sup> Repayable on demand.

<sup>3</sup> Long Term Loan due within a Year Rs. Nil (Previous Year Rs. 73,890 thousand ).

<sup>4</sup> Tooling advances received from customers, repayable by way of amortisation on supply of components and hence cannot be distinguished between short term and long term.

## SCHEDULE V FIXED ASSETS

(Refer A(3), A(4) on Schedule XIII)

(Figures in Rs. thousands)

Particulars	GROSS BLOCK							DEPRECIATION					NET BLOCK	
	As at March 31, 2005	Assets taken over consequent to acquisition of subsidiary <sup>1</sup>	Addi- tions during the year <sup>2</sup>	Dele- tions/ Sale/ Adjust- ments	Exchange Trans- lation Adjust- ment	Total as at March 31, 2006	Upto March 31, 2005	Assets taken over consequent to amalgam- ation <sup>1</sup>	Depre- ciation/ Amorti- zation for the year	Depre- ciation on Amorti- zation/ deletions/ sale/ adjustment	Exchange Trans- lation Adjust- ment	Upto March 31, 2006	As at March 31, 2006	As at March 31, 2005
Goodwill <sup>3</sup>	—	—	1,923	—	—	1,923	—	—	—	—	—	—	1,923	—
Leasehold Land	223,465	15,938	—	333	—	239,070	4,310	1,764	3,073	—	—	9,147	229,923	219,155
Freehold Land	86,545	—	31,712	34	—	118,223	—	—	—	—	—	118,223	86,545	
Leasehold improvements	52,267	—	6,046	541	(61)	57,711	20,180	—	10,195	513	(4)	29,858	27,853	32,087
Building	741,752	77,727	188,216	—	(2,932)	1,004,763	81,258	17,968	31,874	—	(255)	130,845	873,918	660,494
Plant & machinery	2,451,999	527,701	699,386	189,809	(5,714)	3,483,563	1,202,547	341,884	305,380	125,985	(1,226)	1,722,600	1,760,963	1,249,452
Furniture, fixtures & Office equipments	125,216	8,654	38,649	4,073	(650)	167,796	38,271	3,799	51,702	2,227	(218)	91,327	76,469	86,945
Computers	125,311	3,917	24,241	6,769	(314)	146,386	89,808	2,959	21,931	4,868	(132)	109,698	36,688	35,503
Vehicles <sup>4</sup>	136,614	3,906	35,450	23,421	(519)	152,030	60,837	2,700	32,567	16,375	(174)	79,555	72,475	75,777
Technical Knowhow fees	3,429	—	—	2,260	—	1,169	1,431	—	1,707	2,072	—	1,066	103	1,998
Business & Commercial Rights	—	—	32,678	—	—	32,678	—	—	4,902	—	—	4,902	27,776	—
<b>TOTAL</b>	<b>3,946,598</b>	<b>637,843</b>	<b>1,058,301</b>	<b>227,240</b>	<b>(10,190)</b>	<b>5,405,312</b>	<b>1,498,642</b>	<b>371,074</b>	<b>463,331</b>	<b>152,040</b>	<b>(2,009)</b>	<b>2,178,998</b>	<b>3,226,314</b>	<b>2,447,956</b>
Previous Year	3,014,014	—	983,914	56,566	5,236	3,946,598	1,198,992	—	339,908	41,076	818	1,498,642	3,226,314	2,447,956
Capital Work in Progress (includes pre- operative expense of Rs. 8,327 thousand)													553,505	117,360
													3,779,819	2,565,316

<sup>1</sup> Consequent to acquisition of subsidiaries Motherson Advance Polymers Limited and G & S Kunststofftechnik GmbH during the year

<sup>2</sup> Includes Rs. 141,290 thousand assets acquired consequent to acquisition of business of Reiner Präzision GmbH as a going concern

<sup>3</sup> Includes Rs. 225 thousand (Previous year NIL) on account of acquisition of Motherson Advance Polymers Limited - 100% subsidiary and Rs 1,698 thousand (Previous Year Nil) on account of acquisition of minority share holding of MSSL Hag Toolings Ltd. (FZC)

<sup>4</sup> Included Rs. 296 thousand (Previous Year Rs. 296 thousand) in respect of Vehicles acquired under finance lease.

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# Motherson Sumi Systems Ltd.

## SCHEDULE VI INVESTMENTS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>Long-term Investments</b>		
<b>I. In Associate</b>		
<b>Saks Ancillaries Limited</b>		
- Goodwill		
On Consolidation	6,239	
Less : Amortisation	4,991	2,495
- Net Assets Value		
On Consolidation	15,529	
Share of Profit in Associate	2,158	15,529
<b>2. In Others</b>	27,506	15,006
<b>Short Term Investments</b>	627	4,247
<b>TOTAL</b>	<b>47,068</b>	<b>37,277</b>

## SCHEDULE VII CURRENT ASSETS, LOANS AND ADVANCES

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>A. Current Assets</b>		
<b>I. Stock in Trade</b>		
(i) Finished Goods	431,654	271,895
(ii) Work in Progress	214,838	140,645
(iii) Raw Material & Components	639,385	509,817
(iv) Goods in Transit (Raw Material & Components)	149,656	111,195
(v) Store & Spares	14,254	24,792
<b>TOTAL (I)</b>	<b>1,449,787</b>	<b>1,058,344</b>
<b>2. Sundry Debtors</b>		
(Unsecured, unless otherwise stated)		
(i) Outstanding for more than six months		
Considered Good	1,340	8,762
Considered Doubtful	9,014	6,116
	10,354	14,878
Less : Provision for doubtful debts	9,014	6,116
	<b>1,340</b>	<b>8,762</b>



**SCHEDULE VII (CONTD.)**  
**CURRENT ASSETS, LOANS AND ADVANCES**

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
(ii) Other Debts		
Considered good	1,395,121	827,978
Considered Doubtful	2,499	2,811
	1,397,620	830,789
Less : Provision for doubtful debts	2,499	2,811
	1,395,121	827,978
<b>TOTAL (2)</b>	<b>1,396,461</b>	<b>836,740</b>
<b>3. Cash and Bank Balances</b>		
(i) Cash in hand	3,255	3,647
(ii) Cheques in hand	10,804	3,210
(iii) Balance with Banks in		
(a) Current Accounts	166,279	155,997
(b) Deposit account <sup>1</sup>	1,597,244	43,807
(c) Dividend Account	3,072	2,363
<b>TOTAL (3)</b>	<b>1,780,654</b>	<b>209,024</b>
<b>TOTAL A (1+2+3)</b>	<b>4,626,902</b>	<b>2,104,108</b>
<b>B. Loans and Advances</b>		
(Unsecured, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received <sup>2</sup>		
Considered good	701,652	296,557
Considered doubtful	4,360	4,750
	706,012	301,307
Less : Provision for doubtful advances	4,360	4,750
	701,652	296,557
(ii) Deposits with Excise, Customs & Govt Authorities	369,907	158,070
<b>TOTAL B</b>	<b>1,071,559</b>	<b>454,627</b>
<b>GRAND TOTAL (A+B)</b>	<b>5,698,461</b>	<b>2,558,735</b>

<sup>1</sup> i) Includes Deposit out of proceeds of Zero Coupon Foreign Currency Convertible Bonds of Rs. 1,582,116 thousand (Previous Year Nil) .

ii) Deposits pledged with Excise & Sales Tax authorities Rs. 297 thousand (Previous Year Rs. 955 thousand).

iii) Margin money Rs. 2,516 thousand (Previous Year Rs. 2,560 thousand).

<sup>2</sup> Includes capital advances of Rs. 398,367 thousand (Previous Year Rs. 67,843 thousand).

# Motherson Sumi Systems Ltd.

## SCHEDULE VIII

### CURRENT LIABILITIES AND PROVISIONS

(Figures in Rs. thousands)

	As at March 31, 2006	As at March 31, 2005
<b>A. Current Liabilities</b>		
(i) Sundry Creditors		
Small Scale Industrial Undertakings	33,433	23,481
Others	1,407,068	919,404
(ii) Advance from customers	144,351	129,806
(iii) Other Liabilities	169,635	120,585
(iv) Investor Education & Protection Fund shall be credited by the following amount		
- Unpaid Dividend	3,072	2,364
(v) Interest Accrued but not due	6,151	2,494
	<b>1,763,710</b>	<b>1,198,134</b>
<b>B. Provisions</b>		
(Refer B (I I) of Schedule XIII)		
(i) Premium on Redemption of Zero Coupon Foreign Currency Convertible Bonds	807,470	—
(ii) For Dividend (including tax thereon)	308,007	267,832
(iii) For Wealth tax	1,528	530
(iv) For Income tax (net) <sup>1</sup>	79,102	88,272
(v) For Fringe Benefit Tax	14,068	—
(vi) For employee benefit	32,907	21,878
(vii) For Warranty	3,611	2,994
	<b>1,246,693</b>	<b>381,506</b>
<b>TOTAL</b>	<b>3,010,403</b>	<b>1,579,640</b>

<sup>1</sup> Net of Advance tax Rs. 658,803 thousand (Previous Year Rs.524,659 thousand)

## SCHEDULE IX

### MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

(Refer B (6) of Schedule XIII)

	As at March 31, 2006	As at March 31, 2005
Premium on Redemption/Issue Expenditure of Zero Coupon Foreign Currency Convertible Bonds		
Opening Balance	—	—
Add: Addition during the year <sup>1</sup>	876,566	—
Less: Written off during the year	121,322	—
	755,244	—
<b>TOTAL</b>	<b>755,244</b>	<b>—</b>

<sup>1</sup> Includes issue expenditure Rs. 73,251 thousand (Previous Year Rs. Nil)



**SCHEDULE X**  
**OTHER INCOME**

(Refer B(5)(b) and (d) of Schedule XIII)

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
(a) Dividend Received <sup>1</sup> - From Others	158	883
(b) Rent	7,921	8,562
(c) Change in carrying amount of current investments	2	(2,956)
(d) Provision for diminution in investment written back	50,000	—
(e) Service Income	5,258	9,227
(f) Sundries written back	24,180	27,097
(g) Miscellaneous Income	95,148	32,403
(h) Waiver of claims from suppliers	74,905	—
(i) Exchange fluctuation(net)	15,250	28,943
(j) Gain on account of sale / dilution in shareholding in subsidiaries	5,237	—
(k) Profit on sale of Investments	6,680	—
<b>TOTAL</b>	<b>284,739</b>	<b>104,159</b>
Tax deducted on source		
(a) Rent	2,879	2,699
(b) Misc.Income	3,336	963
<sup>1</sup> Includes dividend from Short term Non-Trade investments	158	883

**SCHEDULE XI**  
**COST OF MATERIALS AND  
MANUFACTURING & OTHER EXPENSES**

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>Materials consumed</b>		
Opening Stock		
Raw materials	509,817	342,118
Work-in-progress	140,645	113,079
Finished goods	271,895	128,614
Increase in opening stock on account of acquisition of a subsidiary (Refer B (5) (a) of Schedule XIII)		
Raw materials	17,797	—
Work-in-progress	7,483	—
Finished goods	7,981	—
	955,618	583,811
Add : Purchases of Raw materials	5,953,139	4,615,197
Less : Closing Stock		
Raw materials	(639,385)	(509,817)
Work-in-progress	(214,838)	(140,645)
Finished goods	(431,654)	(271,895)
Decrease in closing stock on account of dilution of shareholding in subsidiary		
Less: Closing Stock		
Raw materials	(16,338)	-
Work-in-progress	(3,141)	-
Finished goods	(865)	-
	(1,306,221)	(922,357)

TOGETHER WE MAKE IT HAPPEN

# Motherson Sumi Systems Ltd.

## SCHEDULE XI (CONTD.) COST OF MATERIALS AND MANUFACTURING & OTHER EXPENSES

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
<b>Total consumption for goods sold</b>	5,602,536	4,276,651
Salary, wages, bonus etc	828,268	552,256
Contribution to Provident & Other Fund	87,156	46,997
Staff Welfare	109,056	91,800
Electricity, Water and Fuel	229,419	167,113
Repairs and Maintenance :		
Machinery	126,049	79,869
Building	42,472	49,639
Others	78,865	63,123
Consumption of Store and Spare parts	129,474	106,467
Conversion charges	171,386	116,945
Lease rent (Refer B (12) of Schedule XIII)	25,166	16,162
Rent	77,750	70,198
Rates & taxes	14,145	9,208
Insurance	39,062	26,056
Donation	6,008	5,501
Travelling	138,812	138,935
Freight & forwarding	183,801	130,978
Royalty	55,241	45,297
Cash Discount	17,175	14,465
Commission	2,715	1,257
Loss on sale of fixed assets(net)	11,471	1,430
Bad Debts / Advances written off	142	342
Provision for Doubtful Debts/ Advances	1,727	—
Legal & professional expenses	269,560	152,731
Miscellaneous expenses	319,408	251,284
	<b>8,566,864</b>	<b>6,414,704</b>
Less : transferred to pre-operative	(8,327)	—
<b>TOTAL</b>	<b>8,558,537</b>	<b>6,414,704</b>

## SCHEDULE XII INTEREST (NET)

(Figures in Rs. thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
Interest and Finance Expense		
- Privately Placed Debentures	13,108	3,678
- Fixed loans	28,972	23,478
- Amortisation of Premium / Issue expenditure on Redemption of Zero Coupon Foreign Currency Convertible Bonds	121,322	—
- Others	36,982	12,702
Less: Interest Income (Gross)		
- From Bank Deposits	32,480	388
- From Income Tax Refund	—	1,452
- From Others	9,653	4,479
<b>TOTAL</b>	<b>158,251</b>	<b>33,539</b>
Tax deducted on source Interest Income	1,100	598



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE XIII

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. Basis of Accounting

The Financial Statements are prepared under the historical cost convention as modified to include revaluation of certain fixed assets as indicated in (3) below, in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.

###### 2. Principles of Consolidation

The Consolidated Financial Statements relate to Financial Statements of Motherson Sumi Systems Limited ('the Company') and its Subsidiary Companies, Joint Ventures and Associates ('the Group').

The consolidated financial statements have been prepared on the following basis:

- a) Subsidiaries
  - The subsidiaries have been consolidated by applying Accounting Standard 21 "Consolidated Financial Statements".
  - Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.
  - The financial statements of the company & its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances & intra-group transactions resulting in unrealized profits or losses.
  - The excess of the Company's portion of equity and reserves of the Subsidiary Company as at the time of its investment is recognized in the financial statements as Capital Reserve.
- b) Investments in business entities over which the Company exercises joint control and the company does not hold majority voting power are accounted for using proportionate consolidation in accordance with Accounting Standard 27 "Financial Reporting of Interest in Joint Venture".
- c) Investments in Associates (entity over which the Company exercises significant influence, which is neither a subsidiary nor a joint venture) are accounted for using the equity method in accordance with Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".

The consolidated financial statements have been prepared using financial statements drawn upto same reporting dates to the extent practicable and where financial statements used are drawn up to different reporting dates adjustments are made for any significant transactions for events occurring between those dates and the date of this financial statement.

The consolidated financial statements have been prepared by applying uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

###### 3. Fixed Assets

- i) The fixed assets except as stated in (ii) below are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of inward freight, duties and taxes and other incidental expenses.
- ii) The fixed assets of the Component Division of erstwhile Motherson Auto Components Engineering Limited (MACE) have been stated at an amount inclusive of appreciation arising on revaluation of the assets by an approved valuer on December 31, 1998. The method adopted for revaluation of the assets are as under:

# Motherson Sumi Systems Ltd.

- a) Land: Prevailing market rate of land as on the date of revaluation.
- b) Buildings, Indigenous Plant and Machinery, Furniture and Fixtures, Moulds and Dies : Replacement value.

The Company charges assets Costing less than Rs 5,000 to expense, which could otherwise have been included as Fixed Asset, because the amount is not material in accordance with ' Accounting standard 10-' Accounting for fixed Assets'

## 4. Depreciation

- i) Depreciation on fixed assets except as stated below, is provided from the month the asset is ready for commercial production on a pro-rata basis at the SLM rates prescribed in schedule XIV to the Companies Act, 1956 where applicable or based on useful life, whichever is higher. The following assets are amortised, on the straight line method over a period of their estimated useful lives, at rates higher than those prescribed in schedule XIV of the Companies Act, 1956:

	Rates (%)
Computers	33.33
Vehicles	25.00
Furniture, fixtures & Office equipments	16.67
Electrical Installations	10.00
Specific Identified Plant & Machinery	25.00

- ii) In respect of revalued assets, depreciation is being provided on the revalued amounts over the remaining useful life of the assets at the SLM rates. Leasehold Land is amortised over the balance period of lease.
- iii) Goodwill generated on consolidation in respect of subsidiaries is being carried at cost.
- iv) Technical know how fees paid to a foreign collaborator by one of the consolidating company is being depreciated on SLM basis @ 50%.
- v) Intangible Assets being customer relations acquired is amortised over a period of 5 years.

## 5. Investments

Investments other than subsidiaries, joint ventures and associates, which are accounted for separately as per 2 above, are classified into long term and current investments. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value. Fair value in the case of quoted investments refers to the market value of the investments arrived at on the basis of last traded prices as at the year-end.

## 6. Inventory

Stores and spares, loose tools are valued at cost or net realisable value, whichever is lower.

Raw materials, components, finished goods and work in progress are valued at cost or net realisable value, whichever is lower. The basis of determining cost for various categories of inventories is as follows:

- i) Stores and Spares, Raw Materials and Components - First in First Out (FIFO) method
- ii) Work in Progress and Finished Goods - Material cost plus appropriate share of labour and production overheads.
- iii) Tools - Cost less amortisation based on useful life of the items ascertained on a technical estimate by the management.

## 7. Retirement Benefits

In respect of the companies incorporated in India, the Group makes defined contribution for provident fund, family pension fund and superannuation fund and the same are charged to the profit and loss account as incurred. In respect of Gratuity, which is funded through a group gratuity scheme, the Groups liability at the year-end is determined by an actuarial valuation done at year-end and shortfall/surplus over the amount contributed to the scheme is charged off to the profit and loss account or treated as prepaid, as the case may be.



In respect of the companies incorporated outside India, where applicable the companies make defined contribution on a monthly basis towards retirement benefit plans. Provision for Leave Encashment is made on the basis of actuarial valuation done at the year-end.

#### **8. Revenue Recognition**

Sales are recognised upon the transfer of significant risks and rewards of ownership to the customers.

#### **9. Foreign Exchange Transactions**

Transactions involving foreign currencies are recorded at the exchange rate prevailing on the transaction date. Foreign currency monetary items are translated at the exchange rate prevailing at the balance sheet date and the gain/loss arising on such translation other than monetary items related to acquisition of fixed assets is credited / charged to profit and loss account. The gain / loss arising on translation of monetary items related to acquisition of fixed assets are adjusted to the cost of fixed assets. Premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of contract.

For the purpose of consolidation, the Company has translated Assets and Liabilities of subsidiaries outside India, whose operations are classified as non-integral, at the year-end exchange rate and Income and Expenditure items at an average exchange rate that approximates to the exchange rate prevailing on the date of transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' funds as "Exchange Reserve on Consolidation".

#### **10. Borrowing Costs**

The borrowing costs on funds other than those directly attributable to the acquisition of a qualifying asset i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use, is charged to revenue in the period in which they are incurred.

The borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset.

#### **11. Leases**

Lease rental in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement on a straight-line basis over the term of lease.

Lease rentals in respect of finance lease transactions entered into prior to 31<sup>st</sup> March 2001 is charged to expense when due as per the terms of the related agreement. Finance lease transactions entered into after this date are considered as financing arrangements in accordance with Accounting Standard 19 and the leased asset is capitalized at an amount equal to the present value of future lease payments and a corresponding amount is recognized as a liability. The lease payments made are apportioned between finance charge and reduction of outstanding liability in relation to leased asset.

#### **12. Taxation**

##### **Current Tax**

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions after considering the tax allowances & exemptions.

##### **Deferred Tax**

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

Deferred Tax Assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

# Motherson Sumi Systems Ltd.

## B. NOTES TO THE ACCOUNTS

### 1. Contingent Liabilities :

(Rs. in thousands)

	As at March 31, 2006	As at March 31, 2005
a) In respect of Excise <sup>1</sup>	29,750	25,884
b) In respect of Entry Tax	2,522	145
c) In respect of Sales Tax	13,961	5,104
d) In respect of Service tax	7,212	4,361
e) In respect of Stamp Duty	1,804	3,608
f) In respect of Income Tax	29	893
g) In respect of Labour Cases	11,887	11,400
h) In respect of Other taxes / Duties	1,466	—
i) The Company has given corporate guarantee in respect of: <sup>2</sup>		
a) Joint Ventures	97,500	97,500
j) Bank Guarantees furnished by the Company	124,976	41,551

<sup>1</sup> Excludes interest.

<sup>2</sup> Actual amount outstanding  
Joint Ventures Rs. 88,012 thousand (Rs. 141,528 thousand)

### 2. Outstanding Capital Commitments :

(Rs. in thousands)

	As at March 31, 2006	As at March 31, 2005
Unexpired amount of the contracts on capital accounts and not provided for (net of advance)	222,828	344,168

### 3. Consolidation:

A. Details of Motherson Sumi Systems Limited subsidiaries which have been considered in these consolidated accounts are as follows:

Name of the Company	Country of Incorporation	% Voting power held As at		Reporting Dates used for Consolidation
		31 <sup>st</sup> March, 2006		
MSSL Mauritius Holdings Limited	Mauritius	100%		31 <sup>st</sup> December 2005 <sup>3</sup>
MSSL Mideast (FZE)	UAE	100%		31 <sup>st</sup> March 2006
Motherson Electrical Wires Lanka Pvt. Ltd.	Srilanka	100%		31 <sup>st</sup> March 2006
MSSL Handels GmbH	Austria	100%		31 <sup>st</sup> March 2006
MSSL (S) Pte Ltd.	Singapore	100%		31 <sup>st</sup> March 2006
Motherson PUDENZ WICKMANN Limited	India	56.13%		31 <sup>st</sup> March 2006
MSSL GmbH (through MSSL Mideast (FZE))	Germany	100%		31 <sup>st</sup> December 2005 <sup>3</sup>
MSSL (GB) Limited (through MSSL Mideast (FZE))	U.K.	100%		31 <sup>st</sup> March 2006
MSSL Ireland Private Limited (through MSSL Mauritius Holdings Limited)	Ireland	100%		31 <sup>st</sup> December 2005 <sup>3</sup>
MSSL Hag Toolings Ltd. (FZC) (through MSSL Mauritius Holdings Limited)	UAE	100%		31 <sup>st</sup> December 2005 <sup>3</sup>
G&S Kunststofftechnik GmbH (through MSSL GmbH)	Germany	100%		31 <sup>st</sup> December 2005
Mothersonsumi Reiner GmbH (through MSSL GmbH)	Germany	100%		31 <sup>st</sup> December 2005
Motherson Advance Polymers Limited	India	100%		31 <sup>st</sup> March 2006
Global Environment Management (FZC) (through MSSL Mauritius Holdings Limited)	UAE	50.01%		31 <sup>st</sup> December 2005
Balda Motherson Info Devices Limited	India	100%		31 <sup>st</sup> March 2006

<sup>3</sup> Reporting dates revised to December 31, in the current year.



B. Details of Associate Company are as follows:

Name of the Company	Country of Incorporation	% Voting power held As at 31 <sup>st</sup> March, 2006	Reporting Dates used for Consolidation
SAKS Ancillaries Limited	India	40.01%	31 <sup>st</sup> March 2006

C. Details of Joint Venture Companies which have been considered in these consolidated accounts are as follows:

Name of the Company	Country of Incorporation	% Voting power held As at 31 <sup>st</sup> March, 2006	Reporting Dates used for Consolidation
Schefenacker Motherson Limited	India	49%	31 <sup>st</sup> December 2005
Kyungshin Industrial Motherson Limited	India	50%	31 <sup>st</sup> March 2006
WOCO Motherson Limited (FZC) (through MSSL Mauritius Holdings Limited)	UAE	33.33%	31 <sup>st</sup> December 2005
WOCO Motherson Advanced Rubber Technologies Ltd. <sup>4</sup>	India	33.33%	31 <sup>st</sup> March 2006
WOCO Motherson Elastomer Limited <sup>5</sup>	India	33.33%	31 <sup>st</sup> March 2006

<sup>4</sup> Ceased to be a subsidiary on October 16, 2005

<sup>5</sup> Ceased to be a subsidiary on March 31, 2006

#### 4. Amalgamation of Draexlmaier & Motherson Electrical Systems India Limited (DMESIL) with the Company

- The High Court of judicature at Delhi have approved on March 27, 2006 the arrangement as embodied in the Scheme of Amalgamation ("the Scheme") of the erstwhile M/s Draexlmaier & Motherson Electrical Systems India Limited (DMESIL), a subsidiary of the company, the transferor company with the Company (M/s Motherson Sumi Systems Limited), the transferee Company. On complying with the requisite formalities by the Company, the Scheme became effective on May 16, 2006 ("the effective date"), operative retrospectively from April 1, 2005, the appointed date as per the scheme. Accordingly, the whole of the undertakings of DMESIL was transferred to and vested in the Company as a going concern and DMESIL without any further act was dissolved without winding up.
- DMESIL is in the business of manufacture and sale of wiring harness and cockpit assembly.
- During the year on April 29, 2005 the company had, pursuant to an agreement with M/s Lisa Draexlmaier GmbH, purchased the 26% shareholding held by it, thereby making DMESIL a 100% subsidiary of the company. As per the scheme the said transaction is recorded in such a manner so that with effect from the appointed date, all assets and liabilities are vested in the company. The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India and the specific provisions of the Scheme. Accordingly, all the assets, liabilities and reserves of the transferor company as on April 1, 2005 have been recorded by the Company at their respective amounts. These values were adjusted for the following differences in the accounting policies of the transferor company, the impact of which has been adjusted against the amalgamation reserve of the Company:

	<b>Amount</b> (Rs. in thousands)
Net Block of Fixed Assets	460
Accumulated Depreciation	1,076
Miscellaneous Expenditure to be written off	123
<b>TOTAL</b>	<u>1,659</u>

# Motherson Sumi Systems Ltd.

- d) With effect from the Appointed Date, all debts, liabilities, duties and obligations of the transferor company as on the close of the business on the date preceding the appointed date, whether or not provided in the books of the transferor company and all liabilities which arise or accrue on or after the Appointed date shall be deemed to be the debts, liabilities, duties and obligations of the Company.
- e) In view of the amalgamation of DMESIL with the Company effective from April 1, 2005, the figures for the current year are not directly comparable to those of the previous year. The Company's Fixed Assets for the current year include Net Fixed Assets of Rs. 18,818 thousand, Net Current Assets of Rs. 27,332 thousand and Debit balance of Profit & Loss Account of Rs. 4,223 thousand attributable to DMESIL. Rs. 25,050 thousand being the excess of the value of assets over the value of the liabilities after adjusting for the aggregate value of the investments held in the transferee company and the adjustments mentioned in (c) above has been credited to the amalgamation reserve of the Company, in accordance with the scheme. The capital reserve on consolidation, generated in earlier years, has accordingly been adjusted.

## 5. Acquisition/Disposal of Investments during the year

### a) Acquisition of Motherson Advance Polymers Limited (MAPL) and proposed amalgamation with the Company

During the year, the Company has purchased 43,104,774 shares of MAPL from its erstwhile shareholders. Consequent to the above purchase, MAPL has become a 100 % subsidiary of the Company w.e.f. February 1, 2006. The Company has also filed the merger petition with the High Court of Delhi on March 31, 2006 for amalgamation of MAPL with the Company w.e.f. April 1, 2005. Subsequently, the Company has, at its meeting held on May 20, 2006, changed the effective date to February 1, 2006, subject to necessary approvals. However, no effect has been given in the above financial statements of such amalgamation, pending the decision of High Court of Delhi on the same. The resultant goodwill arising is as follows:

	Amount (Rs'000)
Purchase Consideration	98,279
Less: Net Assets Acquired as at February 1, 2006 <sup>6</sup>	98,054
Goodwill	225

<sup>6</sup> Net of income amounting to Rs. 134,175 thousand on account of wavier of loan obtained by existing shareholders prior to acquisition from a term lender.

### b) Sale/dilution of shareholding in WOCO Motherson Elastomer Limited

The Company, on March 31, 2006, sold 535,667 equity shares of Woco Motherson Elastomers Limited (WMEL) to its Joint Venture partner Woco Franz Josef Wolf Holding GmbH. Further on same date Woco Franz Josef Wolf Holding GmbH exercised its right of conversion on 68,700, 13.25% Non Cumulative Redeemable Convertible preference shares into Equity shares. Consequent to reduction of the holding of company in Woco Motherson Elastomers Limited to 33.33% from 50.01% earlier, the Company's investment in WMEL has been accounted for as a joint venture with effect from March 31, 2006. The resultant gain of Rs. 4,689 thousand to the company has been recognized under Other Income in these financial statements. Consequently, the proportionate share of the venturer (erstwhile minority shareholder) in the net assets of Woco Motherson Elastomers Limited as at March 31, 2006 amounting to Rs. 94,903 thousand has been excluded from these financial statements.

### c) Increase in shareholding in MSSL Hag Toolings Ltd (FZC)

MSSL Mauritius Holdings Limited (MMHL), company's wholly owned subsidiary, during the year purchased 700 shares of MSSL Hag Tooling Ltd (FZC) (MHTL) from Hag Kunststotofftechnik, the minority shareholder. Consequent to this transaction MHTL became 100% subsidiary of MMHL. Further, the minority shareholder, pursuant to an agreement has extinguished, expressly and irrevocably, loan amounting to Rs. 8,353 thousand (Euros 155 thousand) receivable from MHTL. The same has been adjusted against the goodwill arising on the increase in the shareholding in MHTL.



**d) Acquisition of G&S Kunststofftechnik GmbH**

On August 22, 2005, company purchased 100% shares of G&S Kunststofftechnik GmbH (G&S) through its wholly owned subsidiary MSSL GmbH. Consequent to the above purchase, G&S has become a 100 % subsidiary of MSSL GmbH. G&S has obtained waiver of claims from its supplier to the tune of Rs. 74,905 thousand (Euro 1,390 thousand) which has been accounted for under Other Income in these financial statements.

**e) Incorporation of Motheronsumi Reiner GmbH**

On April 11, 2005 Motheronsumi Reiner GmbH was incorporated with a share Capital of Euro 200,000. The Company is a joint venture between MSSL GmbH having 80 % of paid up equity share capital and Reiner Prazision GmbH contributing 20 % of the equity share capital. The Company acquired the business of Reiner Prazision GmbH as a going concern during the year. For a consideration of Euro 50,000.

**f) Incorporation of Global Environment Management (FZC) and Global Environment Management Australia Pty Limited**

Global Environment Management (FZC) (GEM Sharjah) was registered as a Free Zone Company (FZC) with limited liability in the Sharjah Airport International Free Zone (SAIF Zone) on June 21, 2005. The company has been incorporated based on Heads of Agreement executed between MSSL Mauritius Holdings Limited (MMHL), and Ecompost Pty Ltd (EC) . GEM Sharjah shareholders are MMHL (50.07%) (parent company), and EC (49.93%)

GEM Sharjah has incorporated a 100% subsidiary , Global Environment Management Australia Pty Limited, registered as a proprietary company limited by shares in Victoria , Australia on January 16, 2006.

**6. Issue of Zero Coupon Convertible Bonds**

During the year ended March 31, 2006, the Company has issued Euro 50,300,000 Zero Coupon Convertible Bonds due 2010 (the "Bonds"). The Bonds are convertible either at the option of the holder at any time on or after August 24, 2005 (or such earlier date as is notified to the holders of the Bonds by the Company) upto July 6, 2010 by holders into fully paid equity shares with full voting rights at par value of Re. 1.00 each of the Issuer ("Shares") at an initial Conversion Price (as defined in the "Terms & Conditions of the Bonds") of Rs. 111.45 per Share with a fixed rate of exchange on conversion of Rs. 52.01 = Euro 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The Bonds may otherwise be redeemed, in whole or in part, at the option of the Issuer, at any time on or after July 15, 2008 and prior to July 7, 2010 subject to satisfaction of certain conditions and at their "Early Redemption Amount" (as defined in the "Terms & Conditions of the Bonds") at the date fixed for such redemption if the "Closing Price" (as defined in the "Terms & Conditions of the Bonds") of the Shares translated into Euro at the "prevailing rate" (as defined in the "Terms & Conditions of the Bonds") for each of 20 consecutive "Trading Days" (as defined in the "Terms & Conditions of the Bonds") the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 130 per cent, of the "Conversion Price" (as defined in the "Terms & Conditions of the Bonds") then in effect translated into euro at the rate of Rs. 52.01 = Euro 1.00.

The Bonds may also be redeemed, in whole, but not in part, at any time at the option of the Issuer at their Early Redemption Amount, if less than 10 per cent, in aggregate principal amount of the Bonds originally issued is outstanding.

The Bonds may also be redeemed in whole, but not in part, at the option of the Issuer subject to satisfaction of certain conditions including obtaining Reserve Bank of India ("RBI") approval, at their Early Redemption Amount, on the date fixed for redemption in the event of certain changes relating to taxation in India.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed by the Issuer in Euros on July 16, 2010 at 126.77 per cent of its principal amount.

# Motherson Sumi Systems Ltd.

The issuer will, at the option of any holder of any Bonds, repurchase at the Early Redemption Amount such Bonds at such time as the Shares cease to be listed or admitted to trading on the BSE and the NSE (as defined in the "Terms & Conditions of the Bonds") in respect of the Issuer. These Bonds are listed in the Singapore Exchange Securities Trading Limited (the "SGX-ST").

## 7. Payment to the Company's Auditors:

(Rs. in thousands)

	For the year ended March 31, 2006	For the year ended March 31, 2005
a) Statutory Audit Fee	8,504	5,485
b) Reimbursement of Expenses	681	391
c) Taxation Matters	194	293
d) Others	2,272	801
<b>TOTAL</b>	<b>11,651</b>	<b>6,970</b>

## 8. Additional depreciation on fixed assets

With effect from April 1, 2005 the Company based on technical review and management estimate has revised the useful lives in respect of Electrical Installations (included under Plant & Machinery) and Furniture, fixtures & Office equipments. The resultant revised rates of depreciation have been arrived at as 10% and 16.67% respectively which were earlier 4.75% for electrical installations and office equipment and 6.33% for Furniture & Fixtures. Accordingly, the charge for depreciation in the current year in respect of such machines is higher by Rs. 38,411 thousand with consequent effect on the net fixed assets.

## 9. Earnings per share

	For the year ended March 31, 2006	For the year ended March 31, 2005
Weighted Average number of Equity Shares of Re. 1/- each outstanding at the end of the year	234,889,200	234,889,200
Net profit after tax available for equity Shareholders (Rs. in thousands)	1,008,476	839,972
Basic/ Diluted <sup>7</sup> Earnings (in Rupees) Per Share of Re. 1/- each. (Previous Year Re. 1/- each)	4.29	3.58

<sup>7</sup> Potential conversion of Zero Coupon Foreign Currency Convertible Bonds issued is anti-dilutive and accordingly, has not been considered in the calculation of diluted earnings per share.

## 10. Deferred Tax

(i) The break up of net deferred tax liability as at 31 March, 2006 is as under:

(Rs in thousands)

Timing differences on account of	As at March 31, 2006 <sup>9</sup>	Credit/ (Charge) for the year	As at March 31, 2005 <sup>8</sup>
Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act (to the extent considered realizable)	(28,940)	19,928	(9,246)
Unabsorbed depreciation allowance and business loss carried forward (to the extent considered realizable based on future profit projections)	—	(9,543)	(9,543)
Difference between depreciation as per financial statement and depreciation as per Income Tax Return	134,724	10,417	144,968
Net Deferred Tax Liability/ (Asset)	105,784	20,802	126,179



<sup>8</sup> Includes Net Deferred tax liability amounting to Rs. 2,216 thousand consequent to acquisition of G&S Kunststofftechnik GmbH.

<sup>9</sup> Excludes Net Deferred tax Asset amounting to Rs. 407 thousand being proportionate share of venturer excluded consequent to sale/dilution in shareholding in Woco Motherson Elastomer Limited (Refer B(5) (b) above).

(ii) In view of the Company's past financial performance and future profit projections, the company expects to fully recover the Deferred Tax Assets.

11. The company has the following provision in the books of accounts as on March 31, 2006

Description	Balance as on 01.04.2005	Additions during the year	Utilised / Reversed during the year	Balance as on 31.03.2006
Warranty	2,994	2,653	2,036	3,611

Warranty provision relate to the estimated outflow in respect of warranty for products sold by the company. Due to the very nature of such costs, it is not possible to estimate the timing/uncertainties relating to the outflows of economic benefits.

## 12. Leases

For Vehicles

(Rs. in thousands)

Particulars	Minimum Lease payments		Finance Charges		Present value of Lease payments	
	Current Year	Previous year	Current Year	Previous year	Current Year	Previous year
Due within one year	10	40	4	14	6	26
Due within 2 to 5 years	—	10	—	4	—	6

The Company has the option to buy back the assets at the end of the Finance Lease Agreements.

13. The Company has utilized the proceeds on issue of Euro 50,300,000 Zero Coupon Foreign Currency Convertible Bonds to the public in the following manner:

Particulars	Year ended March 31, 2006	
	Amount (Euro '000)	Amount (Rs.'000)
Public Issue Proceeds	50,300	2,616,103
Less: Issue Expenses	1,408	73,251
Less: Loans & Advances given to Subsidiaries	7,152	374,372
Less: For Capital Acquisition	12,924	695,179
Add : Interest Received	500	27,020
<b>Unutilized Public Issue Proceeds in Deposits</b>	<b>29,316</b>	<b>1,582,116<sup>10</sup></b>

<sup>10</sup> Reinstated as at year end rate.

14. The Company is in the process of reconciling its balances with one of the customers in respect of advances received. The consequent impact on duties payable in respect of excise, if any, will be ascertainable on the completion of the aforesaid reconciliation.

# Motherson Sumi Systems Ltd.

## 15. Related Party disclosures

Related party disclosures, as required by AS18, "Related Party Disclosures", are given below:

### I. Relationships where control exists:

#### a. Joint Ventures:

WOCO Motherson Elastomer Limited <sup>11</sup>  
Kyungshin Industrial Motherson Limited  
Schefenacker Motherson Limited  
WOCO Motherson Ltd. (FZC)  
WOCO Motherson Advance Rubber Technologies Limited <sup>12</sup>

<sup>11</sup> Change in share holding on March 31, 2006 consequent to which the company became a joint venture instead of a subsidiary.

<sup>12</sup> Change in share holding on October 16, 2005 consequent to which the company became a joint venture instead of a subsidiary.

#### b. Associate Company:

Saks Ancillaries Limited

#### c. Key Management Personnel:

##### i) Board of Directors:

Mr. V C Sehgal  
Mr. Toshimi Shirakawa  
Mr. M S Gujral  
Mr. Bimal Dhar  
Mr. H Murai  
Mr. A Yamauchi  
Mr. M Matsushita  
Maj. Gen Amarjit Singh (Retd)  
Mr. Pankaj Mital  
Mr Arjun Puri

##### ii) Other Key Management Personnel:

Mr. Vivek Avasthi  
Mr. Ravindra Mathur  
Mr. G.N. Gauba  
Mr. Vijay Mediratta  
Mr. N Ramanathan

##### iii) Relatives of Key Management Personnel:

Mr. Laksh Vaaman Sehgal  
Mrs. Renu Sehgal  
Ms. Vidhi Sehgal  
Mrs. Geeta Soni  
Mrs. Neelu Mehra  
Late Mr. P. Avasthi  
Mrs. P. Avasthi  
Mr. Harjit Singh  
Mr. Upkar Gujral  
Ms Subina Avasthi

#### d. Companies in which Key Managerial Personnel or their relatives have significant influence:

Motherson Air Travel Agencies Limited



Motherson Auto Ltd.  
Sumi Motherson Innovative Engineering Limited  
MothersonSumi Infotech and Designs Limited  
Motherson Techno Tools Limited  
Motherson  
Vaaman Auto Industries  
Ganapati Auto Industries  
Southcity Motors Ltd.  
A Basic Concepts Designs Pty Ltd.  
A Basic Concepts Designs India Private Ltd.  
Motherson Engineering Research and Integrated Technologies Limited  
Motherson Triplex & Optic System Technologies Pvt. Ltd.  
ASI Motherson Communications Ltd.  
SWS India Management Support & Service (P) Ltd.  
Moon Meadows Pvt. Ltd.  
Sisbro Creations Pvt. Ltd.  
Motherson Advance Automobile Solutions Pvt. Ltd.  
Motherson Tool Engg. & Design Pvt. Ltd.  
Motherson Auto Solutions Pvt. Ltd.  
Motherson Advanced Auto Engg. Pvt. Ltd.  
Motoman Motherson Robotics Ltd.  
Motherson Consultancy Pvt. Ltd.  
Samvardhana Motherson Finance Ltd.  
ATAR Mauritius Pvt. Ltd.  
Webasto Motherson Sunroofs Limited  
Anest Iwata Motherson Limited  
Miyazu Motherson Engineering Design Limited

**e. Joint Venturers:**

Sumitomo Wiring Systems Limited, Japan  
Lisa Draexlmaier GmbH, Germany  
Wilhelm Pudenz GmbH, Germany  
Schefenacker International AG & Co.  
Kyungshin Industrial Co., Korea  
WOCO Franz Josef Wolf Holding GmbH  
Hag Kunststofftechnik GmbH (ceases with effect from August 26, 2005)  
Balda AG

# Motherson Sumi Systems Ltd.

## II. Details of transactions, in the ordinary course of business at commercial terms, and balances with related parties as mentioned in I & 2 above:

(Rs. in thousands)

S. No	Particulars	Parties mentioned in 15 (I) (a) above		Parties mentioned in 15 (I) (b) & (d) above		Parties mentioned in 15 (I) (e) above		Parties mentioned in 15 (I) (c) above	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Sale of Goods	179,773	279,826	23,238	11,528	733,275	601,939	—	—
2	Rendering of Services	6,808	11	9,452	5,945	8,888	349	—	—
3	Sale of Fixed Assets	—	—	223	11	5,149	—	—	—
4	Purchase of Goods	5,599	5,565	390,063	349,689	773,374	293,572	—	—
5	Purchase of Fixed Assets	2,012	3,108	36,715	22,409	43,459	13,407	—	—
6	Purchase of Services	—	164	250,695	233,633	13,499	38,207	5,919 <sup>13</sup>	3,887
7	Reimbursement (Net)	(242)	198	360	1,995	9,943	510	—	—
8	Investments made during the year	—	—	12,500	—	—	—	—	—
9	Purchase of Shares	—	—	27,233	—	12,218	—	—	—
10	Sale of Shares	—	—	—	—	22,620	—	—	—
11	Royalty	8,990	—	—	—	50,800	41,524	—	—
12	Remuneration/ Sitting Fees of Directors	—	—	—	—	—	—	14,874	15,397
13	Interest Income	526	—	169	213	1,076	3,193	—	—
14	Interest Expense	—	146	1,693	221	469	2,032	—	—
15	Dividend Paid	—	—	67,150	48,450	95,145	41,459	14,269 <sup>14</sup>	9,761
16	Dividend Received	—	7,200	—	—	—	—	—	—
17	Inter Corporate Deposits accepted during the year	—	—	25,000	17,500	—	2,818	—	—
18	Inter Corporate Deposits repaid during the year	—	—	32,140	39,550	47,776	18,365	—	—
19	Loans Given during the year	33,333	7,000	23,640	27,050	—	—	—	—
20	Loans repaid during the year	—	—	—	—	71,388	—	—	—
21	Security Deposits Received	—	—	1,607	2,743	—	—	—	542
22	Security Deposits Repaid	—	—	2,400	—	—	—	—	—
<b>Balances as at year end</b>									
23	Investments	74,620	103,448	38,230	25,730	—	—	—	—
24	Loans Payable	—	—	—	—	—	82,624	—	—
25	Loans Receivable	33,333	8	—	5,969	12,516	56,350	—	—
26	Advances Receivable	13	—	7,317	—	22,764	936	—	—
27	Security Deposit Received	—	—	2,040	—	—	—	542	542
28	Security Deposits Given	—	—	7,626	8,066	1,871	—	—	—
29	Guarantees Closing	97,500	97,500	—	—	—	—	—	—
30	Trade Payable	2,772	3,453	135,162	86,461	106,666	103,455	—	—
31	Trade Receivable	11,106	29,491	63,769	19,446	72,543	112,002	—	—
32	Minority Interest	23,163	74,551	—	—	—	—	—	—

<sup>13</sup> Rent of Rs. 3,479 thousand paid to relatives, Mr. V.C. Sehgal, Mr. Laksh Vaaman Sehgal, Mrs. Renu Sehgal, Ms. Vidhi Sehgal & Mr. P. Avasthi.

<sup>14</sup> Dividend of Rs. 14,269 thousand paid to relatives, Mr. Laksh Vaaman Sehgal, Mr. V.C. Sehgal, Mrs. Neelu Mehra, Mrs. Geeta Soni, Ms. Vidhi Sehgal, Mr Pankaj Mital, Mr M.S. Gujral, Mr G.N.Gauba, Mr Vivek Avasthi, Mrs. Renu Sehgal, Mrs. Padma Avasthi, Mrs Subina Avasthi, Mr Upkar Gujral & Mr Harjit Singh



## 16. Segment Information

### a) Information about Primary Business Segments

(Rs. in thousands)

	Automotive		Non Automotive		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Segment Revenue</b>								
External	8,819,450	6,831,549	1,590,866	1,088,214	86,813	9,445	10,497,129	7,929,208
Inter segment	56,990	9,839	—	—	—	—	56,990	9,839
Total revenue	8,762,460	6,821,710	1,590,866	1,088,214	86,813	9,445	10,440,139	7,919,369
<b>Results</b>								
Segment result	985,691	902,238	345,306	251,823	—	—	1,330,997	1,154,061
Interest expense (net of Interest income)	—	—	—	—	158,251	33,539	158,251	33,539
Other Unallocable (net of income)	—	—	—	—	(86,026)	(6,492)	(86,026)	(6,492)
Profit of Associates	—	—	—	—	2,158	3,525	2,158	3,525
Profit before taxation	—	—	—	—	—	—	1,260,930	1,130,539
Provision for taxation	—	—	—	—	—	—	232,122	272,245
Net profit after tax	—	—	—	—	—	—	1,028,808	858,294
— Concern share	—	—	—	—	—	—	1,008,476	839,972
— Minority	—	—	—	—	—	—	20,332	18,322
<b>Other Items</b>								
Segment Assets	6,824,713	4,427,058	1,024,442	696,993	2,411,406	37,277	10,260,561	5,161,328
Segment Liabilities	1,497,270	1,191,993	207,318	120,573	5,676,071	1,649,081	7,380,659	2,961,647
Capital Expenditure	1,040,210	906,637	18,091	77,277	—	—	1,058,301	983,914
Depreciation & Amortisation	442,109	320,180	22,470	20,976	—	—	464,579	341,156
Amortization of Premium on FCCB	—	—	—	—	121,322	—	121,322	—

### b) Information about Secondary Business Segments

(Rs. In thousands)

	India		Outside India <sup>15</sup>		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Revenue by geographical markets</b>								
External	7,095,186	5,679,519	3,258,140	2,230,405	86,813	9,445	10,440,139	7,919,369
Total	7,094,186	5,679,519	3,258,140	2,230,405	86,813	9,445	10,440,139	7,919,369
Carrying amount of segment assets	5,845,255	3,947,383	2,003,900	1,176,668	2,411,406	37,277	10,260,561	5,161,328
Addition to fixed assets	520,955	828,894	537,346	155,020	—	—	1,058,301	983,914

<sup>15</sup> Includes Europe, Americas, Asia Pacific and Middle East

### c) Composition of Business Segments

The Company is organised into two main business segments, namely:

Automotive                      Wiring Harness, High Tension Cords, Wire, Plastic Components, Rubber Components, Blade Fuse Link, Fuse Holder, Cockpit Assembly

Non Automotive                Wiring Harness, Pen-Stamp Assembly, Plastic Components, Household Wires, Plates

### d) Inter Segment Transfer Pricing

Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, with an overall optimisation objective for the company.

# Motherson Sumi Systems Ltd.

## 17. Interest in Joint Ventures

The company's interests, as a venture, in jointly controlled entities as at March 31, 2006 are:

Name of the Company	Country of Incorporation	% Voting power held As at March 31, 2006	% Voting power held As at March 31, 2005
Schefenacker Motherson Limited	India	49%	49%
Kyungshin Industrial Motherson Limited	India	50%	50%
WOCO Motherson Limited (FZC) (through MSSL Mauritius Holdings Limited)	UAE	33.33%	33.33%
WOCO Motherson Advanced Rubber Technologies Ltd.	India	33.33%	100%
WOCO Motherson Elastomer Limited <sup>16</sup>	India	33.33%	50.01%

The following amounts represent the Groups share of the assets and liabilities and revenue and expenses of the joint venture and are included in the consolidated balance sheet and consolidated profit & loss account:

(Rs. in thousands)

Particulars	2006	2005
<b>Assets</b>		
Fixed Assets	172,129	143,925
Capital Work in Progress	74,384	4,737
Current Assets	470,540	286,665
Miscellaneous Expenditure	—	8
<b>Liabilities</b>		
Secured Loans	107,164	72,429
Unsecured Loans	16,665	6,000
Current Liabilities & Provisions	294,506	215,302
Deferred Tax (Net)	1,898	(4,096)
<b>Reserves &amp; Surplus</b>	148,136	42,570
<b>Revenues</b>		
Sales	1,108,556	880,350
Other Income	10,170	8,485
Expenditure	1,001,282	803,473
<b>Profit before Tax</b>	117,444	85,362
Provision for Tax	32,898	20,102
<b>Profit after Tax</b>	84,546	65,260
<b>Contingent Liabilities</b>		
- In respect of Excise, Sales tax & Service tax matters	4,097	1,988
- Bank Guarantees	1,171	5,183
<b>Capital Commitment</b>	6,309	1,076

<sup>16</sup> The Company has sold 535,667 equity shares of WOCO Motherson Elastomer Limited (WMEL) to its Joint Venture partner Woco Franz Josef Wolf Holding GmbH. Consequent to the above sale, WMEL has ceased to be a 100% subsidiary of the Company and has become a joint venture with 33.33% holding of the Company w.e.f March 31, 2006

18. The company is in the process of completing the required transfer pricing study. The impact if any, which may arise consequent to the study, has not been considered in these accounts and would be accounted on completion of the said study.

19. The corresponding figures of previous year have been regrouped, rearranged wherever necessary.

**V.C. SEHGAL**  
Chairman

for and on behalf of the Board

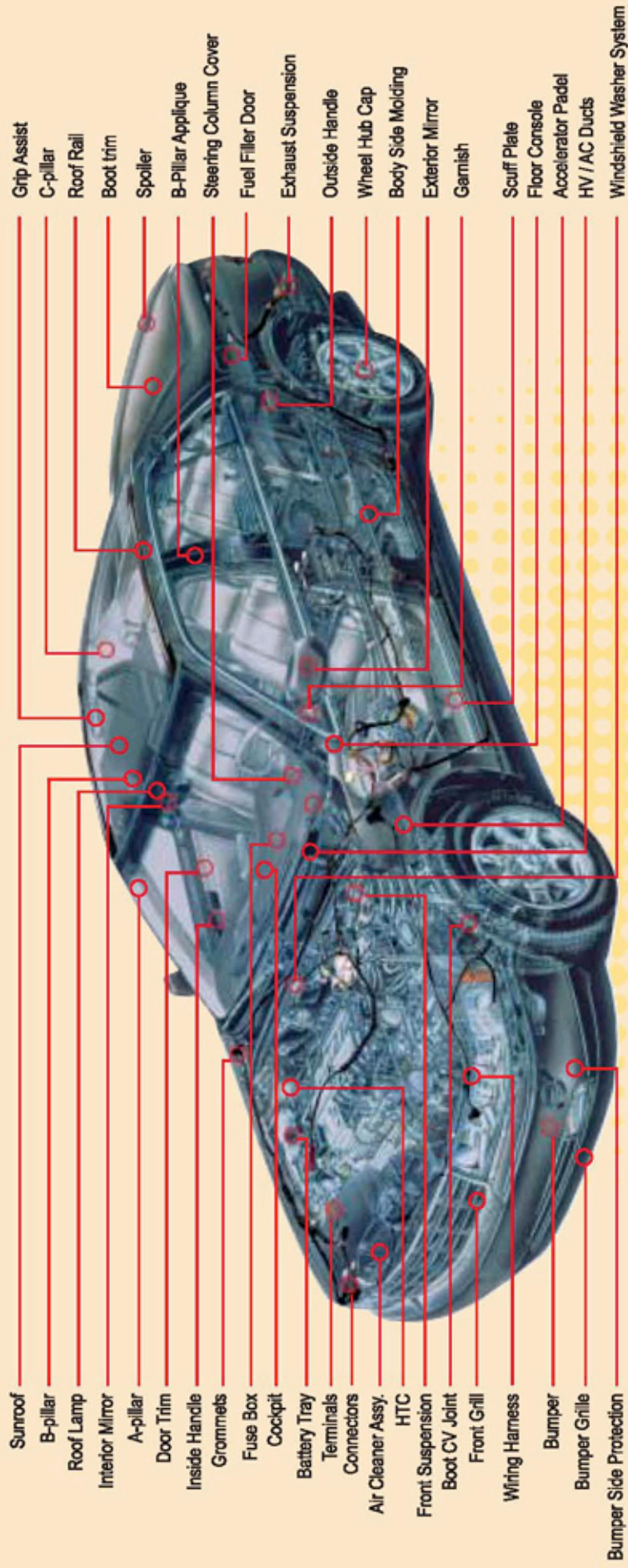
**A. YAMAUCHI**  
Whole time Director

**PANKAJ MITAL**  
Chief Operating Officer

**G.N. GAUBA**  
Co. Secretary & V.P. Finance

Place : Noida  
Date : May 26, 2006

# Increasing Content per Car





## **Motherson Sumi Systems Limited**

3rd Floor, Bhageria House, 43, Community Centre, New Friends Colony, New Delhi - 110 065.

[www.motherson.com](http://www.motherson.com)