

YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs. in lacs)

Year Ending	March'07	March'06	March'05	March'04	March'03
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	13601.00	11938.18	10827.18	10729.81	9289.78
Total Shareholder's Funds	14400.92	12738.10	11627.10	11529.73	10089.70
Unsecured Loans	0	0	0	226.34	552.13
Secured Loan	2413.36	386.64	24.79	182.9	463.57
Total Term Liability	2413.36	386.64	24.79	409.24	1015.70
Total Assets	17704.60	13778.26	12230.72	12553.81	11860.07
Net Sales	69189.95	59662.37	52147.96	40427.70	35668.84
(% Increase over Previous year)	15.97%	14.41%	28.99%	13.34%	12.86%
Profit Before Interest Depn. & Tax (PBDIT)	5331.67	4207.17	#2031.11	4047.29	4059.29
Interest	60.59	79.24	51.09	54.15	51.39
Depreciation	1307.62	1051.84	823.07	747.73	629.86
Profit Before Tax (PBT)	3963.46	3076.08	1156.95	3245.42	3378.04
Profit After Tax (PAT)	2598.65	2023.97	782.97	2116.82	2139.38
Earnings per Share (EPS) (Rs.)#	6.50	5.06	1.96	5.29	5.35
Book Value per Share (Rs.)#	36.01	31.85	29.07	28.82	25.22
Dividend %	## 100.00%	100.00%	75.00%	75.00%	75.00%

Value for previous years adjusted for split of Rs.10/- per share into Rs. 2/- per share

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTYSECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON TUESDAY THE 7TH DAY OF AUGUST 2007 AT 11:00 A.M. AT THE COMPANY'S PLANT SITUATED AT 26E & F, IMT MANESAR, GURGAON, HARYANA TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and Profit and Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Ashok Kumar Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vinod K. Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Hiroshi Ijima, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s S. R. Batliboi & Co., Chartered Accountants, Gurgaon the retiring Auditors of the Company as Auditors, who shall hold that office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

As Ordinary Resolutions

7. Variation in the Terms of Appointment of Mr. Yogesh Munjal- Managing Director

"RESOLVED THAT pursuant to the recommendations of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Twenty First Annual General Meeting held on August 28, 2006, the consent of the Company be and is hereby accorded under Sections 198, 269 and 309 read with Schedule- XIII and other applicable provisions, if any, of the Companies Act, 1956 that the Basic Salary payable to Mr. Yogesh Munjal- Managing Director be increased to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 01, 2007 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unchanged.

RESOLVED FURTHER THAT the aggregate of the remuneration payable to him in any particular Financial Year will be subject to the overall ceiling limit laid down in Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

8. Variation in the Terms of Appointment of Mr. Kazuhiro Nishioka – Joint Managing Director

"RESOLVED THAT pursuant to the recommendations of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Twenty First Annual General Meeting held on

August 28, 2006, the consent of the Company be and is hereby accorded under Sections 198, 269 and 309 read with Schedule- XIII and other applicable provisions, if any, of the Companies Act, 1956 that the Basic Salary payable to Mr. Kazuhiro Nishioka- Joint Managing Director be increased to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 01, 2007 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unchanged.

RESOLVED FURTHER THAT the aggregate of the remuneration payable to him in any particular Financial Year will be subject to the overall ceiling limit laid down in Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956.”

Place : New Delhi
Dated : May 23, 2007

By order of the Board
For MUNJAL SHOWA LTD.

Registered Office:
9-11, Maruti Industrial Area
Gurgaon, Haryana - 122 015

PANKAJ GUPTA
COMPANY SECRETARY

NOTES:-

- 01) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE VALID MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 7, 8 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of person seeking re-appointment under Item No. 3, 4 and 5, as required by clause 49 of the listing agreement with the Stock Exchanges are also annexed.
- 03) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, July 21, 2007 to Tuesday, August 07, 2007 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twenty Second Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 07, 2007. In respect of the shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
- 06) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1999-2000 and thereafter, which remains unclaimed for a period of 7 years would be transferred by the Company to the “**Investor Education and Protection Fund (IEPF)**” established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividends declared for the financial years 1994-95 to 1998-99 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for financial year 1999-2000 is in the process of transfer to IEPF.

- 07) Information in respect of unclaimed dividend pertaining to subsequent financial years when due for transfer to the said Fund is given below:

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend
31.03.2001	21.08.2001	27.08.2008
31.03.2002	19.08.2002	25.08.2009
31.03.2003	26.08.2003	01.09.2010
31.03.2004	24.08.2004	30.08.2011
31.03.2005	30.08.2005	05.09.2012
31.03.2006	28.08.2006	03.09.2013

Shareholders who have not so far en-cashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company immediately. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.**

- 08) Members are requested to notify immediately any change of address
- i) To their Depository Participants (DPs) in respect of their electronic share accounts, and
 - ii) To the Company's Registrar, MCS Limited, Shri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi- 110 020 in respect of their physical share folios, if any, quoting their folio number.
- 09) Electronic Clearing Service (ECS) Facility
- The Company has provided a facility to the Members for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in the physical form who wish to avail ECS facility may authorize the Company with their ECS mandate in the prescribed Form which can be obtained from the Company upon request.
- 10) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of bank Account.**
- 11) Shareholders are requested to bring their copy of the Annual Report and Attendance Slip duly filled in to the Annual General Meeting.

ANNEXURE TO THE NOTICE

A. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 7

The Members had approved increase in basic salary of Mr. Yogesh Munjal- Managing Director from Rs. 150,000/- to Rs. 3,00,000/- in the Twenty First Annual General Meeting held on August 28, 2006. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee, your Board of Directors have, by passing a Resolution in their meeting held on May 23, 2007, revised the basic salary of Managing Director to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 1, 2007 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same.

None of the directors except Mr. Yogesh Munjal himself is concerned or interested in the above Resolution under Item No. 7.

The Board recommends the resolution to the members for their approval.

Item No. 8

The Members had approved basic salary of Mr. Kazuhiro Nishioka- Joint Managing Director from Rs. 1,50,000/- to Rs. 3,00,000/- in the Twenty First Annual General Meeting held on August 28, 2006. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee, your Board of Directors have, by passing a Resolution in their meeting held on May 23, 2007, revised the basic salary of Joint Managing Director to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 1, 2007 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same.

Except Mr. Kazuhiro Nishioka, no other director is interested/concerned in the Resolution under Item no. 8.

The Board recommends the resolution to the members for their approval.

B. INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

a) **Mr. Ashok Kumar Munjal**

Mr. Ashok Kumar Munjal, 55 is a Commerce and Law Graduate from Punjab University, Chandigarh. He joined Munjal Showa Limited in 1989 as Non-executive Director of the Company. He has rich experience of 33 years in the field of engineering industry, investment, finance and auto component. He is on the Board of the following Companies:

Sunbeam Auto Limited	Managing Director
Hero Motors Limited	Director
Hero Corporate Services Limited	Director
Krishna Toyo Limited	Director
Bhagyoday Investment Pvt. Ltd.	Director

Hero Honda Finlease Limited	Director
Hero Financial Services Limited	Director
Easy Bills Limited	Director
Hero Management Services Limited	Director
Orient Craft Limited	Director
SKH Educational Pvt. Limited	Director

Mr. Ashok Kumar Munjal retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment.

- b) Mr. Vinod K. Agrawal aged 64 years, is a graduate in commerce and law from University of Lucknow. He topped Lucknow University in LLB and LLM examination and was awarded five Gold Medals. He cleared Civil services exams of UPSC in 1966 and joined Indian Customs and Excise services in 1967. He served the prestigious positions in the Government of India. He served as member of Custom Excise and Service Tax Appellate Tribunal. He also served as Chairman of two members committee for simplification of excise procedures. He as a member of CEGAT (now termed as CESTAT) passed various judicial orders resolving disputes on classification, valuation, CENVAT credit, refunds etc. He was awarded by the President of India for "DISTINGUISHED RECORD OF SERVICE" on Republic Day in 1998.

Mr. Vinod K Agrawal retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment

- c) Mr. Hiroshi Ijima aged 58 years, holds a Bachelor Degree in Business Studies from Kyoto Sangyo University, Japan. He started his career in 1971 in Administration Department, Asaba Plant, Showa Corporation, Japan. He worked for about 15 years as a Manager in different departments like Material, Maintenance, Planning, Production, etc. of M/s Showa Corporation. In June, 1995, he was promoted to Plant Manager of Nagoya Plant, Showa Corporation, Japan and presently holds the position of Senior Managing Director of M/s Showa Corporation, Japan.

Mr. Hiroshi Ijima retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment

Inspection

Copies of all relevant documents and papers referred to in the accompanying Notice and Explanatory Statement are kept open for inspection by Members between 11.00 A.M to 1.00 P.M on any working day except Sundays and Public Holidays up to the date of Meeting at the Registered Office of the Company

Place : New Delhi
Dated : May 23, 2007

By order of the Board
For MUNJAL SHOWA LTD.

Registered Office:

9-11, Maruti Industrial Area
Gurgaon, Haryana - 122 015

PANKAJ GUPTA
COMPANY SECRETARY

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 22nd Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2007.

FINANCIAL RESULTS AND APPROPRIATIONS

The salient features of the Company's Financial Results for the year under review are as follows:

	Year Ended 31.03.07	(Rs. In Lacs) Year Ended 31.03.06
Sales and other Income	<u>81881.85</u>	<u>70048.46</u>
Profit before Depreciation & Tax	<u>5271.08</u>	<u>4127.93</u>
Depreciation	<u>1307.62</u>	<u>1051.84</u>
Profit before Tax	<u>3963.46</u>	<u>3076.09</u>
Provision for Taxation	<u>1364.81</u>	<u>1053.00</u>
Profit after Tax	<u>2598.65</u>	<u>2023.09</u>
Net Profit brought forward	<u>1030.34</u>	<u>1119.33</u>
Profit available for appropriation	<u>3628.99</u>	<u>3142.42</u>
Dividend (Recommended)	<u>799.90</u>	<u>799.90</u>
Dividend Tax	<u>135.94</u>	<u>112.19</u>
Transfer to General Reserve	<u>1000.00</u>	<u>1200.00</u>
Surplus carried to Balance Sheet	<u><u>1693.15</u></u>	<u><u>1030.33</u></u>

OPERATIONS

The Company has achieved a record sales turnover of Rs. 81881.85 lacs registering a growth of 16.89 % vis-à-vis Rs. 70048.46 lacs in the previous year. The profit before tax in the current year was at Rs. 3963.46 lacs as compared to Rs. 3076.09 lacs in the previous year, up by 28.85 %.

FUTURE PROSPECTS

Our existing customers continue to be on the growth path with smart sales and introduction of new models. Hero Honda Motors Limited launched CBZ extreme which was very well received in the market. Subsequently new models of CD Dawn and CD Deluxe were introduced with discernable changes in rear cushion and front fork. Hero Honda Motors Limited is further planning to use gas charged rear cushion for the first time in its range with effect from October 2007. In order to stay competitive and to capture market share, Hero Honda Motors Limited will continuously develop new models in deference to market needs and customer expectations.

The Company has decided to set up its third plant near Haridwar, Uttarakhand, to meet the requirement of Hero Honda Motors Limited and to enjoy the concessional tax structure and incentives. Third plant is expected to be operational by the end of financial year 2007-08.

The Company has submitted samples of front and rear struts to Maruti Udyog Limited in January 2007 for its popular model SWIFT. Commercial supplies are expected from November, 2007 onwards. Though, the Company is not directly involved in export activity but continue to supply Struts and Window Balancers for 100% export requirement of Maruti Udyog Limited and Honda Motorcycle & Scooters India Pvt. Ltd..

In brief, all customers of the Company are on growth path and Company is confident to meet their increased demand. The volume growth is expected to be 15% for 2007-08.

TRANSFER TO GENERAL RESERVE

The Board proposes to transfer an amount of Rs.1000.00 lacs to General Reserve, having regard to the requirements of section 205 (2A) of the Companies Act, 1956. The balance amount of Rs. 1693.15 lacs (previous year Rs. 1030.33 lacs) will be retained in the profit and loss account.

DIVIDEND

The Board is pleased to recommend a dividend of 100 % (i.e. Rs. 2/- Per equity share of Rs. 2/- each) for the year ended March 31, 2007 amounting to Rs. 799.90 lacs in aggregate. Dividend will be tax free in the hands of shareholders, as the company will bear the dividend distribution tax of Rs. 135.94 lacs. The dividend, if approved, at the Annual General Meeting shall be payable to the shareholders registered in the books of the Company and the beneficial owners whose names are furnished by the depositories, determined with reference to the book closure from July 21, 2007 to August 07, 2007 (both days inclusive).

DIRECTORS

Mr. Ashok Kumar Munjal, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Ashok Kumar Munjal, Mr. Vinod K Agrawal, and Mr. Hiroshi Ijima being eligible have offered themselves for re-appointment.

Brief resumes of Mr. Ashok Kumar Munjal, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima have been given in Annexure to the Notice of the Annual General Meeting.

Your directors recommend their appointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

Report on Corporate Governance and Management Discussion and Analysis Report along with Certificate of the Auditors of your Company pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, have been included in this Report as **Annexure- A**. Your Company has been practicing the principles of good Corporate Governance over the years. The Board of Directors have laid down a **Code of Conduct** to be followed by all the Directors and members of Senior Management of your Company. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board also lays strong emphasis on transparency, accountability and integrity.

AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, New Delhi, the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

AUDITORS REPORT

The observations in the Auditors Report read with the Notes to accounts are self-explanatory and do not call for any comments.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- a) that the applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures;
- b) that such accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March' 2007 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) that the annual accounts have been prepared on a going concern basis;

AUDIT COMMITTEE RECOMMENDATION

During the year there was no such recommendation of the Audit Committee which was not accepted by the Board. Hence, there is no need for the disclosure of the same in this Report.

FIXED DEPOSIT

The Company has not accepted any Fixed Deposits during the year under Section 58A or 58 AA of the Companies Act, 1956 and the rules made there-under, and as such no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and R & D and Foreign Exchange earnings & outgo are given in **A annexure- B** which forms part of Directors' Report.

ENVIRONMENT COMPLIANCE

Safety and environment performance is integral to the business performance of the Company, and received continued focus throughout the year. 'Zero accidents' is acceptable standard of safety performance. The accident frequency continued to be one of the lowest and reducing trend was maintained during the year. The Company regularly organizes fire fighting training for staff and workers. The Company has received National Safety Award during the year.

Sound environmental health and safety management is an integral part of the Company's business practices. For all manufacturing facilities, which require environmental consents such as air, water and hazardous waste, proper authorizations from respective Pollution Control Boards have been obtained and are in compliance with the present Environmental Legislation. The Company initiated many programmes to improve the health and safety of employees by way of Internal Environment Management Programmes. These initiatives and the improvements arising out of these initiatives are monitored and reviewed through structured audits and management reviews.

The Company is a member of Haryana Environment Management Society. Government of Haryana has identified and notified a site in District Faridabad for use of disposal facility for hazardous waste. The society has also entered into an arrangement with SENES, a non-profit organization of Canada which has specialized in disposal of effluent waste and is acting in co-ordination with the society for bringing up this facility.

The Company has achieved "Occupational Health and Safety Assessment Series-18001 (OHSAS) specification in March' 2004 and is maintaining OHSAS continuously. This specification lays down certain requirements for an occupational health and safety management system to enable the organization to control its Occupational Health and Safety risks and improve its performance.

The Company has planned recently to use gravest system to minimize the pollution inside the plant.

ISO, QS AND TS ACCREDITATION

Your Company's manufacturing facilities in the Plant at Gurgaon continue to maintain and uphold the prestigious ISO 9001, QS 9000, ISO 14001 and TS 16949-2002 certification from reputed leading Indian and International Certification Institutions. These certifications provide continuous improvements, emphasis on prevention of defects and reduce wastes and variation in supply chain.

TPM

The Company has taken up the journey of Total Productive Maintenance (TPM) with the help of JIPM Japan and CII, India. Major objectives of TPM is to increase Productivity, to improve Quality, to reduce Costs, to ensure Delivery in time, to increase Safety and to build Moral by formation of cross functional work groups (PQCDSM) and to improve overall effectiveness of equipment and processes within their areas. The other objectives are to procure and install maintenance free plant and machinery, to achieve zero defects, zero break down, zero losses and zero accidents. Above all, the object of TPM is to increase profits of the Company.

A unique machine assembly division has been formed for manufacturing lean machines in India for the first time to cater the needs for our own expansion of new lines and for our plants. Beside this, the Company has started implementation of low cost automation mainly for quality up-gradation, manpower reduction, material handling etc. The other activities done by this division are conversion of our problematic machines into very simple TPM friendly and lean machines.

LISTING

The shares of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2007-2008 have been paid to them well before the due date i.e. April 30, 2007. The Company has also paid the annual custodian fees in respect of Shares held in dematerialized mode to NSDL & CDSL for the year 2007-08.

SPLITTING OF SHARES

During the year under review, each equity share of Rs. 10/- was converted into 5 equity shares of Rs. 2/- each in the month of October 2006, for which approval of members was taken in the last Annual General Meeting held on August 28, 2006.

PARTICULARS OF EMPLOYEES

A statement under sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, forming part of this Directors' Report is given in **Annexure- C**.

HUMAN RESOURCES

Your Company believes that employees form the fulcrum of growth and differentiation for the organization. The Company recognizes that people are its principal assets and that its continued growth is dependent upon the Company's ability to attract and retain quality people. The total headcount increased to 2089 at the end of the year as compared to 1856 of the previous year. The Company encourages long-term commitment to the Company by rewarding its people for the opportunities they create and the value generated for customers and shareholders. The Company conducts several training programmes to upgrade the skills of the workforce.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the co-operation and support extended to the Company by Government of India, State Government of Haryana, other local authorities, bankers, suppliers, customers and other stakeholders whose continued support has been a source of strength to the Company. The continued dedication and sense of commitment shown by the employees at all levels during the year deserve special mention.

The Directors also place on record their appreciation for the valuable assistance and guidance extended to the Company by Showa Corporation, Japan and for the encouragement and assurance, which our collaborator has provided for growth and development of the Company.

The Directors also take this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board

Place : New Delhi
Dated : May 23, 2007

BRIJMOHAN LALL MUNJAL
Chairman

ANNEXURE-A TO DIRECTORS' REPORT

Report on Corporate Governance

The Directors have pleasure in presenting the Corporate Governance Report for the year ended March 31, 2007.

Company's Philosophy on Corporate Governance

Munjal Showa Limited, as a constituent of Hero Group, believes in the concept of good Corporate Governance involving transparency, empowerment, accountability, equity and integrity with a view to enhance stakeholders' value.

I. BOARD OF DIRECTORS

A. Composition of Board

The Board of Directors of the Company consists of nine Directors having a pool of collective knowledge from various disciplines like Engineering, Finance, Business Management, Corporate Planning, etc. The Board has been constituted in a manner, which will result in an appropriate composition of Executive, Non-Executive and Independent Directors. The Non-executive Directors play an active role in the meetings of the Board and are associated with the various Board Committees. They also bring independent judgment in the Board's deliberations and decisions. The Board meets regularly and is responsible for the proper management of the Company. The Board comprises of more than 50% of Non-Executive Directors out of which three Directors are independent Directors.

The composition of the Board of Directors as at March 31, 2007 is as follows:

Name	Designation	Executive / Non-executive / Independent
Mr. Brijmohan Lall Munjal	Chairman	Non-Executive
Mr. Yogesh Munjal	Managing Director	Executive
Mr. Kazuhiro Nishioka	Joint Managing Director	Executive
Mr. Hiroshi Ijima*	Director	Non-executive
Mr. Pankaj Munjal	Director	Non-executive
Mr. Ashok Munjal	Director	Non-executive
Dr. K C Sethi	Director	Non-executive –Independent
Mr. Vinod K Agrawal	Director	Non-executive –Independent
Mr. Anil Kumar Vadehra	Director	Non-executive- Independent

* Representative of Showa Corporation, Japan based at Japan

B. Meetings held in financial year 2006-07 and Attendance of Directors

The Board meets at least once in a quarter to consider, amongst other business, the quarterly performance of the Company and its financial results. The Board held four meetings during the financial year 2006-07 on May 19, 2006, July 26, 2006, October 30, 2006 and January 23, 2007.

Information supplied to the Board among others includes:

- Review of annual operating plans of business, capital budgets, updates,
- Quarterly results of the Company,
- Minutes of the meetings of Audit Committee and other Committees of the Board,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Any significant development in Human Resources / Industrial relation, significant labour problems and proposed solutions,
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risk of adverse exchange rate,
- Non-compliance of any regulatory or statutory provisions or listing requirements as well as shareholders services such as non-payment of dividend and delays in share transfer.

The Board and its Committees formulate policy decisions, so as to lead and control the affairs of the Company. The Composition of the Board is in conformity with the provisions of the Listing Agreement. No Director is a member of more than 10 Committees or acts as Chairman of more than 5 Committees across all companies in which he is a director. The details are given as under:

S. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM	Number of outside Directorship (s) (*)	Total Number of Membership (s) in other Board Committees (**)	Number of Chairmanship(s) in other Board Committees (**)
1	Mr. Brijmohan Lall Munjal	4	Yes	8	None	None
2	Mr. Yogesh Munjal	4	Yes	5	4	None
3	Mr. Kazuhiro Nishioka	4	Yes	None	None	None
4	Mr. Hiroshi Ijima #	None	No	None	None	None
5	Mr. Pankaj Munjal	2	Yes	7	2	1
6	Mr. Ashok Munjal	3	Yes	9	1	None
7	Dr. K. C. Sethi	4	Yes	None	None	None
8	Mr. Vinod K Agrawal	4	Yes	None	None	None
9	Mr. Anil Kumar Vadehra	4	Yes	None	None	None

* Excludes Directorship in Indian Private Limited Companies, Membership of Managing Committee of various Chambers/other Bodies and alternate Directorship.

** Includes Membership/Chairmanship in Public Limited Companies only, whether listed or not, and that, too, only of Audit Committee and Shareholders' Grievance Committee and excludes those in Private Limited Companies, Foreign Companies and Section 25 Companies and other Committees.

Representative of Showa Corporation, Japan, based at Japan.

C. Code of Conduct

The Company has a Code of Conduct for the members of the Board of Directors and of the Senior Management. All members of the Board and senior management affirm compliance of code on annual basis. They have affirmed compliance of the code for the year ended March 31, 2007.

II. AUDIT COMMITTEE

The Audit Committee consists of four Directors namely Dr. K. C. Sethi, Mr. Ashok Munjal, Mr. Vinod K Agrawal and Mr. Anil Kumar Vadehra, being Non- Executive Directors, to review various areas of audit and accounts. Mr. Vinod K Agrawal is the Chairman of the Committee. All the members are having expertise in financial matters. All these Directors have good knowledge of Corporate & Project Finance, Accounts and Company Law. Mr. Vinod K Agrawal, Mr. Ashok Munjal and Mr. Anil Kumar Vadehra are having accounting and related financial management expertise. The terms of reference of the Audit Committee have been restated so as to bring them in line with the amendments in the Listing Agreement and the Companies Act. The Audit Committee assures to the Board adherence of adequate internal control and financial disclosure and other acts conforming to the requirements of Listing Agreement with the Stock Exchanges. The Quarterly Financial Statements of the Company are reviewed by the Committee before submission to the Board for approval.

The terms of References of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. The audit Committee regularly reviews related party transactions, internal audit reports, appointment of auditors, management letters issued by the statutory auditors, management discussion and analysis of financial condition and results of operations apart from other items of financial management and Company's business. The Constitution of Audit Committee also meets with the requirement of Section 292 A of the Companies Act, 1956. The Company Secretary acts as the secretary of the Committee. The Auditors and Head of Finance generally attend the meetings on invitation by the Chairman. During the financial year 2006-07, the Audit Committee met four times, on May 18, 2006, July 25 2006, October 28, 2006 and January 22, 2007.

Attendance of Members at the meetings of the Audit Committee held during 2006-07 was as under:

Members	No. of Meetings attended
Mr. Vinod K Agrawal, Chairman	4
Mr. Ashok Munjal, Member	3
Dr. K. C. Sethi, Member	4
Mr. Anil Kumar Vadehra	None*

* Co-opted w.e.f. January 23, 2007

III. REMUNERATION COMMITTEE

The Remuneration Committee constituted on July 21, 2003. The said Committee has been empowered to consider and recommend to the Board the remuneration of Managing Director/Whole Time Director. The present Remuneration Committee consisting of the following three non-executive & independent directors:

Dr. K C Sethi - Chairman
Mr. Vinod K Agrawal - Member
Mr. Anil Kumar Vadehra - Member.

The meeting of the Remuneration Committee was held on July 25, 2006 under the Chairmanship of Dr. K C Sethi. This meeting was attended by Dr. K C Sethi, Mr. Vinod K Agrawal and Mr. Anil Kumar Vadehra. The said meeting of the Remuneration Committee was held to consider and recommend increase in the remuneration payable to Mr. Yogesh Munjal, Managing Director and Mr. Kazuhiro Nishioka, Joint Managing Director.

IV. REMUNERATION OF DIRECTORS

Remuneration of Managing Director and Joint Managing Director is determined by the Remuneration Committee comprising of Non-Executive & Independent Directors. The Recommendations of the Remuneration Committee are considered and approved by the Board subject to the approval of shareholders and Central Government, if required. The remuneration structure of Executive Directors comprises of basic salary, commission, perquisites and other allowances. The Chairman and Non-executive Directors do not draw any remuneration from the Company except Sitting Fee for attending the meetings of Board of Directors and Committees thereof as may be determined by the Board of Directors from time to time and be approved by the shareholders. Payments of sitting fee to non-executive directors are made within the limits prescribed under the Companies Act, 1956. The details of the remuneration paid to Directors for the financial year 2006-07 are as under:

Name	Salary, Allowances and Perquisites *	Commission**	Sitting Fee***	Total
Mr. Brijmohan Lall Munjal	Nil	Nil	60000	60000
Mr. Yogesh Munjal	5225397	4067731	Nil	9293128
Mr. Kazuhiro Nishioka	3765064	4067732	Nil	7832796
Mr. Pankaj Munjal	Nil	Nil	30000	30000
Mr. Ashok Munjal	Nil	Nil	120000	120000
Dr. K. C. Sethi	Nil	Nil	135000	135000
Mr. Vinod K agrawal	Nil	Nil	135000	135000
Mr. Anil Kumar Vadehra	Nil	Nil	120000	120000

- * Gross Salary includes basic salary, Company's contribution to Provident Fund, Medical Reimbursement, Monetary value of perquisites and value of rent-free accommodation.
- ** Commission is calculated @ 1% of the net profit calculated in accordance with Section 198 read with Sections 349 & 350 of the Companies Act, 1956.
- *** Sitting fee shown above also includes the fee paid to directors for attending meetings of Committees of the Board.

There are no Stock Options available / issued to any director of the Company and this does not form a part of their contract with the Company. Non executive directors do not hold any shares in the Company.

V. SHARE TRANSFER AND INVESTOR GRIEVANCES COMMITTEE

The "Share Transfer and Investor Grievances Committee" has been looking into investor grievances and to suggest remedies and measures for improvement. The Committee comprises of four directors, of whom two are Non-Executive Directors, namely Mr. Anil Kumar Vadehra and Mr. Ashok Munjal. The Chairman is a non-executive independent director. The Company Secretary acts as the compliance officer of the Company and any request / complaint can be forwarded at e-mail Id investorcomplaints@munjalshowa.net.

During the year, the Company received 221 requests/complaints from the shareholders. All the requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. The Company endeavors to reply to all complaints received from the shareholders within a period of ten days. As on date no complaints are pending except those, which are under litigation, dispute or court orders. There was no other pending share transfer case as on March 31, 2007.

List of requests/complaints received from shareholders during the financial year 2006-2007 is as under:

Sr. No.	Nature of request/complaint received	Received	Solved	Pending
1.	Transfer of shares	4	4	Nil
2.	Non receipt of Annual Report	10	10	Nil
3.	Non- receipts of dividend warrants / Revalidation of dividend warrants	54	54	Nil
4.	Miscellaneous	153	153	Nil
TOTAL		221	221	Nil

VI. SHARE TRANSFER SYSTEM

The Board of Directors has delegated the authority to approve the share transfers etc. to the Company Secretary and/or Head of Finance who attend to the same every fortnight and in case of any dispute / difference, they forward the same to the Share Transfer and Investor Grievances Committee for their approval.

VII. GENERAL BODY MEETINGS

The Annual General Meetings of the Company in the last three years of the Company have been held as under:

For the Year	Location	Day and Date	Time	No. of Special Resolutions passed
2005-2006	26E & F, IMT Manesar, Gurgaon	Monday, August 28, 2006	11:00 A.M.	01
2004-2005	26E & F, IMT Manesar, Gurgaon	Tuesday, August 30, 2005	11:00 A.M.	01
2003-2004	Notting Hills, Opp. Pasco Automobiles, Old Delhi Road, Gurgaon- 122 015	Tuesday, August 24, 2004	10:30 A.M.	Nil

No resolution has been passed by the Company's shareholders through postal ballot during the Financial Year 2006-07 and there is no resolution proposed to be passed through postal ballot in the ensuing Annual General Meeting.

VIII. DISCLOSURES

- A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee. There were no materially significant related party transactions during the year having potential conflict with the interest of the Company. The transactions with related parties are disclosed in Note No. 4 of schedule 22 notes to accounts in the Annual Report.
- The Company has complied with all the requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties or strictures have been imposed by SEBI, Stock Exchanges or any statutory authorities in matters relating to the capital markets during the last three years.
- In the preparation of financial statement, all the prescribed Accounting Standards have been followed.
- Company is consulting foreign exchange experts on day-to-day basis for hedging / booking the import bill to manage the foreign exchange risks.
- The Company has not raised any money from public issues, right issues or preferential issues etc. during the year.

IX. MEANS OF COMMUNICATION

The Quarterly and Half-yearly Un-Audited Financial Results and the Annual Audited Financial Results are published by the Company in leading national newspapers such as The Economic Times (English edition) and Navbharat Times (Hindi edition). Though the half yearly report is not sent to each household of shareholders, these results are placed on Company's web site www.munjalshowa.com and are also available in the EDIFAR System maintained by the SEBI at its website www.sebi.gov.in. As the Company publishes the Audited Annual Results within a stipulated period of three months from the close of the financial year, as permitted under the Listing Agreement of the Stock Exchanges, the Un-Audited results for the last quarter of the financial year are not published.

X. MANAGEMENT

Management Discussion and Analysis Report

Industry Structure and Development

The Automobile Industry's performance continues to be encouraging for all segments. The Industry registered robust growth in the region of 14% approx. when compared with previous financial year 2005-06. The growth remained unaffected in the face of steep rise in the prices of essential inputs like oil, steel, sheet

metal etc. and interest rate. The passenger car segment recorded smart growth of 20.62% in the year 2006-07 and Two-wheeler segment by over 12 % during the period under consideration. Munjal Showa Limited continued to dominate OEM business in organized sector. All customers are on phenomenal growth, where your Company is supplying as a single source for suspension part. Company's range and overall path variety has expanded significantly with the introduction of new models. Development of Front Fork and single rear cushion for Unicorn was a milestone achievement. Our collaborator, M/s Showa Corporation, Japan have played a pivotal role in terms of over all guidance, support and development of products for new generation vehicles. It has helped us to maintain supremacy in the market.

Opportunities and Threats

Auto component industry is on a fast track, where quality manufacturers continue to enjoy Opportunities for new business. Two-wheeler manufacturers deserve special mention as they are continuously recording healthy growth. During the period under review a total sale of Two-wheeler was 8.48 million, out of which Motorcycle accounted for 7.01 Million. Hero Honda Motors Limited's market share is approximately 46.00 % in the motorcycle segment, where your Company is a single source supplier. Hero Honda has entered into scooter segment in the year 2005-06 which specifically aimed at women commuters and homemakers. It grabbed the market share of around 10 %. Your Company is also supplying the shock absorbers to Honda Motorcycle & Scooters India Pvt. Ltd.. Thus, in scooter segment, the Company enjoys market share of around 60% and 48% in Motorcycle segment on all India basis. This share is further likely to be consolidated with the increase of market share to more than 50% of Hero Honda Motors Limited in the month of March 2007.

Company continues to be a leader in Shock Absorber Industry with unmatched quantity and quality level in OEM segment. As all our customers are on growth path, the Company can confidently look forward to an overall growth of approximately 15%.

Product-wise performance

All the products of the Company come under single primary business segment i.e. Shock Absorbers. Its variants are Front Forks, Rear Cushions, Struts and Gas Spring/ Rear Door Lifters etc. Therefore, the requirement for analyzing segment-wise or product-wise performance does not arise.

Outlook

The overall outlook for the financial year 2006-07 appears to be promising as all indicators are favorable with respect to our valued customers and overall health of Indian Economy. The growth momentum in the Indian economy is expected to continue during the financial year 2007-08. There is no visible sign of slow down in the economy, and most economic indicators are showing positive trends. It is expected that with timely monsoon, the economic activity will further accelerate and will immensely benefit the Auto Industry. However, the rising inflation index in the beginning of the year and the rise in the interest rates are causes of concern. Growth of your Company, being manufacturer of auto components, largely depends upon the growth of two-wheelers industry. As per current market trends and available indicators, buoyant growth is expected in both the 2W and 4W sales. Your Company is exploring opportunities to develop and widen its customer base. The Company's consistent focus has always been to understand the requirement of its customers. The Auto industry has welcomed reduction of Custom Duty on inputs and raw materials from 12.50% to 10% and reduction in CST in four steps 4 % to 3% from April 1, 2007, 3% to 2% from April 1, 2008, 2% to 1% from April 1, 2009 and abolition on March 31, 2010.

Risk and Concerns

During the year 2006-07, raw-materials and components formed approx 65 % of the total sales. For the past several years, steel prices, aluminum price and crude oil prices have been extremely volatile, however it is expected that steel and aluminum prices to remain stable. The Company has been partly countering such increases through long term contracts, identification of alternative sources, cost reduction & VA/VE

activities and indigenization of certain imported components. While pricing pressure from OEMs will continue, the fact is that the margins have already declined in recent years with little scope for further reduction in near future. The global Automobile Industry is undergoing dramatic changes in recent times. There has been enormous competition both for auto manufacturers and component manufacturers. We have accepted this challenge and therefore concentrated to ensure QCDDM philosophy.

The Company's growth is primarily determined by overall growth of Automotive Industry. In India, both Auto and Auto Component Industries are growing rapidly and this trend is likely to continue in future.

Concentration of business with few customers, may adversely affect the profitability of the Company. However, to mitigate these risks, your Company is constantly working on this and widening its customer base as and when any opportunity arises and by reviewing prices with existing customers

The profitability of the Company may further be affected by changes in Government Policies regarding excise duty, import duty, Income Tax, Fringe Benefit Tax, VAT, Service Tax and any other Central / State levy etc. The growing cut-throat competition in the two-wheeler industry being price sensitive may squeeze the margins further in future. The import content in the product constitutes around 10 % of the raw material cost. Though, the rupee is getting stronger and stable, any sudden change due to rupee depreciation may affect adversely the profitability of the Company. Any further hike in interest rate may also affect adversely on one hand bottom line and on the other hand demand of vehicles, resulting slowdown.

Internal Control System and their adequacy

The Company has in place an adequate system of internal controls to ensure efficacy of operations, compliance with applicable legislation, safeguarding of assets, adherence to management policies and promotion of ethical conduct. Audit Committee is reviewing the internal control systems & procedures periodically. An external firm of Chartered Accountants has been appointed for conducting the internal audit. The key elements of internal control system are:

- Revenue and Capital Budget monitoring system.
- Management Information System
- Proper authorization for conducting business
- Periodical presentation by managerial personnel

Discussion on financial performance with respect to operational performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The Company has complied with the requirements of all mandatory accounting standards.

The turnover of the Company for the year under review has increased to Rs. 818.82 crores as against the corresponding previous year Rs.700.48 crores and profit before tax increased to Rs. 39.63 crores as against the corresponding previous year of Rs. 30.76 crores.

Material developments in Human Resources/ Industrial Relations, including number of people employed

Your Company firmly believes in human capital and deeply believes that quality and positive attitude of the people are the keys to face the ever-growing competition. Accordingly, change of mindset, innovation, cost and process optimization, anticipation and management of change, culture of trust and transparency have been our major HR initiatives.

The Company had 2089 employees, as on 31st March, 2007. The Industrial relations remained cordial throughout the year.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

XI. GENERAL SHAREHOLDER INFORMATION:

1) Annual General Meeting

- Day, Date and Time : Tuesday, August 07, 2007, 11:00 A. M.
- Venue : 26 E & F, Sector-3, IMT
Manesar, Gurgaon- Haryana

2) Financial Calendar

- (a) Financial Year 2007-2008 : April to March
- (b) Financial reporting for the quarter ending June'2007 : End July' 2007
- (c) Financial reporting for the half year ending Sept'2007 : End October' 2007
- (d) Financial reporting for the quarter ending December'2007 : End January' 2008
- (e) Financial reporting for the year ending March'2008. : End June' 2008
- (f) Annual General Meeting for the year ending March 31,2008 : End September' 2008

- 3) Face Value of the Equity Share : Rs. 2 per share

- 4) Date of Book Closure : July 21, 2007 to August 07, 2007(both days inclusive)

- 5) Dividend Payment Date : 30 days from the date of AGM

- 6) Listing on Stock Exchanges :
 - Bombay Stock Exchange Limited, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
 - National Stock Exchange of India Limited" Exchange Plaza", Bandra- Kurla Complex, Bandra (E), Mumbai- 400 051
 - The Calcutta Stock Exchange Association Limited. 7, Lyons Range Kolkata-700 001 (Applied for De-listing)

7) Stock Code/Company Identification No.

- Bombay Stock Exchange : 520043
- National Stock Exchange : MUNJALSHOW
- International Securities Identification number (ISIN) for NSDL & CDSL : INE577A01027
- Company Identification No. (CIN) : L34101HR1985PLC020934

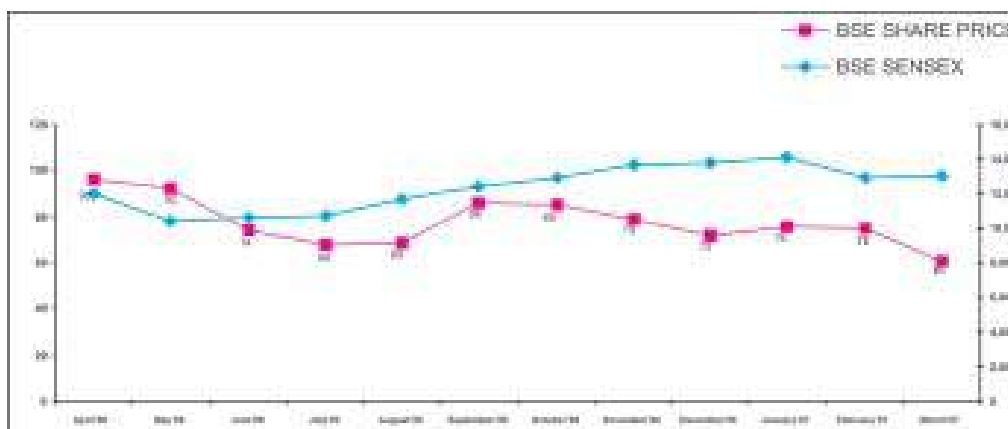
8) Monthly Highs, Lows and volume for the year 2006-2007 on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

YEAR – 2006-07	Bombay Stock Exchange			National Stock Exchange		
	High(Rs) *	Low(Rs)*	Volume (Nos.)	High(Rs)*	Low(Rs)*	Volume (Nos.)
April'06	96	78	406335	95	78	553575
May'06	92	69	283220	91	63	271475
June'06	74	50	350865	74	52	331170
July'06	68	55	99855	72	56	174620
August'06	69	62	165235	68	62	541075
September'06	86	64	360625	86	63	753350
October'06	85	73	187745	85	72	643231
November'06	79	67	251993	90	67	418068
December'06	72	63	115616	71	63	172174
January'07	76	66	159141	74	65	209515
February'07	75	57	100430	75	55	126621
March'07	61	50	196236	61	52	164285

* The Company has introduced a share split, thereby revised the paid up value of each share of Rs.10/- to Rs. 2/- w.e.f. October 23, 2006 and hence Highs, Lows and volume adjusted suitably.

9) Stock Performance of Munjal Showa Limited Vs. Bombay Stock Exchange (BSE) Indices:

INDEX COMPARISION – COMPANY'S SHARE PRICE vs. SENSEX



10) Registrar and Share Transfer Agents

: MCS Limited
 Shri Venkatesh Bhavan
 W-40, Okhla Industrial Area
 Phase-II, New Delhi-110 020
 Tel: 41406149-52
 Fax: 41409881
 E-mail: admin@mcsdel.com

11) Share Transfer System:

The Company's shares being in compulsory demat list are transferable through the depository system. Shares in physical form are processed by MCS Limited, Registrar and Transfer Agents of the Company every fortnight. The total number of shares transferred in physical form during the year under review was 4223 shares.

12) A. Distribution of Shareholding as on March 31, 2007:

No. of shares	Shareholders		Shareholding	
Upto 500	3461	57.45	728849	1.82
501-1000	1239	20.57	1178741	2.95
1001-2000	774	12.85	1399290	3.50
2001-3000	186	3.09	490004	1.22
3001-4000	111	1.84	419240	1.05
4001-5000	94	1.56	455793	1.14
5001-1000	66	1.10	495597	1.24
10001-50000	64	1.06	1371314	3.43
50001-100000	12	0.20	808051	2.02
100001 and above	17	0.28	32648121	81.63
Total	6024	100.00	39995000	100.00

B. Shareholding pattern as on March 31, 2007

Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares
Indian Promotors	5	15604000	0	39.01
Foreign Promotors	1	10400000	0	26.00
Public Shareholding				
Institutions				
Mutual Funds/ UTI	6	1475425	1471925	3.69
Financial Institutions/ Banks	3	2000	1500	0.01
Insurance Companies	1	500	500	0.01
Foreign Institutional Investors	3	6500	0	0.02
Non-institutions				
Bodies Corporate	261	4765132	4752132	11.91
Individuals -				
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	5581	5964685	4851714	14.91
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	15	1604025	1604025	4.01
Any Other-NRI	147	167733	162733	0.42
Any Other-Trust & foundation	1	5000	5000	0.01
GRAND TOTAL	6024	39995000	12849529	100.00
% of Dematerialization			32.13%	

13) Nomination Facility:

The Company offers facility of nomination. The members are requested to refer to Section 109A of the Companies Act, 1956 as amended. The facility is made available folio-wise and for the entire shares registered under the folio. The members holding shares in dematerialized form may contact and consult their respective Depository Participant (DP) for availing the nomination facility.

14) Dematerialization of shares and liquidity : As on March 31, 2007 a total of 128,49,529 equity shares of the Company, which forms 32.13 % of share capital of the Company have been dematerialized. The Trading in Company's share is permitted compulsorily in dematerialized form from 28th August' 2000 as per notification issued by SEBI.

15) Outstanding GDRs/ADRs/Warrants or any convertible instruments, if any : Not Applicable

16) Plant Locations : a) Plot No. 9-11, Maruti Industrial Area,
Gurgaon, Haryana-122 015
b) Plot No. 26 E & F, Sector - 3, IMT Manesar,
Gurgaon, Haryana-122050

17) Address for Correspondence : Plot No. 9-11, Maruti Industrial Area,
Gurgaon, Haryana-122015

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant. Share Transfer Agent and Registrar M/s MCS Limited, New Delhi may be contracted for any query related to Share Transfer and other matters.

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,

The Board of Directors, Munjal Showa Limited

We the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Munjal Showa Limited, to the best of our knowledge and belief certify that:

- a) We have reviewed financial statements and the cash flow statement for the year on March 31, 2007 and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit Committee;
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

(Yogesh Munjal)

Managing Director

Date : May 23, 2007

Place : New Delhi,

(Mahesh Taneja)

GM- Finance & IT

AUDITORS CERTIFICATE

To,

The Members of Munjal Showa Limited

We have examined the compliance of conditions of corporate governance by Munjal Showa Limited, for the year ended on March, 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For **S.R. BATLIBOI & CO.**

Chartered Accountants

per Pankaj Chadha

Partner

Place : Gurgaon

Date : May 23, 2007

Membership No. : 91813

ANNEXURE-B TO DIRECTORS' REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO – COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Energy conservation measures taken during the financial year 2006-07 and their impact

Measures taken	Impact
-Conversion of heavy motors from star-delta connection to star connection	Reduction in power consumption
-Provided timers in electrical circuits to stop the machine automatically, when operator is not there	Reduction in power consumption
-Replacement of higher HP Motors with lower HP Motors	Reduction in power consumption
-Conversion of machines into lean machines	Reduction in power consumption
-Replacement of re-winded motors with energy Efficient motors	Reduction in power consumption

Additional investments and proposals being implemented for reduction of consumption of energy

Measures taken	Impact
Use of AC drives system	Power consumption reduction in Air Compressor
Installation of DG Set	Reduction in power generation cost

Impact of the measures for reduction of energy consumption and consequent impact on the cost of production of goods.

The Company has taken various steps to reduce consumption of power, fuel, oil and other energy resources by adopting various measures, improvement of power factor, indoor shop lighting, etc. Special emphasis has been given to improve the productivity of electric motors. A team of experts is studying the possibility of use of various methods by which the company optimizes the use of energy without affecting the productivity, quality, etc. Training programmes were conducted to increase awareness on energy saving. On account of the aforesaid steps / measures taken, considerable savings have been achieved in consumption of energy and other utilities.

B. TECHNOLOGY ABSORPTION

(I) Research and Development (R & D)

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

New product Technology absorption
Indigenization of CKD Parts

Benefits derived as a result of above R & D activities

Process/product improvements for consistency of performance
Supply to the existing customers for their new models

Future plan of action

R & D efforts will be focused on catering the requirement of our existing customers for their new models and indigenization of various components.

Expenditure on R & D

Capital	NIL
Recurring	Rs. 699289/-
Total	Rs. 699289/-

Total expenditure as a percentage of total turnover 0.01%

(II) Technology Absorption, Adaptation and Innovation

Your Company has absorbed the technology received from collaborator Showa Corporation, Japan, continuously.

As in the past, the Company has successfully implemented indigenisation of various components as an import substitution in order to fulfill the continuous demand of the customers for price reduction with the prior approval of our collaborators on quality issues. The cost reduction was possible because of material reduction, standardisation, application engineering, product engineering and manufacturing and reduction in manufacturing cycle time.

In the last five years the Company has imported various drawings with right to use for getting the orders from existing and new customers for their new models.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**Activity relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans**

The Company is not doing directly any export. However, Company is catering the 100% requirement of shock absorbers, Struts and Window Balancers for export models of Hero Honda Motors Limited, Honda Siel Cars India Limited, Maruti Udyog Limited and Honda Motorcycles and Scooter India Pvt. Limited.

Total Foreign Exchange used and earned

The foreign exchange earnings during the year were Rs. 1,305,155/- and foreign exchange outgo during the year was Rs. 699,117,598/-.

For and on behalf of the Board

Place : New Delhi
Dated : May 23, 2007

BRIJMOHAN LALL MUNJAL
Chairman

ANNEXURE-C TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2007

Sl. No.	Name	Age (Years)	Designation	Nature of duties	Qualification	Experience (Years)	Date of Commencement of Employment	Gross Remuneration (Rs.)	Particulars of last employment, designation	%age / Nos. of Equity Share, as per Clause(a) (iii) of Section 217(2A)	Other Terms & conditions
Employed for whole of the Year											
1.	Yogesh Munjal	67	Managing Director	Overall management of the affairs of the Company	B. Arch.	43	01.09.1986	9293128	Chief Executive- Rockman Cycle Inds. Ltd.	800(0.01%)	As per rules of the Company
2.	Kazuhiro Nishioka	43	Joint Managing Director	Overall management of the affairs of the Company	Graduate Engineer	20	01.08.2005	7832796	Manager Showa Corporation, Japan	NIL	As per rules of the Company

NOTES

- Information has been furnished on the basis of employees employed throughout the financial year, who were in receipt of remuneration for that year which, in the aggregate, was not less than Rs. 24,00,000/- (Rs. Twenty-four Lacs). None of the employees worked for a part of the Financial Year, who were in receipt of remuneration for any part of that year at a rate which, in the aggregate was not less than Rs. 2,00,000 (Rupees Two Lacs) per month.
- Gross remuneration includes Salary, Company's contribution to Provident Fund and Super Annuation Fund, Medical Reimbursement, Monetary Value of Perquisites & value of Rent Free Accommodation.
- All appointments are / were on contractual basis.
- The above employees are not related to any Director of the Company.

For and on behalf of the Board

Place : New Delhi
Date : May 23, 2007

BRIJMOHAN LALL MUNJAL
Chairman

AUDITORS' REPORT**To The Members of Munjal Showa Limited**

1. We have audited the attached Balance Sheet of Munjal Showa Limited ('the Company') as at March 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i). We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii). In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii). The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv). 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 Companies Act, 1956.
 - v). On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi). In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner

Membership No.: 91813

Place : Gurgaon
Date : May 23, 2007

Annexure referred to in paragraph 3 of our report of even date**Re: Munjal Showa Limited**

1.
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noted on such verification.
 - (c) There was no substantial disposal of fixed assets during the year.
2.
 - (a) The management has conducted physical verification of inventory at reasonable intervals including at a date nearing or at the year end.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried at the end of the year.
3.
 - (a) As informed to us, 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 Companies Act, 1956. Therefore clause 4(iii)(b),(c) and (d)) of the Order are not applicable to the Company.
 - (e) As informed to us, 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 Companies Act, 1956. Therefore clause 4(iii)(f)and (g)) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, 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 and fixed assets and for the sale of goods. As no services are provided, the clause is not applicable to the extent of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5.
 - (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
 - (b) In respect of transactions with parties with whom transactions exceeding value of Rupees five lakhs have been entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time
6. The Company has not accepted any deposits from the public.
7. The Company's internal audit is undertaken by an independent firm and the scope and coverage thereof is commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 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 determining whether they are accurate or complete.
9.
 - (a) The Company has been 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, custom duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance,

income-tax, wealth-tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, there are no dues outstanding of sales tax, income tax, custom tax, wealth tax, excise duty and cess on account of any dispute, other than the following:

Name of the statute	Nature of dues	Amount in Rs.	Forum where dispute is pending
Customs Act, 1962	Interest demanded by customs authorities	356,047	Assistant Commissioner of Customs

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any dues from any financial institution or any outstanding debentures during the year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In respect of Company's investments in various schemes managed by recognized mutual funds, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. These investments have been held by the Company, in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment and no long-term funds have been used to finance short-term assets (excludes permanent working capital).
18. The Company has not made any allotment of shares during the year.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner

Place : Gurgaon
Date : May 23, 2007

Membership No.: 91813

BALANCE SHEET AS AT MARCH 31, 2007

	Schedules	As at March 31, 2007 Rs	As at March 31, 2006 Rs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	79,992,500	79,992,500
Reserves and surplus	2	1,360,099,407	1,193,818,408
		<u>1,440,091,907</u>	<u>1,273,810,908</u>
Loan funds			
Secured loans	3	241,336,888	38,664,886
		<u>241,336,888</u>	<u>38,664,886</u>
Deferred tax liabilities (net)	4	89,031,374	65,350,839
TOTAL		<u>1,770,460,169</u>	<u>1,377,826,633</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	1,908,540,062	1,676,425,735
Less : Accumulated Depreciation		715,200,280	594,088,845
Net block		<u>1,193,339,782</u>	<u>1,082,336,890</u>
Capital work-in-progress including capital advances		375,118,634	129,473,917
		<u>1,568,458,416</u>	<u>1,211,810,807</u>
Intangibles	6	8,303,018	2,147,500
Investments	7	9,664	44,893,843
Current assets, loans and advances			
Inventories	8	276,974,343	330,738,225
Sundry debtors	9	766,944,195	693,800,767
Cash and bank balances	10	10,253,176	12,041,781
Other current assets	11	20,447,637	3,606,846
Loans and advances	12	224,322,181	191,768,881
		<u>12,98,941,532</u>	<u>12,31,956,500</u>
Less Current liabilities and provisions			
Current liabilities	13	971,783,249	986,073,573
Provisions	14	133,469,212	126,908,444
		<u>1,105,252,461</u>	<u>1,112,982,017</u>
Net current assets		<u>193,689,071</u>	<u>118,974,483</u>
TOTAL		<u>1,770,460,169</u>	<u>1,377,826,633</u>
Notes to accounts	22		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet As per our report of even date.

For S.R.Batliloi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Gurgaon
Date: May 23, 2007

For and on behalf of the Board of Directors

BRIJMOHAN LALL MUNJAL
Chairman

ASHOK MUNJAL
Director

A.K. VADEHRA
Director

YOGESH MUNJAL
Managing Director

PANKAJ MUNJAL
Director

Dr. MAHESH TANEJA
GM- Finance and IT

KAZUHIRO NISHIOKA
Jt. Managing Director

Dr. K.C. SETHI
Director

PANKAJ GUPTA
Company Secretary

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

	Schedules	For the year ended March 31, 2007 Rs	For the year ended March 31, 2006 Rs
INCOME			
Turnover (Gross)		8,070,211,486	6,945,515,120
Less : Excise duty		1,151,216,630	979,277,839
Turnover (Net)		6,918,994,856	5,966,237,281
Other income	15	117,973,255	59,330,915
TOTAL		7,036,968,111	6,025,568,196
EXPENDITURE			
Raw materials and components consumed	16	5,239,163,654	4,586,607,405
Personnel expenses	17	236,801,061	185,387,722
Operating and other expenses	18	1,037,667,796	854,234,430
Decrease/(increase) in inventories	19	(10,671,472)	(22,315,620)
Depreciation and amortisation	5 and 6	130,761,577	105,183,958
Increase of excise duty on finished goods		840,772	937,586
Financial expenses	20	6,058,887	7,924,125
TOTAL		6,640,622,275	5,717,959,606
Profit before tax		396,345,836	307,608,590
Provision for tax		110,500,000	95,048,799
Fringe benefit tax		2,300,000	2,782,000
Deferred -tax		23,680,536	7,468,598
Total tax expense		136,480,536	105,299,397
Profit after tax		259,865,300	202,309,193
Balance brought forward from previous year		103,033,807	111,933,212
Profit available for appropriation		362,899,107	314,242,405
APPROPRIATIONS:			
Proposed final dividend		79,990,000	79,990,000
Tax and cess on dividend		13,594,301	11,218,598
Transfer to general reserve		100,000,000	120,000,000
Surplus carried to balance sheet		169,314,806	103,033,807
Earnings per share	21		
Basic and diluted [Nominal value of shares Rs 2 (Previous year Rs 10)]		6.50	25.29
Notes to Accounts	22		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet As per our report of even date.

For S.R.Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Pankaj Chadha
Partner
Membership No. 91813

BRIJMOHAN LALL MUNJAL
Chairman

YOGESH MUNJAL
Managing Director

KAZUHIRO NISHIOKA
Jt. Managing Director

Gurgaon
Date: May 23, 2007

ASHOK MUNJAL
Director

PANKAJ MUNJAL
Director

Dr. K.C. SETHI
Director

A.K. VADEHRA
Director

Dr. MAHESH TANEJA
GM- Finance and IT

PANKAJ GUPTA
Company Secretary

SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2007 Rs</u>	<u>As at March 31, 2006 Rs</u>
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
75,000,000 (Previous Year 15,000,000) equity shares of Rs 2 (Previous Year Rs 10) each	<u>150,000,000</u>	<u>150,000,000</u>
Issued		
39,997,500 (Previous Year 7,999,500) equity shares of Rs 2 (Previous Year Rs 10) each	<u>79,995,000</u>	<u>79,995,000</u>
Subscribed		
39,997,500 (Previous Year 7,999,500) equity shares of Rs 2 (Previous Year Rs 10) each fully paid	<u>79,990,000</u>	<u>79,990,000</u>
Add : Share forfeited	<u>2,500</u>	<u>2,500</u>
	<u>79,992,500</u>	<u>79,992,500</u>
<p>- Of the above, 19,997,500 equity shares of Rs 2 each (Previous Year 3,999,500 equity shares of Rs 10 each) were allotted as fully paid bonus shares by capitalisation of general reserve in an earlier year.</p> <p>- Refer note 9 under schedule 22.</p>		
SCHEDULE 2 : RESERVES AND SURPLUS		
General reserve		
Balance as per last account	<u>1,090,784,601</u>	<u>970,784,601</u>
Add: Transfer from profit and loss account	<u>100,000,000</u>	<u>120,000,000</u>
	<u>1,190,784,601</u>	<u>1,090,784,601</u>
Profit and loss account		
	<u>169,314,806</u>	<u>103,033,807</u>
	<u>1,360,099,407</u>	<u>1,193,818,408</u>
SCHEDULE 3 : SECURED LOANS		
Short term loans from banks		
a Cash credit facilities (Secured by hypothecation of stocks and book debts, both present and future and further secured by pari-passu first charge over the Company's fixed assets)	<u>148,201,333</u>	<u>38,664,886</u>
b Other short term loans (Secured by hypothecation of stocks and book debts, both present and future and further secured by pari-passu first charge over the Company's fixed assets)	<u>35,000,000</u>	-
c Interest accrued and due	<u>193,068</u>	-
Buyer's credit from a bank		
(Secured by exclusive charge on assets funded. Amounts repayable within one year Rs 21,069,996 (Previous Year Rs Nil))	<u>57,942,487</u>	-
	<u>241,336,888</u>	<u>38,664,886</u>
SCHEDULE 4 : DEFERRED TAX LIABILITIES (NET) :		
Deferred tax liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	<u>109,079,732</u>	<u>96,768,122</u>
Maturity value of Insurance	<u>6,373,125</u>	

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs	As at March 31, 2006 Rs
Gross deferred tax liabilities	115,452,857	96,768,122
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	16,844,065	19,351,319
Provision for doubtful debts and advances	9,577,418	9,228,862
Provision for inventory obsolescence	-	2,837,102
Gross deferred tax assets	26,421,483	31,417,283
Net deferred tax liabilities	89,031,374	65,350,839

SCHEDULE 5 : FIXED ASSETS

	Land -Freehold	Buildings	Plant and machinery	Office equipment, furniture and fittings	Vehicles	Total	Previous year
Gross block							
At 01.04.2006	147,002,923	239,601,714	1,226,942,548	43,015,689	19,862,861	1,676,425,735	1,208,458,141
Additions	-	5,297,131	224,570,071	6,766,275	1,067,545	237,701,022	486,224,706
Deductions	-	-	5,586,695	-	-	5,586,695	18,257,112
At 31.03.2007	147,002,923	244,898,845	1,445,925,924	49,781,964	20,930,406	1,908,540,062	1,676,425,735
Depreciation							
At 01.04.2006	-	29,791,999	537,279,625	19,712,766	7,304,455	594,088,845	504,519,387
For the year	-	7,937,865	110,529,605	4,085,354	1,921,723	124,474,547	102,384,321
Deletions / adjustments	-	-	3,363,112	-	-	3,363,112	12,814,863
At 31.03.2007	-	37,729,864	644,446,118	23,798,120	9,226,178	715,200,280	594,088,845
For previous year	-	7,129,552	89,383,114	4,067,349	1,804,306		
Net block							
At 31.03.2007	147,002,923	207,168,981	801,479,806	25,983,844	11,704,228	1,193,339,782	1,082,336,890
At 31.03.2006	147,002,923	209,809,715	689,662,923	23,302,923	12,558,406	1,082,336,890	703,938,754
Capital work-in-progress including capital advances						375,118,634	129,473,917

(Additions includes foreign exchange capitalized Rs. Nil (Previous year Rs. 38,898))

SCHEDULE 6: INTANGIBLE ASSETS

	Designs and drawings	Previous year
Gross block		
At 01.04.2006	14,424,000	12,120,000
Additions	12,442,548	2,304,000
At 31.03.2007	26,866,548	14,424,000
Amortisation		
At 01.04.2006	12,276,500	9,476,863
For the year	6,287,030	2,799,637
At 31.03.2007	18,563,530	12,276,500
For previous year	2,799,637	
Net Block		
At 31.03.2007	8,303,018	2,147,500
At 31.03.2006	2,147,500	

(Additions includes foreign exchange capitalised Rs 455,052 (Previous Year Rs Nil))

SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2007 Rs</u>	<u>As at March 31, 2006 Rs</u>
SCHEDULE 7 : INVESTMENTS - UNQUOTED		
Current Investments (at lower of cost and market value)		
Nil (Previous Year 2,000,000) units of JM Financial Mutual Fund under JM Fixed Maturity Fund- Series II - Quarterly Plan- QSA- Growth Option (154) of the face value of Rs 10 each	-	20,000,000
961 (Previous Year 2,477,831) Units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan Dividend Reinvestment of face value of Rs. 10 each	9,664	24,893,843
	<u>9,664</u>	<u>44,893,843</u>

NOTES

1. Repurchase price of investments in Mutual Funds amounts to Rs. 9,664/- (Previous Year Rs. 44,938,880/-)

2. Following investments were purchased and sold during the year:

9,984,057 units of Birla Mutual Fund Cash Plus institutional premium- Daily Dividend reinvestment option, 129,903 units of DSP Merrill Lynch Mutual Fund DSP Merrill Lynch Liquid Plus Growth, 227,718 units of DSP Merrill Lynch Mutual Fund DSP Merrill Lynch Liquid Plus Institutional Growth, 3,014,601 units of DSP Merrill Lynch Mutual Fund DSP Merrill Lynch Liquidity Fund- Regular- Growth, 4,189,394 units of Deutsche Mutual Fund- DWS Insta Cash Plus Fund- Growth option, 9,823,678 units of Deutsche Mutual Fund- DWS Money Plus Fund- Growth option, 18,825,481 units of HDFC Mutual Fund- HDFC Cash Management Fund- Savings Plan- Daily Dividend, 980,000 units of JM Financial Mutual Fund- JM Arbitrage Advantage Fund- Growth Plan, 1,745,196 units of JM Financial Mutual Fund- JM Floater Fund- STP- Growth Option, 7,711,051 units of Prudential ICICI Mutual Fund- Prudential ICICI Flexible Income Plan- Growth, 3,000,000 units of Reliance Mutual Fund- Reliance Fixed Horizon Fund Monthly Plan A- Series II- Growth Option, 27,611,644 units of Reliance Mutual Fund - Reliance Floating Rate Fund - Growth Rear - Growth Option, 28,912,722 units of Reliance Mutual Fund- Reliance Liquid Fund- Cash Plan- Growth Option, 19,486,612 units of Reliance Mutual Fund- Reliance Liquidity Fund- Growth Option, 5,546,034 units of Reliance Mutual Fund- RLF- Treasury Plan- Institutional Option- Growth Option, 9,395,904 units of Reliance Mutual Fund- RLF- Treasury Plan- Retail Option- Growth Option, 24,354 units of Standard Chartered Mutual Fund- Standard Chartered Liquidity Manager- Plus- Growth, 4,566,376 units of Sundaram BNP Paribus Mutual Fund- Sundaram BNP Paribus Floater ST Institutional- Growth and 288,166,954 units of Birla Mutual Fund- Sweep Fund- Dividend Reinvestment.

3. Following investments were sold during the year:

2,477,831 units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan- Dividend Reinvestment Option and 2,000,000 units of JM Financial Mutual Fund under JM Fixed Maturity Fund- Series II- Quarterly Plan-QSA- Growth Option.

SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2007 Rs</u>	<u>As at March 31, 2006 Rs</u>
SCHEDULE 8: INVENTORIES		
(at lower of cost and net realisable value)		
- Raw materials and components [Including materials in transit Rs 49,004,438 (Previous Year Rs 63,184,958) net of provisions of Rs Nil (Previous Year Rs 8,428,582)]	177,725,917	242,728,273
- Stores and spares (Including materials in transit Rs 1,034,128 , Previous Year Rs 470,323)	28,319,057	27,752,055
- Work-in- progress	53,857,000	47,164,613
- Finished goods	16,957,070	10,932,989
- Scrap	115,299	2,160,295
	<u>276,974,343</u>	<u>330,738,225</u>
SCHEDULE 9: SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	4,327,150	4,620,707
Unsecured, considered doubtful	2,417,601	2,008,869
Other debts		
Unsecured, considered good	762,617,045	689,180,060
Unsecured, considered doubtful	-	101,458
	<u>769,361,796</u>	<u>695,911,094</u>
Less : Provision for doubtful debts	<u>2,417,601</u>	<u>2,110,327</u>
	<u>766,944,195</u>	<u>693,800,767</u>
SCHEDULE 10: CASH AND BANK BALANCES		
Cash on hand	418,783	937,601
Balances with scheduled banks:		
On current accounts	572,978	1,054,012
On cash credit accounts	7,372,139	8,449,119
On unpaid dividend accounts	1,889,276	1,601,049
	<u>10,253,176</u>	<u>12,041,781</u>
SCHEDULE 11: OTHER CURRENT ASSETS		
Interest receivable on income tax refund	-	407,307
Maturity value of insurance	18,750,000	-
Accrued gain on cancelled forward contracts	1,697,637	3,199,539
	<u>20,447,637</u>	<u>3,606,846</u>
SCHEDULE 12: LOANS AND ADVANCES		
Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or kind or for value to be received (including Rs 22,984,360, Previous Year Rs 22,532,360 being considered doubtful)	49,542,845	43,470,686
Loans to employees (including Rs 28,045, Previous Year Rs 28,045 being considered doubtful)	6,584,923	6,056,186

SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2007</u> Rs.	<u>As at March 31, 2006</u> Rs,
Balances with customs, excise, etc. (including Rs 2,747,158, Previous Year Rs 2,747,158 being considered doubtful)	133,839,210	148,058,957
Deposits – others	8,006,647	8,385,590
Advance income tax/ tax deducted at source (net of provision for tax and provision for fringe benefit tax)	52,108,119	11,105,025
	<u>250,081,744</u>	<u>217,076,444</u>
Less: Provision for doubtful advances	<u>25,759,563</u>	<u>25,307,563</u>
	<u>224,322,181</u>	<u>191,768,881</u>

SCHEDULE 13: CURRENT LIABILITIES

Acceptances	123,334,366	178,302,567
Sundry creditors		
- Small scale industries *	100,667,375	95,269,103
- others	705,160,719	663,448,443
Accrued liability on forward contracts	6,904,001	21,083,520
Other liabilities	33,840,949	26,387,806
Investor Education and Protection Fund shall be credited by following amount(as and when due):		
- Unpaid dividend	1,875,839	1,582,134
	<u>971,783,249</u>	<u>986,073,573</u>

* Amount represents amounts due to small scale industries, to the extent such parties have been identified from available documents/information. Refer note 7 under schedule 22 for names of such parties to whom amounts are outstanding for 30 days or more.

SCHEDULE 14: PROVISIONS

Provision for wealth tax	265,429	276,662
Provision for leave encashment	8,923,913	5,410,967
Provision for gratuity	2,103,531	1,055,464
Provision for warranties*	28,592,038	28,956,753
Proposed dividend	79,990,000	79,990,000
Tax on proposed dividend	13,594,301	11,218,598
	<u>133,469,212</u>	<u>126,908,444</u>
* Movement in provision for warranties		
Additions / (Deductions) during the year	(364,714)	6,858,685

SCHEDULES TO THE ACCOUNTS

	<u>For the year ended</u> <u>March 31, 2007</u> Rs	<u>For the year ended</u> <u>March 31, 2006</u> Rs
SCHEDULE 15: OTHER INCOME		
Interest:		
- Interest on income-tax refund	-	2,338,279
- Others (TDS Rs Nil Previous Year Rs Nil)	315,560	-
Profit on sale of short term non trade investments	4,574,292	944,796
Dividend on short term non trade investments	1,425,370	7,262,474
Maturity value of insurance	18,750,000	-
Sale of scrap	91,476,654	48,553,854
Profit on sale of fixed assets (net)	996,898	-
Miscellaneous income	434,481	231,512
	<u>117,973,255</u>	<u>59,330,915</u>
SCHEDULE 16: RAW MATERIALS AND COMPONENTS CONSUMED		
Inventories - Opening	242,728,273	196,662,937
Add: Purchases	5,174,161,298	4,632,672,741
	<u>5,416,889,571</u>	4,829,335,678
Less: Inventories - Closing	177,725,917	242,728,273
	<u>5,239,163,654</u>	<u>4,586,607,405</u>
SCHEDULE 17: PERSONNEL EXPENSES		
Salaries, wages and bonus	196,108,980	156,190,095
Contribution to provident fund	8,445,439	6,386,484
Contribution to gratuity	5,880,680	3,169,682
Contribution to superannuation fund	1,043,526	788,640
Workmen and staff welfare expenses	25,322,436	18,852,821
	<u>236,801,061</u>	<u>185,387,722</u>
SCHEDULE 18: OPERATING AND OTHER EXPENSES		
Consumption of stores and spares	277,886,300	221,555,195
Sub-contracting expenses	75,063,680	59,025,560
Power and fuel	257,862,204	190,810,823
Freight and forwarding charges	11,889,875	10,901,383
Rent	1,348,940	2,008,697
Rates and taxes		
- Others	905,381	664,494
Insurance	11,066,078	10,078,775
Repairs and maintenance		
- Plant and machinery	30,293,942	30,263,662
- Buildings	10,682,304	3,484,883
- Others	28,285,901	16,298,009
Advertising and sales promotion	690,830	544,122
Cash discounts	9,858,726	11,025,331
Royalty	181,736,020	142,148,282
Technicians fee	533,017	1,061,534
Warranty expenses	13,253,614	32,064,267
Legal and professional expenses	7,865,311	6,996,743
Travelling and conveyance	22,677,798	20,356,431

SCHEDULES TO THE ACCOUNTS

	<u>For the year ended</u> <u>March 31, 2007</u> Rs	<u>For the year ended</u> <u>March 31, 2006</u> Rs
Communication costs	2,145,657	2,151,452
Printing and stationery	2,964,109	1,899,360
Directors' sitting fees	600,000	735,000
Auditor's remuneration		
- Audit fee	695,000	695,000
- For certification and others matters	600,000	505,000
- Out-of-pocket expenses	85,000	78,000
	<u>1,380,000</u>	<u>1,278,000</u>
Donations and contributions	1,093,452	492,402
Provision for doubtful debts and advances	759,274	2,044,195
Foreign exchange rate difference (net)	75,838,339	70,518,159
Loss on sale / discard of fixed assets (net)	-	5,159,187
Miscellaneous expenses	10,987,044	10,668,484
	<u>1,037,667,796</u>	<u>854,234,430</u>

SCHEDULE 19 : DECREASE/(INCREASE) IN INVENTORIES

Inventories - Opening		
- Work-in-progress	47,164,613	30,565,894
- Scrap	2,160,295	153,812
- Finished goods	10,932,989	7,222,571
	<u>60,257,897</u>	<u>37,942,277</u>
Inventories - closing		
- Work-in-progress	53,857,000	47,164,613
- Scrap	115,299	2,160,295
- Finished goods	16,957,070	10,932,989
	<u>70,929,369</u>	<u>60,257,897</u>
	<u>(10,671,472)</u>	<u>(22,315,620)</u>

SCHEDULE 20: FINANCIAL EXPENSES

Interest		
- to banks	2,857,416	578,271
- others	1,978,153	3,188,427
Bank charges	1,223,318	4,157,427
	<u>6,058,887</u>	<u>7,924,125</u>

SCHEDULE 21: EARNINGS PER SHARE (EPS)

Net profit as per profit and loss account	259,865,301	202,309,193
Weighted average number of equity shares in calculating basic and diluting EPS	39,995,000	7,999,000
EPS (Refer note 9 under schedule 22)	6.50	25.29

SCHEDULE 22: NOTES TO ACCOUNTS**1. Nature of operations**

Munjal Showa Limited (the Company) is a Company established in 1985 as result of technical and financial collaboration between Hero Group and Showa Corporation, Japan. The Company operates as an ancillary and manufactures auto components for the two-wheeler and four-wheeler industry, primary products being front forks, shock absorbers, struts, gas springs and window balancers for sale in domestic market. The Company has two manufacturing locations in the state of Haryana.

2. Statement of significant accounting policies**a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies followed by the Company are consistent with those used in the previous year.

b) Tangible assets and depreciation

- Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
- Depreciation is provided on straight line method over the estimated useful lives of the fixed assets, which result in depreciation rates being equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.
- Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.
- Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.
- All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

c) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

d) Intangible assets and amortisation

Amounts paid towards acquisition of designs and drawings for specifically identified products being development expenditure incurred towards product design is carried forward based on assessment of benefits arising from such expenditure. Such expenditure is amortised over the period of expected future sales from the related product, which the management has determined to be 24 months based on past trends, commencing from the month of commencement of commercial production.

The period of amortisation is reassessed annually to ascertain reasonableness and appropriateness.

e) Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

g) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares	Lower of cost and net realisable value. Cost is determined on a weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads, including depreciation, based on normal capacity. Cost of finished goods includes excise duty.
Scrap	At net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs, of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.

h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sale of goods is inclusive of excise duty but exclusive of sales tax. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose during the year.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Dividend incomes on investments are accounted for when the right to receive the payment is established

i) Warranty costs

Warranty costs are provided on accrual basis determined based on past experience of claims. Exceptional warranty claims are not taken to determine such provisions.

j) Foreign currency transactions**(i) Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

k) Retirement and other employee benefits

(i) Retirement benefits in the form of provident fund contributions and superannuation fund which is as per the scheme of Life Insurance Corporation are charged to the profit and loss account of the year when the contributions to the respective funds are due. The Company does not have any other obligation other than contribution payable to the fund.

(ii) Gratuity liability under the Payment of Gratuity Act is a defined benefit obligation and is accrued and provided on the basis of an actuarial valuation made at the end of each financial year. The gratuity plan has been funded by policy taken from Life Insurance Corporation of India.

(iii) Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation.

In the current year, the Company has gone for early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006.

l) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

m) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions except those stated elsewhere in the notes to accounts, are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

n) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

o) Cash and cash equivalent

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

p) Derivative instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note j).

3. Segmental information

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components for two-wheeler and four-wheeler industry. The business comprises manufacturing and selling of various auto components, viz, fork, shock absorbers, struts, gas springs and window balancers, having similar risks and rewards because of similar nature of these items. The Company operates in one geographical segment and thus the disclosure requirement of Accounting Standard (AS-17) is not applicable.

4. Related party disclosure

- (i) Names of related parties
 - (a) Key management personnel and their relatives
 - Mr Brijmohan Lall Munjal - Chairman
 - Mr Yogesh Munjal - Managing Director
 - Mr. Kazuhiro Nishioka - Joint Managing Director
 - Mr Suresh Munjal - Relative of Yogesh Munjal
 - (b) Enterprise with significant influence over the Company
 - Showa Corporation, Japan
 - (c) Enterprises owned or significantly influenced by key management personnel and their relatives
 - Hero Honda Motors Limited
 - Sunbeam Auto Limited
 - Hero Cycles Limited
 - Hero Corporate Services Limited
 - Highway Cycles Industries Limited
 - Majestic Auto Limited
 - Dayanand Munjal Investments Private Limited
 - Thakurdevi Investments Private Limited
- (ii) Amount of Rs. Nil, Previous Year Rs. 390,970 receivable from Hero Motors has been provided as doubtful debts.
- (iii) The remuneration paid to directors is disclosed elsewhere in the notes to the accounts.

During the year, the Company has entered into transactions with related parties. Those transactions along with related balances as at March 31, 2007 and 2006 and for the years then ended are presented in the following table:

SCHEDULES TO THE ACCOUNTS

	Enterprise with significant influence over the Company		Key management personnel and their relatives				Enterprises owned or significantly influenced by key management personnel and their relatives							Total
	Showa Corporation Inc	Munjal	Suresh	Others	Total	Hero Honda Motors Limited	Sunbeam Auto Limited	Hero Corporate Services Limited	Hero Cycles Ltd	Thakurdevi Investments Private Limited	Dayanand Munjal Investments Private Limited	Others		
Transactions during the year														
Sale of goods	49,390	-	-	-	-	6,578,724,070	80,004	-	-	-	-	10,267,149	-	6,589,071,223
Purchase of raw materials and components	(252,773)	-	-	-	-	(5,809,177,906)	1,332,231,036	-	-	-	-	(19,054,292)	-	(5,828,232,198)
Service charges paid	480,055,028	-	-	-	-	8,508	(1,154,321,927)	-	-	-	-	2,708,956	-	1,334,948,500
Purchase of fixed assets	(801,877,267)	-	-	-	-	(85,353)	3,057,760	-	-	-	-	(3,502,212)	-	(1,157,909,492)
Royalty	-	-	-	-	-	-	(2,212,816)	113,164	-	-	-	-	-	3,057,760
Design and drawing fee - Intangible asset	1,845,972	-	-	-	-	-	-	-	-	-	-	-	-	(2,212,816)
Technician fee	(2,445,303)	-	-	-	-	-	-	-	-	-	-	-	-	113,164
Interest	181,736,020	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend	(142,148,282)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sureties given to government departments	12,442,548	-	-	-	-	-	-	-	-	-	-	-	-	-
Sureties obtained	(2,304,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at year end	533,017	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payable	(991,662)	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivable	1,302,354	-	-	-	-	-	-	-	-	-	-	-	-	-
	(1,891,315)	-	-	-	-	-	-	-	-	-	-	-	-	-
	20,800,000	6,000,000	8,000	-	6,008,000	-	-	-	13,200,000	6,000,000	6,000,000	-	-	25,200,000
	(15,600,000)	(4,500,000)	(7,500)	-	(4,507,500)	-	-	-	(9,900,000)	(4,500,000)	(4,500,000)	-	-	(18,900,000)
	-	-	-	-	-	565,033,377	100,000	-	100,000	-	-	-	-	565,233,377
	-	-	-	-	-	(565,033,377)	(100,000)	-	(100,000)	-	-	-	-	(565,233,377)
	-	-	-	-	-	1,886,800	1,100,000	-	-	-	-	-	-	2,986,800
	-	-	-	-	-	(1,886,800)	(1,100,000)	-	-	-	-	-	-	(2,986,800)
	240,517,715	-	-	-	-	-	187,413,869	2,572,199	-	-	-	-	-	190,299,603
	(402,289,315)	-	-	-	-	-	(118,502,827)	2,204,000	-	-	-	-	-	(116,383,991)
	91,962	-	-	-	-	632,882,051	-	-	-	-	-	4,259,094	-	637,141,145
	(213,305)	-	-	-	-	(586,228,352)	-	-	-	-	-	(9,072,529)	-	(595,300,881)

Previous year figures are in brackets

	<u>As at March 31, 2007 (Rs)</u>	<u>As at March 31, 2006 (Rs)</u>
5. Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	294,678,681	56,066,045
6. Contingent liabilities (not provided for) in respect of:		
a) Demand raised by Income Tax Authorities, being disputed by the Company	39,003,394	28,918,361
b) Interest claims by customs authorities, not acknowledged by the Company	356,047	356,047
c) Amount claimed by Employees State Insurance Recovery Officer	9,600,316	9,600,316
d) Claims against the Company not acknowledged as debts – Amount claimed by a consultant	-	726,238
i) Demands raised by the Income Tax Authorities comprise of:		
a) In respect of Assessment Years 1993-94, 1996-97, 1998-99 and 1999-00, allowability of certain expenses like foreign technician expenses, design and drawing fees are pending under appeal with ITAT. The Company has obtained legal opinion as per which the Company has good chances of success. The total amount involved is Rs 1,867,363 (Previous year Rs 1,867,363).		
b) In respect of Assessment Years 2001-02, 2002-03, 2003-04 and 2004-05 issues relating to some percentage of expenses like royalty, technician fee, design and drawing is pending with CIT (Appeals). Also, in the Assessment Year 2004-05, in addition to above, there are issues relating to prior period expenses which are pending with CIT (Appeals). The Company has obtained legal opinion as per which the Company has good chances of success. The amount involved is Rs 37,136,031 (Previous year Rs 21,248,420).		
ii) Amount claimed by Employee State Insurance Recovery Officer:		
Contingent liabilities in respect of demands raised by the Employee State Insurance Recovery Officer represents amount demanded from the Company due to lack of records for the period 1994 to 1998 on the basis of inspections carried out at the Company. In respect of demand of Rs 5,235,282 pertaining to the period April 96 to December 2000 has been remanded back to the ESI Authorities as per order passed by Hon'ble Judge, Employees's Insurance Court. The balance demand has been stayed by Hon'ble Judge, Employee Insurance Court, Gurgaon.		
7a. The Small Scale Undertakings (SSIs) to whom the Company owes sums, which are outstanding for more than 30 days are Associated Engg., Jairaj Ancilliaries, Modern Hi-Tech Auto Prod., O.K. Engg. Pvt Ltd., Rikki Plastics, Shriram Engg., Nice Steel Inds., Abhi Enterprises, Citizen Press Components, Delite Enterprises, Salbros Enterprises, Chauhan Industries, Rubberways, New Vishwakarma, Aavran, Ancil Autotech Pvt. Ltd., Sanewal Auto, Mod Serap Ind, Gowell Rubber Ind., Chanda Enterprises.		
7b. Other disclosure in respect of SSI as required under "Micro, Small and Medium Enterprises Development Act, 2006"		

No.	Description	Amount	Amount
1.	Principal Amount remaining unpaid as at the end of the year	33,613,188	95,269,103
2.	Interest Due on above principal and remaining unpaid as at the end of the year	-	N/A
3.	Amount of Interest Paid	-	N/A
4.	Total amount of payments made beyond the appointed date during the year	-	N/A
5.	Total interest accrued and unpaid in respect of SSI Units	-	N/A
6.	Total interest due & payable for the period of delay in making payment without adding the interest	-	N/A
7.	The amount of further interest	-	N/A

8. In accordance with ASI 14(Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs 1,151,216,630 (Previous Year Rs 979,277,839) has been reduced from sales in profit & loss account and excise duty on increase in stock amounting to Rs. 840,772 (Previous Year Rs 937,586) has been considered as expense in the financial statements.

9. During the year, the Company has introduced a share split, thereby revising the paid up value of each share at Rs 2 each as against Rs 10 in the Previous Year. As at March 31, 2007, the Earning per share on such revision is Rs 6.50 (Previous Year Rs 5.06).

10. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Profit and Loss account

Net employee benefit expense

	Gratuity
	2007
Current service cost	1,628,775
Interest cost on benefit obligation	1,206,776
Expected return on plan assets	(969,750)
Net actuarial(gain) / loss recognized in the year	(57,643)
Past service cost	4,259,884
Net benefit expense	6,068,042
Actual return on plan assets	1,175,110

Balance sheet
Details of Provision for gratuity

	Gratuity
	2007
Defined benefit obligation	18,628,506
Fair value of plan assets	16,524,975
	2,103,531
Less: Unrecognised past service cost	-
Plan asset / (liability)	2,103,531

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity
	2007
Opening defined benefit obligation	16,090,351
Interest cost	1,206,776
Current service cost	1,628,775
Benefits paid	(445,113)
Actuarial (gains) / losses on obligation	147,717
Closing defined benefit obligation	18,628,506

Changes in the fair value of plan assets are as follows:

	Gratuity
	2007
Opening fair value of plan assets	10,775,003
Expected return	969,750
Contributions by employer	5,019,975
Benefits paid	(445,113)
Actuarial gains / (losses)	205,360
Closing fair value of plan assets	16,524,975

The Company expects to contribute Rs 2,103,531 to gratuity in 2007-08.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity
	2007
	%
Investments with insurer	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

The principal assumptions used in determining gratuity are shown below:

	2007
	%
Discount rate	7.50
Expected rate of return on assets	9.00
Increase in Compensation cost	7.00
Employee turnover	
- Upto 30 years	3.00
- Upto 44 years	2.00
- Above 44 years	1.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

In the current year, the Company has gone for early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006. Accordingly the corresponding previous year figures have not been disclosed.

For the year ended March 31, 2007 (Rs)	For the year ended March 31, 2006 (Rs)
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11. Supplementary statutory information

11.1 Directors' remuneration (excluding sitting fees)

Salaries and allowances	5,700,000	3,300,000
Commission to whole time directors	8,135,463	6,591,112
Perquisites	2,663,461	2,051,497
Contribution to provident and superannuation funds	627,000	363,000
	<u>17,125,924</u>	<u>12,305,609</u>

The gratuity payable to the directors has not been disclosed since it is not possible to ascertain the same on an individual level. No leave encashment is payable to the Directors.

11.2 Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Managing Director and Joint Managing Director

Profit as per profit and loss account	396,345,836	307,608,590
Add :Directors' remuneration	17,125,924	12,305,609
Provision for doubtful advances	759,274	2,044,195
Provision for warranty	(364,715)	6,858,685
Provision for inventory obsolescence	(8,428,582)	(303,134)
Provision for wealth tax	265,429	276,662
Provision for labour compensation	470,000	30,000
Directors sitting fee	600,000	735,000
Net profit as per Section 349 of the Companies Act, 1956	<u>406,773,166</u>	<u>329,555,607</u>

Commission to Managing Director and Joint Managing Director @ 1% of the net profits for each of them **8,135,463** 6,591,112

11.3 Earnings in foreign currency (on accrual basis)

Exports at F.O.B. value **1,305,155** 716,332

11.4 Expenditure in foreign currency (on accrual basis)

Technician fees	533,017	991,662
Royalty	181,736,020	142,148,282
Traveling	2,416,005	2,575,764
Interest	1,302,354	1,891,315
Design and drawings (considered as intangible asset)	12,442,548	2,304,000
	<u>198,429,944</u>	<u>149,911,023</u>

11.5 Value of imports calculated on CIF basis (excluding material in transit)

Capital goods	12,397,762	21,727,652
Raw materials, components, stores, spares, tools, etc.	488,289,892	837,082,146
	<u>500,687,654</u>	<u>858,809,798</u>

11.6 Dividend remitted in foreign exchange

Year to which the dividend pertains	2005-06	2004-2005
Number of non-resident shareholders (to whom dividend remitted in foreign currency)	1	1
Number of equity shares held on which dividend was due	2,080,000	2,080,000
Amount of dividend remitted – net (in Rs)	20,800,000	15,600,000

12. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

12.1 Licensed Capacity, Installed Capacity and Actual Production

Class of Goods *	Unit	Installed Capacity **		Actual Production	
		Current year	Previous year	Current year	Previous year
Shock absorbers	Nos.	20,301,000	15,600,000	15,786,994	14,032,148
Struts	Nos.	969,000	969,000	900,756	688,054
Window balancer	Nos.	1,212,000	1,006,500	473,768	442,012

* Licenses are not applicable since 1993-94.

** As certified by the management and relied upon by the auditors being a technical matter.

12.2 Sales

	Unit	Quantity		Value (Rs)	
		Current year	Previous year	Current year	Previous year
Shock absorbers	Nos.	15,771,939	14,019,185	7,078,941,036	6,209,329,098
Struts	Nos.	899,022	686,848	820,010,154	605,695,462
Window balancer	Nos.	476,253	442,197	61,744,549	56,139,292
Components, etc.				109,515,747	74,351,268
				<u>8,070,211,486</u>	<u>6,945,515,120</u>

12.3 Consumption of raw materials and components

	Unit	Quantity		Value (Rs.)	
		Current year	Previous year	Current year	Previous year
Fork pipe	Nos.	7,808,713	6,731,543	819,388,227	685,041,459
Bottom case	Nos.	6,942,508	6,375,224	1,128,029,100	860,166,090
Main spring cushion	Nos.	16,545,072	14,631,211	661,945,301	565,699,184
Oil seal	Nos.	16,225,718	14,570,846	424,695,223	609,439,044
Dust seal	Nos.	7,459,830	6,752,372	63,186,523	55,485,447
Other materials and components *				2,141,919,280	1,810,776,181
				<u>5,239,163,654</u>	<u>4,586,607,405</u>

* It is not practicable to furnish quantitative information in view of the large number of items, which differ in size and nature, each being less than 10% in value of the total.

12.4 Imported and indigenous raw materials, components and stores, spares consumed

	Percentage of total consumption		Value (Rs.)	
	Current year	Previous year	Current year	Previous year
Raw materials and components				
Imported	11	19	595,817,650	879,123,798
Indigenously procured	89	81	4,643,346,004	3,707,483,607
	<u>100</u>	<u>100</u>	<u>5,239,163,654</u>	<u>4,586,607,405</u>
Stores and spares				
Imported	10	12	29,130,261	26,856,033
Indigenously procured	90	88	248,756,039	195,699,162
	<u>100</u>	<u>100</u>	<u>277,886,300</u>	<u>221,555,195</u>

12.5 Details of Finished Goods

	Quantity		Value (Rs.)	
	Current year	Previous year	Current year	Previous year
Opening Stock				
Shock absorbers	27,434	14,471	5,315,818	2,868,805
Struts	7,460	6,254	5,256,895	4,087,933
Window balancer	4,646	4,831	360,276	265,833
			<u>10,932,989</u>	<u>7,222,571</u>
Closing Stock				
Shock absorbers	42,489	27,434	10,763,825	5,315,818
Struts	9,194	7,460	6,011,917	5,256,895
Window balancer	2,161	4,646	181,328	360,276
			<u>16,957,070</u>	<u>10,932,989</u>

13. The Company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on March 31, 2007 is as under:

Particulars of Derivatives	Purpose
Outstanding Forward contracts	
Buy JPY 2,285,180,000 Buy USD 5,000,000	Hedge of present creditors and future liability

The amount of foreign currency exposures that are not hedged by a derivative instrument or otherwise as on March 31, 2007 is as under:

Particulars	Amount in Rs	Foreign currency
Debtors	471,420	USD 10,832
Debtors	91,962	JPY 249,423
Creditors	4,600,472	USD 105,709
Loan	57,942,487	JPY 157,153,476

14. Previous year comparatives

Previous year's figures have been regrouped, where considered necessary, to conform to this year's classification.

The schedules referred to above and the notes to accounts form an integral part of the balance sheet As per our report of even date.

For S.R.Batliboi & Co. Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Gurgaon
Date: May 23, 2007

BRIJMOHAN LALL MUNJAL
Chairman

ASHOK MUNJAL
Director

A.K. VADEHRA
Director

YOGESH MUNJAL
Managing Director

PANKAJ MUNJAL
Director

Dr. MAHESH TANEJA
GM- Finance and IT

KAZUHIRO NISHIOKA
Jt. Managing Director

Dr. K.C. SETHI
Director

PANKAJ GUPTA
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	For the year ended March 31, 2007 Rs	For the year ended March 31, 2006 Rs
A. Cash flow from operating activities		
Profit before tax	396,345,836	307,608,590
Adjustments for:		
Depreciation and amortisation	130,761,577	105,183,958
(Profit)/ Loss on sale of fixed assets	(996,898)	5,159,187
(Profit)/ Loss on sale of investments	(4,574,292)	(944,796)
Unrealised foreign exchange loss	5,323,830	18,270,200
Provision for doubtful debts and advances	759,274	2,044,195
Interest income	(315,560)	(2,338,279)
Dividend income	(1,425,370)	(7,262,474)
Interest expense	4,835,569	3,766,698
Operating profit before working capital changes	530,713,966	431,487,279
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(73,143,428)	(47,656,715)
Decrease / (Increase) in current assets	(17,248,098)	(3,199,539)
Decrease / (Increase) in inventories	53,763,882	(76,763,425)
Decrease / (Increase) loans and advances	7,843,994	17,149,741
Increase / (Decrease) in current liabilities	(8,961,036)	137,624,396
Cash generated from operations	492,969,281	458,641,737
Direct taxes paid (net of refunds)	(153,814,327)	(65,741,294)
Interest on income-tax refund	722,867	1,930,972
Net cash from operating activities	339,877,821	394,831,415
B. Cash flows from investing activities		
Purchase of fixed assets	(483,345,739)	(367,526,871)
Proceeds from sale of fixed assets	3,220,481	283,063
Purchase of intangible assets	(12,442,548)	(2,304,000)
Purchase of investments	(5,872,158,570)	(6,830,833,802)
Gain on cancellation of forward contracts	(6,904,001)	(21,083,520)
Sale / maturity of investments	5,921,617,041	6,791,285,059
Dividends received	1,425,370	7,262,474
Net cash from investing activities	(448,587,966)	(422,917,597)
C. Cash flows from financing activities		
Proceeds from long term borrowings	57,942,487	-
Proceeds from short term borrowings	183,394,401	36,185,709
Repayment of short term borrowings	(38,664,886)	-
Interest paid	(4,835,569)	(3,766,698)
Dividends paid	(79,696,295)	(59,781,335)
Tax on dividend paid	(11,218,598)	(8,414,474)
Net cash used in financing activities	106,921,540	(35,776,798)
Net increase in cash and cash equivalents (A + B + C)	(1,788,605)	(63,862,980)
Cash and cash equivalents at the beginning of the year	12,041,781	75,904,761
Cash and cash equivalents at the end of the year	10,253,176	12,041,781

Components of cash and cash equivalents as at	March 31, 2007	March 31, 2006
	Rs	Rs
Cash and cheques on hand	418,783	937,601
With banks - on current account	572,978	1,054,012
- on uncpaid dividend account	1,889,276	1,601,049
- cash credit / overdraft	7,372,139	8,449,119
	<u>10,253,176</u>	<u>12,041,781</u>

The schedules referred to above and the notes to accounts form an integral part of the balance sheet As per our report of even date.

For S.R.Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Pankaj Chadha
Partner
Membership No. 91813

BRIJMOHAN LALL MUNJAL
Chairman

YOGESH MUNJAL
Managing Director

KAZUHIRO NISHIOKA
Jt. Managing Director

Gurgaon
Date: May 23, 2007

ASHOK MUNJAL
Director

PANKAJ MUNJAL
Director

Dr. K.C. SETHI
Director

A.K. VADEHRA
Director

Dr. MAHESH TANEJA
GM- Finance and IT

PANKAJ GUPTA
Company Secretary

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile.

I Registration Details.

Registration No.	2	0	9	3	4	State Code	5	5
Balance Sheet.	3	1	0	3	2	0	0	7
	Date		Month		Year			

II Capital raised during the Year (Amount in Rs.)

Public Issue	N	I	L	Rights Issue	N	I	L
Bonus Issue	N	I	L	Private Placement	N	I	L

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

Total Liabilities	1	7	7	0	4	6	0	1	6	9	Total Assets	1	7	7	0	4	6	0	1	6	9
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Sources of Funds

Paid - up Capital	7	9	9	9	2	5	0	0	Reserves and Surplus	1	3	6	0	0	9	9	4	0	7			
Secured Loans	2	4	1	3	3	6	8	8	8	Unsecured Loans	N	I	L	Deffered Tax Liabilities (Net)	8	9	0	3	1	3	7	4

Application of Funds

Net Fixed Assets

1 5 7 6 7 6 1 4 3 4

Net Current assets

1 9 3 6 8 9 0 7 1

Accumulated Losses

N I L

Investments

9 6 6 4

Misc. Expenditure

N I L

IV Performance of Company (Amount in Rs.)

Turnover (including other income)

7 0 3 6 9 6 8 1 1 1

Profit / Loss before Tax

3 9 6 3 4 5 8 3 6

Earning per Share in Rs.

0 6 . 5 0

Total Expenditure

6 6 4 0 6 2 2 2 7 5

Profit / Loss after Tax

2 5 9 8 6 5 3 0 1

Dividend rate%

1 0 0

V Generic Names of Three Principal Products / Services of Company
(As per monetary terms)Item Code No.
(ITC Code)

8 7 1 4 9 9 . 0 0

Product
Description

S H O C K A B S O R B E R S

Item Code No.
(ITC Code)

8 7 0 8 8 0 . 0 0

Product
Description

S T R U T S

Item Code No.
(ITC Code)

8 7 0 8 8 0 . 0 0

Product
Description

W I N D O W B A L A N C E R S

For and on behalf of the Board of Directors

BRIJMOHAN LALL MUNJAL
ChairmanYOGESH MUNJAL
Managing DirectorKAZUHIRO NISHIOKA
Jt. Managing DirectorASHOK MUNJAL
DirectorPANKAJ MUNJAL
DirectorDr. K.C. SETHI
DirectorNew Delhi
Date: May 23, 2007A.K. VADEHRA
DirectorDr. MAHESH TANEJA
GM- Finance and ITPANKAJ GUPTA
Company Secretary

MUNJAL SHOWA LIMITED

Regd. Office: 9-11, Maruti Industrial Area, Gurgaon-122 015, Haryana

ATTENDANCE SLIP

I, hereby record my presence at the 22nd ANNUAL GENERAL MEETING of the Company held on Tuesday the 7th day of August' 2007 at Plot No. 26 E & F, Sector-3, IMT, Manesar, Gurgaon-122 050, Haryana at 11.00 A.M.

Folio No.	
DP ID & Client ID No.	

NO. OF SHARES HELD:

Name
Address

Signature of the member

Signature of the Proxy

ENTRY PASS

(To be retained throughout the Meeting)

Folio No.	
DP ID & Client ID No.	

NO. OF SHARES HELD:

Name
Address

Note:

- Mmmbers/Proxy holders are requested to bring the Attendance Slip and Entry Pass with them when they come to the meeting and hand it over at the gate after affixing their signature on it.
- Members/Proxy holders who come to attend the meeting are requested to bring their copy of the Annual Report for reference at the meeting.
- Members are informed, in case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

MUNJAL SHOWA LIMITED

Regd. Office: 9-11, Maruti Industrial Area, Gurgaon-122 015 (Haryana)

PROXY FORM

I/We, _____ Affix a _____ One rupee Revenue Stamp of _____ being a member/members* of Munjal Showa Limited hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on Tuesday the 7th day of August' 2007 at 11.00 A.M. and at any adjournment thereof.

Signed this _____ day of _____ 2007

Folio No.

DP ID & Client ID NO.

Signature

FOR OFFICE USE ONLY:
DATE & TIME OF RECEIPT:
PROXY NO:

- Note: The proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.
- (*) Every person holding equity share capital of the company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be member of the Company.