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**Head of Finance****Company Secretary****Statutory Auditors****Tax & Internal Auditors****Cost Auditors****Bankers****Technical & Financial Collaborator****Registered Office & Works****Share Transfer Agents****BOARD OF DIRECTORS**

Brijmohan Lall Munjal (Chairman)  
 Yogesh Chander Munjal (Managing Director)  
 Kazuhiro Nishioka (Joint Managing Director)  
 Hiroshi Ijima (upto 23.05.2008)  
 Mitsuhiro Nishida (w.e.f. 23.05.2008)  
 Ashok Munjal  
 Pankaj Munjal  
 K C Sethi  
 Vinod K Agarwal  
 Anil Kumar Vadehra

Mahesh Taneja

Pankaj Gupta

M/s S R Batliboi & Co.,  
 Chartered Accountants, Gurgaon

Vaish & Associates  
 Chartered Accountants, New Delhi

M/s Ramanath Iyer & Co.,  
 Cost Accountants, Delhi

The Bank of Tokyo- Mitsubishi UFJ Limited  
 Standard Chartered Bank

Citi Bank N.A.

State Bank of India

Punjab National Bank

Canara Bank

HDFC Bank Limited

Kotak Mahindra Bank Limited

The Bank of Nova Scotia

Showa Corporation

1-14-1, Fujiwara -Cho

Gyoda- shi Saitama Ken, Japan

**Gurgaon Plant & Registered Office**

9-11, Maruti Industrial Area,  
 Gurgaon-122015

**Manesar Plant**

Plot No. 26 E & F, Sector 3, IMT  
 Manesar, Gurgaon- 122 050

MCS Limited,

Shri Venkatesh Bhawan,

W-40, Okhla Industrial Area, Phase II,  
 New Delhi- 110 020

Tel: 011-41406149-52; Fax; 41709881

Email: admin@mcsdel.com

## YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs.in lacs)

Year Ending	March'08	March'07	March'06	March' 05	March'04
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	14597.07	13601.00	11938.18	10827.18	10729.81
Total Shareholder's Funds	15396.99	14400.92	12738.10	11627.10	11529.73
Unsecured Loans	-	-	-	-	226.34
Secured Loan	3515.68	2413.36	386.64	24.79	182.90
Total Term Liability	3515.68	2413.36	386.64	24.79	409.24
Total Assets	19878.49	17704.60	13778.26	12230.72	12553.81
Net Sales	70937.85	69189.95	59662.37	52147.96	40427.70
(% Growth year on year)	2.53%	15.97%	14.41%	28.99%	13.34%
Profit Before Interest Depn. & Tax (PBDIT)	4741.94	5331.67	4207.17	3103.43	4047.29
Profit Before Interest Depn. & Tax (PBDIT)-%	6.68	7.71	7.05	5.95	10.01
Exceptional Item	-	-	-	1072.32	-
Interest	227.25	60.59	79.24	51.09	54.15
Depreciation	1536.23	1307.62	1051.84	823.07	747.73
Profit Before Tax (PBT)	2978.46	3963.46	3076.08	1156.95	3245.42
Profit After Tax (PAT)	1931.92	2598.65	2023.97	782.97	2116.82
Earnings per Share (EPS) (Rs.)	4.83	6.50	5.06	1.96	5.29
Book Value per Share (Rs.)	38.50	36.01	31.85	29.07	28.83
Dividend %	# 100.00%	100.00%	100.00%	75.00%	75.00%

# Recommended by Board of Directors

## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON THURSDAY THE 7TH DAY OF AUGUST 2008 AT 11:00 A.M. AT THE COMPANY'S PLANT SITUATED AT 26E & F, SECTOR 3, 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, 2008 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. Pankaj Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Kumar Vadehra, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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**

#### **6. Appointment of Mr. Mitsuhiro Nishida as a Director of the Company**

“RESOLVED THAT Mr. Mitsuhiro Nishida who has been appointed by the Board of Directors as an additional director of the Company w.e.f. May 23, 2008 in terms of section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company and in respect of whom the Company has received a notice from a member proposing his candidature for the office of director under section 257 of the Companies Act, 1956 together with a deposit of Rs. 500/- as required under the Act, be and is hereby appointed as a Director of the Company and that he shall be liable to retire by rotation.”

#### **7. Variation in the Terms of Appointment of Mr. Yogesh Chander 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 Second Annual General Meeting held on August 07, 2007, 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 Chander Munjal- Managing Director be increased to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 01, 2008 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 Second Annual General Meeting held on August 07, 2007, 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. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 01, 2008 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, 2008

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

By order of the Board  
**For MUNJAL SHOWA LTD.**

**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. A PROXY FORM IS SENT HEREWITH.
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 6 to 8 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of persons seeking re-appointment under Item No. 3 and 4, 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 19, 2008 to Thursday, August 07, 2008 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twenty Third Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 07, 2008. 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.
- 05) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 2000-01 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 1999-00 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for the financial year 2000-01 is in the process of transfer to IEPF.

- 06) 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 upto which claim can be lodged for unpaid Dividend
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
31.03.2007	07.08.2007	13.08.2014

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.**

- 07) Members are requested to notify immediately any change of address
- To their Depository Participants ( DPs ) in respect of their electronic share accounts, and
  - To the Company's Registrar, MCS Limited, Shri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi- 110 020 in respect of their physical share folios, if any, quoting their folio number.
- 08) 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 major 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.
- 09) 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.**
- 10) 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. 6

Mr. Mitsuhiro Nishida has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Hiroshi Ijima. In pursuance of the above, Mr. Mitsuhiro Nishida was appointed as an additional director with effect from May 23, 2008, by the Board of Directors in terms of the provisions contained under Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying his intention to propose the candidature of Mr. Mitsuhiro Nishida for the office of the Director of the Company.

Mr. Mitsuhiro Nishida aged 59 years, holds an Associate of Engineering Degree in Department of Mechanical Engineering from Asahikawa National College of Technology, Japan. He started his career in 1978 in Production Department, Asaba Plant, Showa Corporation, Japan. He worked as a Manager in different departments like Production, Production Engineering, etc. of M/s Showa Corporation. In June, 1995, he was promoted to President of P. T. Showa, Indonesia and in November 2000, he was promoted to General Manager of production engineering of Asaba Plant, Showa Corporation, Japan and presently holds the position of Managing Director of M/s Showa Corporation, Japan and taken charge of Purchasing Division.

He does not hold directorship/committee membership in any Company.

Mr. Mitsuhiro Nishida does not hold any share in the Company.

None of the directors except Mr. Mitsuhiro Nishida himself is concerned or interested in the above Resolution under Item No. 6.

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

#### Item No. 7

The Members had approved increase in basic salary of Mr. Yogesh Chander Munjal- Managing Director from Rs. 3,00,000/- to Rs. 4,00,000 with effect from September 01, 2007 in the Twenty Second Annual General Meeting held on August 07, 2007. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and process of setting up IIIrd Plant at Haridwar (Uttarakhand). 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, 2008, revised the basic salary of Managing Director to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 1, 2008 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same. Except Mr. Yogesh Chander Munjal, no other director is interested /concerned in the 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. 3,00,000/- to Rs. 4,00,000/- with effect from September 01, 2007 in the Twenty Second Annual General Meeting held on August 07, 2007. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and process of setting up IIIrd Plant at Haridwar (Uttarakhand). 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, 2008, revised the basic salary of Joint Managing Director to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 1, 2008 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. Pankaj Munjal

Mr. Pankaj Munjal is a young industrialist of 45 years and belongs to Munjal Family, the founders and promoters of Hero Group. Mr. Munjal graduated in Science and then underwent specialized training in Automotive Manufacturing at General Motors Institute, Flint in USA. Thereafter, he attended the executive program in Strategic Marketing Management at London Business School, Harvard University.

Mr. Munjal takes an active interest in the promotion of business domestically and globally. Directorships/Chairmanship and membership held by Mr. Pankaj Munjal in other Companies are:

<b>Name of Company</b>	<b>Nature of Office</b>
Hero Cycles Limited	Managing Director
Hero Motors Limited	Managing Director, Member Audit Committee Member Shareholders Grievance Committee
Satyam Auto Components Limited	Director
Hero Global Design Limited	Director Chairman Audit Committee Chairman Remuneration Committee
Hero Associates Limited	Director
Hero Financial Services Limited	Director
Sunbeam Auto Limited	Director
Anadi Investment Private Limited	Director
Thakurdevi Investment Private Limited	Director
Bhagyodaya Investment Private Limited	Director
Munjal Investment Private Limited	Director
Munjal Brothers Private Limited	Director
VE care Gym Private Limited	Director
Munjal Kiriu Industries Private Limited	Director
Power Plate India Private Limited	Director

Mr. Pankaj Munjal does not hold any share in the Company.

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

- b) Mr. Anil Kumar Vadehra, aged 63 years, holds a Bachelor Degree in Mechanical Engineering from University of Roorkee, U.P. and an M.B.A. from Faculty of Management Studies, Delhi. Presently Mr. Vadehra is Professor in the area of Finance and Project Management at Army Institute of Management & Technology, Greater Noida and is also offering Project & Management Consultancy Services for new/existing projects including rehabilitation of sick units. He has served as General Manager at IFCI Ltd, Professor at Management Development Institute (MDI), Gurgaon and President at HB Estate Developers Ltd. Mr. Vadehra has also been an adjunct/visiting faculty at ICFAI Business School, Gurgaon, MDI Gurgaon, NIILM, SRIRAM Centre, EMPI, JIMS in the areas of Project Appraisal/Management, Investment Banking & Financial Services, Financial Management, Working Capital Management, Management of Financial Institutions etc.

Mr. Anil Kumar Vadehra does not hold any share in the Company.

Mr. Anil Kumar Vadehra 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, 2008

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 23rd Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2008.

### FINANCIAL RESULTS AND APPROPRIATIONS

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

	Year Ended <u>31.03.08</u>	(Rs. In Lacs) Year Ended <u>31.03.07</u>
Sales and other Income	<u>84371.01</u>	81881.85
Profit before Depreciation & Tax	<u>4514.69</u>	5271.08
Depreciation	<u>1536.23</u>	1307.62
Profit before Tax	<u>2978.46</u>	3963.46
Provision for Taxation	<u>1046.54</u>	1364.81
Profit after Tax	<u>1931.92</u>	2598.65
Net Profit brought forward	<u>1693.15</u>	1030.34
Profit available for appropriation	<u>3625.07</u>	3628.99
Dividend (Recommended)	<u>799.90</u>	799.90
Dividend Tax	<u>135.94</u>	135.94
Transfer to General Reserve	<u>1000.00</u>	1000.00
Surplus carried to Balance Sheet	<u><u>1689.23</u></u>	<u><u>1693.15</u></u>

### OPERATIONS

The Company has achieved a sales turnover of Rs.84,371.01 lacs registering a growth of 3.04 % vis-à-vis Rs. 81881.85 lacs in the previous year. The profit before tax in the current year was at Rs. 2978.46 lacs as compared to Rs. 3963.46 lacs in the previous year, down by 24.85 % mainly due to hike in steel & other major raw-material prices, fuel & interest cost and foreign exchange fluctuation due to high volatility in exchange rate during the year under review.

### FUTURE PROSPECTS

Our existing customers will meet predetermined sales targets with minimum 10 per cent growth with the support of new models launched both in 2 Wheeler and 4 Wheeler segment. M/s Hero Honda Motors Limited has planned the launch of Passion 09, Splendor NXG, CBZ Extreme MMC and modified scooter models. 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. Similarly, Honda Motorcycle & Scooters India Pvt. Ltd. has planned the introduction of new Models KWFA, KWFF, KWSA and KWPA respectively. Honda Siel Cars India Limited has also planned introduction of three new generation models of cars very soon. Maruti Suzuki India Limited has chalked out a plan to release new models of A STAR and SPLASH cars with altogether new generation engine and aero dynamics.

The Company has pursued installation of its third plant at Haridwar, Uttrakhand, to cater to the needs of



Hero Honda Motors Limited with effect from April'2009 or earlier. The plant is planned to be installed to enjoy the concessional tax structure and incentives. 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 10% for 2008-09.

### 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. 1689.23 lacs (previous year Rs. 1693.15 lacs) will be retained in the Profit and Loss Account.

### DIVIDEND

In spite of the challenging conditions and to keep up Company's policy of sharing the profits with its stakeholders, the Board is pleased to maintain and recommend a dividend of 100 % (i.e. Rs. 2/- Per equity share of Rs. 2/- each) for the year ended March 31, 2008 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 19, 2008 to August 07, 2008 (both days inclusive).

### DIRECTORS

Mr. Pankaj Munjal and Mr. Anil Kumar Vadehra, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Pankaj Munjal and Mr. Anil Kumar Vadehra being eligible have offered themselves for re-appointment.

Mr. Mitsuhiro Nishida has been appointed additional director under section 260 of the Companies Act, 1956 read with Article 89 of the Articles of Association of the Company.

Brief resumes of Mr. Pankaj Munjal, Mr. Anil Kumar Vadehra and Mr. Mitsuhiro Nishida have been appended 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.

In terms of sub-clause (v) of Clause 49 of the Listing Agreement, Certificate of CEO/CFO, inter alia, confirming the correctness of the financial statements, adequacy of internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of the Report.

The Board of Directors has 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, Gurgaon, 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' 2008 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;

## FIXED DEPOSIT

The Company has not accepted any Fixed Deposits during the year under Section 58A or 58AA 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 **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 and Haryana Council Safety Award during the year.

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 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 started a new project for improvement in its performance in environment management. The project is specifically designed and named as Green Vendor Development Programme (GVDP). As a part of the project, six pillars named as Water, Energy, Waste, Chemical

Substitution, Pollution Prevention and Legal Compliance have been constituted. Basic objectives of GVDP are;

- 100 per cent compliance of legal requirements
- To conserve Water and Energy through process mapping
- To minimize generation of Waste including hazardous waste and effectuate 3R principles i.e. Reduce, Recycle and Rinse.
- To terminate hazardous chemicals with less hazardous or non-hazardous chemicals.
- To generate pollution prevention awareness throughout the plant and to control & monitor all the pollution control devices to operate at optimum level.

### ISO, QS AND TS ACCREDITATION

Your Company's manufacturing facilities at both the plants continue to maintain and uphold the prestigious ISO 9001, QS 9000, ISO 14001, TS 16949-2002 and OHSAS 18001 certifications from reputed leading Indian and International Certification Institutions. These certifications help in continuous improvements, besides emphasis being laid on prevention of defects, reduction of wastes and variation in supply chain management.

### 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 are to increase Productivity, to improve Quality, to reduce Costs, to ensure Delivery in time, to increase Safety, to increase profitability, 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; and to achieve zero defects, zero break down, zero losses and zero accidents.

We have challenged the TPM excellence award with JIPM Japan and successfully cleared the TPM health checkup audit held in January 2008 with a hope to clear TPM pre and final audit which are going to be conducted by JIPM in the month of June and December 2008 respectively. We are confident to get TPM Excellence Award in March'2009.

We are in the process of clubbing TPM with lean manufacturing system in the near future. Our Company has been selected by Japan Management Association, Japan to conduct Lean Manufacturing System (Value Stream Mapping) Work Shop in the month of July 2008

A unique machine manufacturing 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. Besides 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 2008-2009 have been paid to them well before the due date i.e. April 30, 2008. The Company has also paid the annual custodian fees for the year 2008-09 in respect of Shares held in dematerialized mode to NSDL & CDSL.

### 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 2204 at the end of the year as compared to 2089 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.

## ACKNOWLEDGMENT

Your Directors place on record their appreciation of the co-operation and support extended to the Company by Government of India, State Governments of Haryana and Uttrakhand, 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 from time to time for the growth and development of the Company. The Directors also take this opportunity to express their 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, 2008

**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, 2008.

### 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, 2008 is as follows:

<b>Name</b>	<b>Designation</b>	<b>Executive / Non-executive / Independent</b>
Mr. Brijmohan Lall Munjal	Chairman	Non-Executive
Mr. Yogesh Chander 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 Kumar Munjal	Director	Non-executive
Mr. 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 2007-08 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 2007-08 on May 23, 2007, July 27, 2007, October 25, 2007 and January 25, 2008.

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 relations, 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	No	8	None	None
2	Mr. Yogesh Chander Munjal	4	No	5	4	None
3	Mr. Kazuhiro Nishioka	4	No	None	None	None
4	Mr. Hiroshi Ijima #	None	No	None	None	None
5	Mr. Pankaj Munjal	1	No	7	2	1
6	Mr. Ashok Kumar Munjal	4	No	9	1	None
7	Mr. K. C. Sethi	4	Yes	None	None	None
8	Mr. Vinod K Agrawal	3	Yes	1	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, 2008.

### II. AUDIT COMMITTEE

The Audit Committee consists of four Directors namely Mr. K. C. Sethi, Mr. Ashok Kumar 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 Kumar 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 the 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 Reference 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 2007-08, the Audit Committee met four times, on May 22, 2007, July 26, 2007, October 24, 2007 and January 24, 2008.

Attendance of Members at the meetings of the Audit Committee held during 2007-08 was as under:

Members	No. of Meetings attended
Mr. Vinod K Agrawal, Chairman	3
Mr. Ashok Kumar Munjal	4
Mr. K. C. Sethi	4
Mr. Anil Kumar Vadehra	4

### III. REMUNERATION COMMITTEE

The Remuneration Committee was 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 consists of the following three non-executive & independent directors:

Mr. K C Sethi-Chairman

Mr. Vinod K Agrawal- Member

Mr. Anil Kumar Vadehra - Member

The meeting of the Remuneration Committee was held on May 11, 2007 under the Chairmanship of Mr. K C Sethi. This meeting was attended by Mr. 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 Chander Munjal, Managing Director and Mr. Kazuhiro Nishioka, Joint Managing Director.

### IV. REMUNERATION OF 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 2007-08 are as under:

Name	Salary, Allowances and Perquisites *	Commission**	Sitting Fee***	Total
Mr. Brijmohan Lall Munjal	Nil	Nil	60,000	60,000
Mr. Yogesh Chander Munjal	70,73,156	30,94,668	Nil	1,01,67,824
Mr. Kazuhiro Nishioka	54,18,075	30,94,668	Nil	85,12,743
Mr. Pankaj Munjal	Nil	Nil	15,000	15,000
Mr. Ashok Kumar Munjal	Nil	Nil	1,65,000	1,65,000
Mr. K. C. Sethi	Nil	Nil	1,35,000	1,35,000
Mr. Vinod K agrawal	Nil	Nil	1,05,000	1,05,000
Mr. Anil Kumar Vadehra	Nil	Nil	1,80,000	1,80,000

\* 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 Kumar 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 to the Company at E-mail Id [investorscomplaints@munjalshowa.net](mailto:investorscomplaints@munjalshowa.net).

During the year, the Company received 79 requests/complaints from the shareholders. All the requests/complaints were attended 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, 2008.

List of requests/complaints received from shareholders during the financial year 2007-2008 is as under:

Sr. No.	Nature of request/complaint received	Received	Solved	Pending
1.	Transfer of shares	1	1	Nil
2.	Non receipt of Annual Report	4	4	Nil
3.	Non- receipts of dividend warrants / Revalidation of dividend warrants	41	41	Nil
4.	Miscellaneous	33	33	Nil
<b>TOTAL</b>		<b>79</b>	<b>79</b>	<b>Nil</b>

#### 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
2006-2007	26E & F, Sector 3, IMT Manesar, Gurgaon	Tuesday, August 07, 2007	11:00 A.M.	NIL
2005-2006	26E & F, Sector 3, IMT Manesar, Gurgaon	Monday, August 28, 2006	11:00 A.M.	01
2004-2005	26E & F, Sector 3, IMT Manesar, Gurgaon	Tuesday, August 30, 2005	11:00 A.M.	01

No resolution has been passed by the Company's shareholders through postal ballot during the Financial Year 2007-08 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.
- The 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](http://www.munjalshowa.com) and are also available in the EDIFAR System maintained by the SEBI at its website [www.sebi.gov.in](http://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 growth of Auto Industry is not very encouraging in the financial year 2007-08 as some of the key players find it difficult to sail smoothly. Main factors in slowing growth are steep rise in interest rates and phenomenal increase in raw material inputs especially steel. Overall decline in the Industry is to the

tune of 5 per cent in the financial year 2007-08 as compared to last year. The slowdown has resulted in direct impact on the production and sales of the Component Manufacturers. Passenger cars have, somehow, maintained a positive growth of around 12 per cent through launch of new models and incentive schemes. Munjal Showa Limited continued to dominate in OEM business in organized sector. All customers are on moderate growth, where your Company is supplying as a single source for suspension parts. The Company's range and overall path variety has expanded significantly with the introduction of new models.

The Company successfully developed Gas Charged Rear Cushion for HUNK model of Hero Honda. The Company also developed altogether new Front Fork and Rear Cushion for Aviator scooter model of Honda Motorcycles and Scooters India Private Limited. In addition, the Company developed Front Fork and Rear Cushion with minor change covering models KHVA Splendor III and KWFA Passion Plus for Hero Honda and KTEG- Shine and KSPG Unicorn for Honda Motorcycle and Scooters. 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**

With escalation in International oil price coupled with volatile steel prices and cheap auto component import from China, the overall outlook at present does not appear to be promising. A specter of uncertainty is looming large with regard to basic inputs and its trends which are very de-motivating for the Industry. Although, our customers have chalked out growth plan on the strengthened demand indication from the market, the efficacy however, will depend on Government Policies. During the period under review, total sales of Two Wheeler was 8.07 millions out of which motorcycle accounted for 6.54 millions. Hero Honda continued to lead the market with more than 50 per cent market share in motor cycle segment. Maruti Udyog Limited also continued to enjoy leadership position with 7.65 million passenger cars. The Company is a single source supplier for export vehicle of Maruti Udyog Limited and for domestic models share of business is around 50 per cent. We are single source supplier for Hero Honda Motors Limited, Honda Siel Cars India Limited and Honda Motorcycles and Scooters India Private Limited (HMSI) except scooter models of HMSI where the Company's share is 80 per cent.

The 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 10 per cent.

### **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 2008-09 appears to be encouraging as indicators are favorable with respect to our valued customers and overall health of Indian Economy. The key drivers for the industry are timely monsoon, crop and minimum support price coupled with Government focus on agricultural development. Banks are likely to be liberal and thus enhance credit disbursement in line with Government policy of increasing rural and farm credit. Government decision regarding farm debt waiver to the extent of Rs. 71,680 Crores and to swap the existing loans of farmers from money lenders to banks to boost the agriculture sector will definitely influence overall scenario and mind set. Reduction in general CENVAT rate on all goods from 16 per cent to 14 per cent, reduction in excise duty on small cars and on two wheeler from 16 per cent to 12 per cent and on hybrid cars from 24 per cent to the general revised rate of 14 per cent will definitely stimulate demand despite dampened outlook. Further, relaxation in enhancing the slabs of Income Tax of threshold limit of exemption and significant cut in tax

for individuals will eventually lead to availability of disposable money and thus lead to enhance sales.

### **Risk and Concerns**

The major risk associated with the Automobile Industry continued to be dependency largely on timely monsoon and availability of credit especially from public sector banks. The growth of rural economy is in the list of top priority of the Government. Scheduled Commercial Banks and Regional Rural Banks are expected to extend financing in line with Government decision to increase credit allocation to rural and farm sector in 2008-09.

During the year 2007-08, raw-materials and components formed 64.18 % of the gross sales. For the past several years, steel prices, aluminum price and crude oil prices have been going upwards. However it is expected that steel and aluminum prices will eventually stabilize with government intervention. The Company has been partly countering such increases through long term contracts, identification of alternative sources, cost reduction & VAVE 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 per se. 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 on growth path and this trend is likely to persist.

The 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 front and widening its customer base as and when any opportunity arises and also by reviewing prices with existing customers to balance the additional raw material cost impact on account of price increase in metals and other inputs & expenditure.

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 7.00 % 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.84,371.01 lacs as against the corresponding previous year Rs.81,881.84 lacs. However, the profit before tax declined to Rs. 2,978.46 lacs as against the corresponding previous year of Rs. 3,963.46 lacs mainly due to hike in steel & other major raw-material prices, fuel & interest cost and foreign exchange fluctuation due to high volatility in exchange rate during the year under review.

### **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 2204 employees, as on 31st March, 2008. 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	:	August 07, 2008, 11:00 A. M.
-Venue	:	26 E & F, Sector-3, IMT Manesar, Gurgaon-Haryana

### **2) Financial Calendar**

(a) Financial Year 2008-2009	:	April to March
(b) Financial reporting for the quarter ending June'2008	:	End July' 2008
(c) Financial reporting for the half year ending September' 2008	:	End October'2008
(d) Financial reporting for the quarter ending December'2008	:	End January'2009
(e) Financial reporting for the year ending March'2009.	:	End June' 2009
(f) Annual General Meeting for the year ending March 31, 2009	:	End September'2009

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

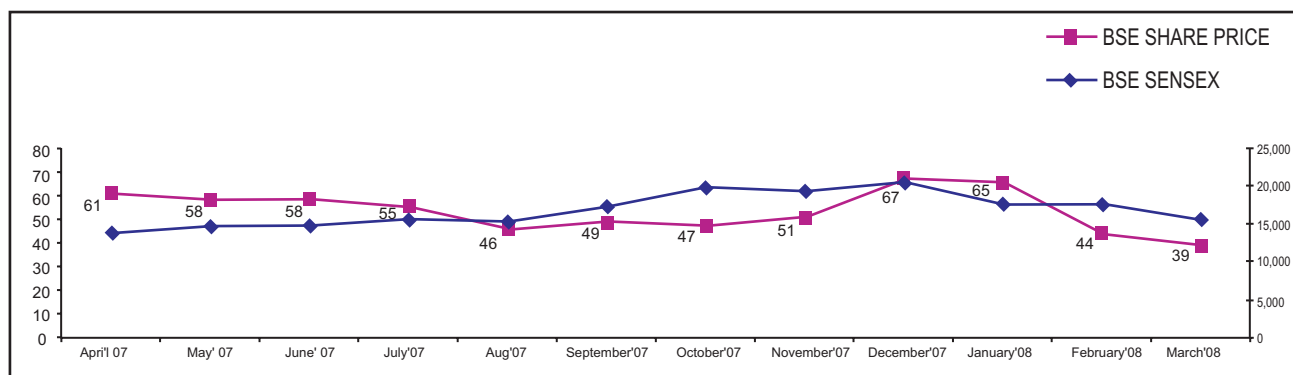
**4) Date of Book Closure** : July 19, 2008 to August 07, 2008 (both days inclusive)

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

- 6) **Listing on Stock Exchanges** : - Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001  
 - National Stock Exchange of India Limited "Exchange Plaza", Bandra- Kurla Complex, Bandra ( E ), Mumbai- 400 051
- 7) **Stock Code**  
 -The Stock Exchange, Mumbai : 520043  
 -National Stock Exchange : munjalshow  
 -International Securities Identification number (ISIN) : INE577A01027  
 for NSDL & CDSL
- 8) **Monthly Highs, Lows and volume for the year 2007-2008 on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).**

YEAR - 2007-08	Bombay Stock Exchange			National Stock Exchange		
	High(Rs)	Low(Rs)	Volume (Nos.)	High(Rs)	Low(Rs)	Volume (Nos.)
April'07	61	52	90945	59	53	170893
May'07	58	52	130144	58	52	219247
June'07	58	48	219592	61	48	300481
July'07	55	46	328480	52	45	292085
August'07	46	39	165869	46	39	221945
September'07	49	44	155173	50	43	303127
October'07	47	38	258895	47	39	351134
November'07	51	37	672600	51	35	777160
December'07	67	47	2227408	69	45	2021795
January'08	65	33	1650797	66	34	1369045
February'08	44	39	330374	44	36	216425
March'08	39	27	291648	40	29	392123

9) **Stock Performance of Munjal Showa Limited Vs. Bombay Stock Exchange (BSE) Indices: INDEX COMPARISON COMPANY'S SHARE PRICE vs. SENSEX**



- 10) **Registrar and Share Transfer Agents** : MCS Limited  
 Shri Venkatesh Bhawan  
 W-40, Okhla Industrial Area  
 Phase-II, New Delhi-110 020  
 Tel: 41406149, 51, 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 8500 shares.

12) **A. Distribution of Shareholding as on March 31, 2008:**

No. of shares	Shareholders	% Shareholders	No. of shares	% Shareholding
Upto 500	5910	65.49	1174886	2.94
501-1000	1553	17.21	1446021	3.62
1001-2000	876	9.71	1550544	3.88
2001-3000	253	2.80	663228	1.66
3001-4000	131	1.45	493875	1.23
4001-5000	100	1.11	484981	1.21
5001-10000	105	1.16	787172	1.97
10001-50000	67	0.74	1404664	3.51
50001-100000	13	0.14	877311	2.19
100001 and above	17	0.19	31112318	77.79
<b>Total</b>	<b>9025</b>	<b>100.00</b>	<b>39995000</b>	<b>100.00</b>

**B. Shareholding pattern as on March 31, 2008**

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
<b>Indian Promoters</b>	5	15604000	12600000	39.01
<b>Foreign Promoters</b>	1	10400000	0	26.00
<b>Public Shareholding</b>				
<b>Institutions</b>				
Mutual Funds/ UTI	5	505500	502000	1.26
Financial Institutions/ Banks	7	9900	2900	0.02
Insurance Companies	1	500	500	0.00
Foreign Institutional Investors	1	60	60	0.00
<b>Non-institutions</b>				
Bodies Corporate	396	4523665	4510665	11.31

<b>Individuals -</b>				
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	8473	7147774	6093318	17.87
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	16	1687265	1687265	4.22
Any Other-NRI	119	111336	106336	0.28
Any Other-Trust & foundation	1	5000	5000	0.01
<b>GRAND TOTAL</b>	<b>9025</b>	<b>39995000</b>	<b>25508044</b>	<b>100.00</b>
<b>% of Dematerialization</b>			<b>63.78%</b>	

### 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, 2008 a total of 25,508,044 equity shares of the Company, which forms 63.78 % 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** : - 9-11, Maruti Industrial Area, Gurgaon- 122 015, Haryana  
- 26 E & F, Sector -3, IMT Manesar, Gurgaon, Haryana

**17) Address for Correspondence** : - 9-11, Maruti Industrial Area, Gurgaon-122 015, Haryana

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 contacted 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, 2008 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 Chander Munjal)**  
Managing Director

Place : New Delhi,  
Date : May 23, 2008

**( 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, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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

Place : Gurgaon  
Date : May 23, 2008

per **Pankaj Chadha**  
Partner  
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 2007-08 and their impact

Measures taken	Impact
Reduction of hydraulic pressure in the machine shop from the defined pressure	Reduction in power consumption and hydraulic spares
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 re-winded motors with energy efficient motors	Reduction in power consumption
Running of DGs in synchronization mode	Reduction in fuel 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 heat recovery system from DGs	Reduction in fuel consumption of hot water generator

##### 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, and
- Improve of power factor and indoor shop lighting, etc.

Special emphasis has been given to improve the productivity of electric motors. A team of experts is studying on a continuous basis the possibility of use of various methods by which the Company can optimize 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.8,47,738/-
<b>Total</b>	<b>Rs.8,47,738/-</b>

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, the Company is catering to the 100% requirement of Shock Absorbers, Struts and Window Balancers for export models of Hero Honda Motors Limited, Honda Siel Cars India Limited, Maruti Suzuki India Limited and Honda Motorcycles and Scooter India Pvt. Limited.

**Total Foreign Exchange used and earned**

The foreign exchange earnings during the year were Rs.16,83,229/- and foreign exchange outgo during the year was Rs.65,46,88,979/-.

For and on behalf of the Board

**BRIJMOHAN LALL MUNJAL**

**Chairman**

Place : New Delhi

Dated : May 23, 2008

## 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, 2008

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 Chander Munjal	68	Managing Director	Overall management of the affairs of the Company	B. Arch.	44	01.09.1986	1,01,67,824	Chief Executive Rockman Cycle Inds. Ltd.	800(0.01%)	As per Rules of the Company
2	Khzuhiro Nishioka	44	Joint Managing Director	Overall Management of the affairs of the Company	Graduate Engineer	21	01.08.2005	85,12,743	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 (Rs. 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.

Place: New Delhi  
Date : May 23, 2008

For and on behalf of the Board  
**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, 2008 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008;
    - 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

Place : Gurgaon  
Date : May 23, 2008

Membership No.: 91813

**Annexure referred to in paragraph 3 of our report of even date****Re: Munjal Showa Limited ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and as informed, *material discrepancies were identified* on such verification. These have been properly dealt with in the books of accounts.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (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.
- (iii) (a) As informed, 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 (iii)(b),(c) and (d)) of the Order are not applicable to the Company.
- (b) As informed, 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 (iii)(f) and (g)) of the Order are not applicable to the Company.
- (iv) 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.
- (v) (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 made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs 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.
- (vi) The Company has not accepted any deposits from the public.
- (vii) 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.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (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, service 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, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount in Rs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty under Section 271(1)(c)	8,500,000	2004-05	CIT (Appeals), New Delhi
ESI Act	ESI Contribution	4,365,034	1994-98	Employee Insurance Court, Gurgaon.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) 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.
- (xii) 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.
- (xiii) 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 (as amended) are not applicable to the Company.
- (xiv) 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.
- (xv) 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.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) 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  
Membership No.:91813

Place: Gurgaon  
Date : May 23, 2008

**BALANCE SHEET AS AT MARCH 31, 2008**

	Schedules	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	79,992,500	79,992,500
Reserves and surplus	2	1,459,707,498	1,360,099,407
		<u>1,539,699,998</u>	<u>1,440,091,907</u>
<b>Loan funds</b>			
Secured loans	3	351,568,323	241,336,888
		<u>351,568,323</u>	<u>241,336,888</u>
<b>Deferred tax liabilities (net)</b>	4	<b>96,580,945</b>	89,031,374
<b>TOTAL</b>		<u><b>1,987,849,266</b></u>	<u>1,770,460,169</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	2,236,931,202	1,908,540,062
Less : Accumulated Depreciation		826,669,817	715,200,280
Net block		1,410,261,385	1,193,339,782
Capital work-in-progress including capital advances		353,777,645	375,118,634
		<u>1,764,039,030</u>	<u>1,568,458,416</u>
<b>Intangibles</b>	6	<b>4,057,259</b>	8,303,018
<b>Investments</b>	7	-	9,664
<b>Current assets, loans and advances</b>			
Inventories	8	260,652,787	276,974,343
Sundry debtors	9	782,091,273	766,944,195
Cash and bank balances	10	22,380,596	10,253,176
Other current assets	11	7,450,000	20,447,637
Loans and advances	12	266,109,908	224,322,181
		<u>1,338,684,564</u>	<u>1,298,941,532</u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	13	981,005,778	971,783,249
Provisions	14	137,925,809	133,469,212
		<u>1,118,931,587</u>	<u>1,105,252,461</u>
<b>Net Current Assets</b>		<b>219,752,977</b>	193,689,071
<b>TOTAL</b>		<u><b>1,987,849,266</b></u>	<u>1,770,460,169</u>
<b>Notes to accounts</b>	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

**Yogesh Chander Munjal**  
Managing Director

**Kazuhiro Nishioka**  
Jt. Managing Director

**Ashok Munjal**  
Director

**Pankaj Munjal**  
Director

**Vinod K Agrawal**  
Director

**Anil Kumar Vadehra**  
Director

Place : Gurgaon  
Date : May 23, 2008

**Mahesh Taneja**  
GM- Finance and IT

**Pankaj Gupta**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008**

	Schedules	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
<b>INCOME</b>			
Turnover (Gross)		8,292,852,532	8,070,211,486
Less : Excise duty		<u>1,199,064,605</u>	<u>1,151,216,630</u>
Turnover (Net)		7,093,787,927	6,918,994,856
Other income	15	<u>144,247,611</u>	117,973,255
<b>TOTAL</b>		<u><b>7,238,035,538</b></u>	<u><b>7,036,968,111</b></u>
<b>EXPENDITURE</b>			
Raw materials and components consumed	16	5,323,272,570	5,239,163,654
Personnel expenses	17	298,272,672	236,801,061
Operating and other expenses	18	1,143,027,087	1,037,667,796
Decrease/(increase) in inventories	19	(784,595)	(10,671,472)
Depreciation and amortization	5 and 6	153,623,310	130,761,577
Increase of excise duty on finished goods		54,011	840,772
Financial expenses	20	<u>22,724,801</u>	<u>6,058,887</u>
<b>TOTAL</b>		<u><b>6,940,189,856</b></u>	<u><b>6,640,622,275</b></u>
<b>Profit before tax</b>		<u><b>297,845,682</b></u>	<u><b>396,345,836</b></u>
<b>Provision for tax</b>			
Current tax		93,945,919	110,500,000
Deferred tax		7,549,570	23,680,536
Fringe benefit tax		3,157,801	2,300,000
Total tax expense		<u>104,653,290</u>	<u>136,480,536</u>
<b>Profit after tax</b>		<u><b>193,192,392</b></u>	<u><b>259,865,300</b></u>
Balance brought forward from previous year		<u>169,314,806</u>	<u>103,033,807</u>
<b>Profit available for appropriation</b>		<u><b>362,507,198</b></u>	<u><b>362,899,107</b></u>
Appropriations:			
Proposed final dividend		79,990,000	79,990,000
Tax and cess on dividend		13,594,301	13,594,301
Transfer to general reserve		<u>100,000,000</u>	<u>100,000,000</u>
<b>Surplus carried to balance sheet</b>		<u><b>168,922,897</b></u>	<u><b>169,314,806</b></u>
<b>Earnings per share</b>			
Basic and diluted [Nominal value of shares Rs 2 (Previous year Rs 2)]	21	<b>4.83</b>	6.50
<b>Notes to Accounts</b>	22		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

As per our Report of even date

**For S.R.BATLIBOI & CO.** For and on behalf of the Board of Directors  
**Chartered Accountants**

**per Pankaj Chadha**  
Partner  
Membership No. 91813

**Yogesh Chander Munjal**  
Managing Director

**Kazuhiro Nishioka**  
Jt. Managing Director

**Ashok Munjal**  
Director

**Pankaj Munjal**  
Director

**Vinod K Agrawal**  
Director

**Anil Kumar Vadehra**  
Director

Place : Gurgaon  
Date : May 23, 2008

**Mahesh Taneja**  
GM- Finance and IT

**Pankaj Gupta**  
Company Secretary



## SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2008 Rs.</u>	<u>As at March 31, 2007 Rs.</u>
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
75,000,000 (Previous Year 75,000,000) equity shares of Rs.2 (Previous Year Rs.2) each	<u>150,000,000</u>	<u>150,000,000</u>
<b>Issued</b>		
39,997,500 (Previous Year 39,997,500) equity shares of Rs.2 (Previous Year Rs.2) each	<u>79,995,000</u>	<u>79,995,000</u>
<b>Subscribed and Paid Up</b>		
39,995,000 (Previous Year 39,995,000) equity shares of Rs.2 (Previous Year Rs.2) 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>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>General reserve</b>		
Balance as per last account	<u>1,190,784,601</u>	<u>1,090,784,601</u>
Add: Transfer from profit and loss account	<u>100,000,000</u>	<u>100,000,000</u>
	<u>1,290,784,601</u>	<u>1,190,784,601</u>
<b>Profit and loss account</b>		
	<u>168,922,897</u>	<u>169,314,806</u>
	<u>1,459,707,498</u>	<u>1,360,099,407</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
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>54,594,621</u>	<u>148,201,333</u>
b Other short term loans	-	<u>35,000,000</u>
c Other Long 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. Amount payable within one year Rs. Nil.)	<u>255,729,379</u>	-
d Interest accrued and due	-	<u>193,068</u>
e Vehicle loan (Secured by hypothecation of vehicle. Amount repayable within one year Rs. 244,892)	<u>1,151,614</u>	-
<b>Buyer's credit from a bank</b>		
(Secured by exclusive charge on assets funded. Amounts repayable within one year Rs. 22,910,120 (Previous Year Rs. 21,069,996))	<u>40,092,709</u>	<u>57,942,487</u>
	<u>351,568,323</u>	<u>241,336,888</u>

	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SCHEDULE 4 : DEFERRED TAX LIABILITIES (NET) :</b>		
<b>Deferred tax liabilities</b>		
Differences in depreciation in block of fixed assets as per tax books and financial books	130,955,609	109,079,732
Maturity value of insurance	-	6,373,125
<b>Gross deferred tax liabilities</b>	<b>130,955,609</b>	<b>115,452,857</b>
<b>Deferred tax assets</b>		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	34,374,664	16,844,065
Provision for doubtful debts and advances	-	9,577,418
<b>Gross deferred tax assets</b>	<b>34,374,664</b>	<b>26,421,483</b>
<b>Net deferred tax liabilities</b>	<b>96,580,945</b>	<b>89,031,374</b>

**SCHEDULE 5 : FIXED ASSETS**

	Land-Freehold	Buildings	Plant and machinery	Office equipment, furniture and fittings	Vehicles	Total	Previous year
<b>Gross block</b>							
At 01.04.2007	147,002,923	244,898,845	1,445,925,924	49,781,964	20,930,406	1,908,540,062	1,676,425,735
Additions	-	-	356,982,718	2,512,987	12,482,610	371,978,315	237,701,022
Deductions	-	-	36,310,315	3,844,268	3,432,592	43,587,175	5,586,695
<b>At 31.03.2008</b>	<b>147,002,923</b>	<b>244,898,845</b>	<b>1,766,598,327</b>	<b>48,450,683</b>	<b>29,980,424</b>	<b>2,236,931,202</b>	<b>1,908,540,062</b>
<b>Depreciation</b>							
At 01.04.2007	-	37,729,864	644,446,118	23,798,120	9,226,178	715,200,280	594,088,845
For the year	-	8,000,035	128,973,321	3,719,782	2,670,913	143,364,051	124,474,547
Deletions / adjustments	-	-	27,797,566	2,257,287	1,839,661	31,894,514	3,363,112
<b>At 31.03.2008</b>	<b>-</b>	<b>45,729,899</b>	<b>745,621,873</b>	<b>25,260,615</b>	<b>10,057,430</b>	<b>826,669,817</b>	<b>715,200,280</b>
For previous year	-	7,937,865	110,529,605	4,085,354	1,921,723	124,474,547	
<b>Net block</b>							
<b>At 31.03.2008</b>	<b>147,002,923</b>	<b>199,168,946</b>	<b>1,020,976,454</b>	<b>23,190,068</b>	<b>19,922,994</b>	<b>1,410,261,385</b>	<b>1,193,339,782</b>
At 31.03.2007	147,002,923	207,168,981	801,479,806	25,983,844	11,704,228	1,193,339,782	
Capital work-in-progress including capital advances						353,777,645	375,118,634

**SCHEDULE 6: INTANGIBLE ASSETS**

	Designs and drawings	Previous year
<b>Gross block</b>		
At 01.04.2007	26,866,548	14,424,000
Additions	6,013,500	12,442,548
<b>At 31.03.2008</b>	<b>32,880,048</b>	<b>26,866,548</b>
<b>Amortisation</b>		
At 01.04.2007	18,563,530	12,276,500
For the year	10,259,259	6,287,030
<b>At 31.03.2008</b>	<b>28,822,789</b>	<b>18,563,530</b>
For previous year	18,563,530	
<b>Net Block</b>		
<b>At 31.03.2008</b>	<b>4,057,259</b>	<b>8,303,018</b>
At 31.03.2007	8,303,018	

## SCHEDULES TO THE ACCOUNTS

	<u>As at</u> <u>March 31, 2008</u> Rs.	<u>As at</u> <u>March 31, 2007</u> Rs.
<b>SCHEDULE 7 : INVESTMENTS - UNQUOTED</b>		
<b>Current Investments (at lower of cost and market value)</b>		
Nil (Previous Year 961) Units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan Dividend Reinvestment of face value of Rs. 10 each	-	9,664
	<u>-</u>	<u>9,664</u>
1. Repurchase price of investments in Mutual Funds amounts to Rs. NIL/- (Previous Year Rs. 9,664/-)		
2. 4,992,459 units of Birla Mutual Fund Cash Plus institutional premium- Daily Dividend reinvestment option, 6,759,679 units of Birla Mutual Fund Liquid Plus institutional Growth option 8,408,954 units of HDFC Mutual Fund- HDFC Cash Management Fund- Savings Plan- Daily Dividend, 5,158,335 units of HDFC Mutual Fund- HDFC Liquid Fund-Growth option 200,288,171 units of Reliance Mutual Fund- Reliance Floating Rate Fund- Growth Plan- Growth Option, 5,176,573 units of Reliance Mutual Fund- RLF- Treasury Plan- Institutional Option- Growth Option and 298,081,964 units of Birla Mutual Fund- Sweep Fund- Dividend Reinvestment were purchased and sold during the year.		
3. 961 Units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan- Dividend Reinvestment Option sold during the year		
<b>SCHEDULE 8: INVENTORIES</b>		
<b>(At lower of cost and net realisable value)</b>		
Raw materials and components [Including materials in transit Rs 47,621,179 (Previous Year Rs 49,004,438)]	<b>152,561,226</b>	177,725,917
Stores and spares [Including materials in transit Rs 2,304,180 , (Previous Year Rs 1,034,128)]	<b>36,377,597</b>	28,319,057
Work-in- progress	<b>50,876,683</b>	53,857,000
Finished goods	<b>18,036,819</b>	16,957,070
Scrap	<b>2,800,462</b>	115,299
	<u><b>260,652,787</b></u>	<u>276,974,343</u>
<b>SCHEDULE 9: SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	<b>3,029,023</b>	4,327,150
Unsecured, considered doubtful	<b>2,248,343</b>	2,417,601
<b>Other debts</b>		
<b>Unsecured, considered good</b>	<u><b>779,062,250</b></u>	<u>762,617,045</u>
	<b>784,339,616</b>	769,361,796
Less : Provision for doubtful debts	<b>2,248,343</b>	2,417,601
	<u><b>782,091,273</b></u>	<u>766,944,195</u>

## SCHEDULES TO THE ACCOUNTS

	<u>As at March 31, 2008 Rs.</u>	<u>As at March 31, 2007 Rs.</u>
<b>SCHEDULE 10: CASH AND BANK BALANCES</b>		
Cash on hand	1,378,890	418,783
Balances with scheduled banks:		
On current accounts	15,774,765	572,978
On cash credit accounts	3,068,888	7,372,139
On unpaid dividend accounts	2,158,053	1,889,276
	<u>22,380,596</u>	<u>10,253,176</u>
<b>SCHEDULE 11: OTHER CURRENT ASSETS</b>		
Insurance Claim Receivable	7,450,000	-
Maturity value of insurance	-	18,750,000
Accrued gain on cancelled forward contracts	-	1,697,637
	<u>7,450,000</u>	<u>20,447,637</u>
<b>SCHEDULE 12: LOANS AND ADVANCES</b>		
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 22,984,360 being considered doubtful)	52,767,723	49,542,845
Loans to employees (including Rs 28,045, Previous Year Rs 28,045 being considered doubtful)	8,870,162	6,584,923
Balances with customs, excise, etc. (including Rs.1,025,129, Previous Year Rs 2,747,158 being considered doubtful)	163,974,142	133,839,210
Deposits – others	9,891,393	8,006,647
Advance income tax/ tax deducted at source ( net of provision of Rs.349,883,905)	54,383,824	51,390,119
Advance fringe benefit tax (net of provision for tax of Rs.8,239,801)	260,199	718,000
	<u>290,147,443</u>	<u>250,081,744</u>
Less: Provision for doubtful advances	<u>24,037,535</u>	<u>25,759,563</u>
	<u>266,109,908</u>	<u>224,322,181</u>
<b>SCHEDULE 13: CURRENT LIABILITIES</b>		
Acceptances	118,138,839	123,334,366
Sundry creditors		
- total outstanding dues of Medium and Small Enterprise*	43,425,449	100,667,375
- total outstanding dues of creditors other than Medium and Small Enterprise	787,293,309	705,160,719
- Accrued liability on forward contracts	-	6,904,001
- Other liabilities	29,990,203	33,840,949
Investor Education and Protection Fund shall be credited by following amount (as and when due):		
- Unpaid dividend	2,157,978	1,875,839
	<u>981,005,778</u>	<u>971,783,249</u>

\* Amount represents amounts due to medium and small enterprises, to the extent such parties have been identified from available documents/information.

**SCHEDULES TO THE ACCOUNTS**

	<u>As at March 31, 2008 Rs.</u>	<u>As at March 31, 2007 Rs.</u>
<b>SCHEDULE 14: PROVISIONS</b>		
Provision for wealth tax	345,919	265,429
Provision for leave encashment	10,349,439	8,923,913
Provision for gratuity	9,728,180	2,103,531
Provision for warranties	23,917,970	28,592,038
Proposed dividend	79,990,000	79,990,000
Tax on proposed dividend	13,594,301	13,594,301
	<u>137,925,809</u>	<u>133,469,212</u>
<b>SCHEDULE 15: OTHER INCOME</b>		
	<u>For the Year Ended March 31, 2008</u>	<u>For the Year Ended March 31, 2007</u>
Interest:		
Bank deposits (Tax deducted at source Rs Nil, previous year Rs Nil)		
- Others (Tax deducted at source Rs 218,768 , Previous Year Rs Nil)	1,007,290	315,560
Profit on sale of short term non trade investments	5,304,529	4,574,292
Dividend on short term non trade investments	846,024	1,425,370
Gain on cancellation of foreign exchange contracts (net)	-	18,750,000
Sale of scrap	98,679,161	91,476,654
Profit on sale of fixed assets (net)	-	996,898
Miscellaneous income	38,410,607	434,481
	<u>144,247,611</u>	<u>117,973,255</u>
<b>SCHEDULE 16: RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Inventories as at March 31, 2007	177,725,917	242,728,273
Add: Purchases	5,298,107,879	5,174,161,298
	5,475,833,796	5,416,889,571
Less: Inventories as at March 31, 2008	152,561,226	177,725,917
	<u>5,323,272,570</u>	<u>5,239,163,654</u>
<b>SCHEDULE 17: PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	246,581,076	196,108,980
Contribution to provident fund	11,882,403	8,445,439
Gratuity Expense	9,360,156	5,880,680
Contribution to superannuation fund	1,298,621	1,043,526
Workmen and staff welfare expenses	29,150,416	25,322,436
	<u>298,272,672</u>	<u>236,801,061</u>
<b>SCHEDULE 18: OPERATING AND OTHER EXPENSES</b>		
Consumption of stores and spares	269,361,440	277,886,300
Sub-contracting expenses	114,847,889	75,063,680
Power and fuel	277,079,379	257,862,204
Freight and forwarding charges	12,491,870	11,889,875
Rent	1,521,308	1,348,940
Rates and taxes		
- Others	1,074,477	905,381
Insurance	8,818,697	11,066,078

## SCHEDULES TO THE ACCOUNTS

	For the Year Ended March 31, 2008 Rs.	For the Year Ended March 31, 2007 Rs.
Repairs and maintenance		
- Plant and machinery	36,176,491	30,293,942
- Buildings	5,120,268	10,682,304
- Others	23,428,873	28,285,901
Advertising and sales promotion	848,210	690,830
Cash discounts	28,674,855	9,858,726
Royalty	190,306,184	181,736,020
Technicians fee	1,569,248	533,017
Warranty expenses	4,928,686	13,253,614
Legal and professional expenses	7,422,418	7,865,311
Travelling and conveyance	27,426,876	22,677,798
Communication costs	3,013,190	2,145,657
Printing and stationery	2,673,072	2,964,109
Directors' sitting fees	660,000	600,000
Auditor's remuneration		
- Audit fee	770,000	695,000
- For certification and others matters	600,000	600,000
- Out-of-pocket expenses	105,000	85,000
	<u>1,475,000</u>	<u>1,380,000</u>
Donations and contributions	177,801	1,093,452
Provision for doubtful debts and advances	-	759,274
Exchange differences (net)	95,293,423	75,838,339
Loss on sale / discard of fixed assets (net)	11,355,334	-
Miscellaneous expenses	17,282,098	10,987,044
	<u>1,143,027,087</u>	<u>1,037,667,796</u>

### SCHEDULE 19 : DECREASE/(INCREASE) IN INVENTORIES

Inventories as at March 31, 2007		
- 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>
Inventories as at March 31, 2008		
- Work-in-progress	50,876,683	53,857,000
- Scrap	2,800,462	115,299
- Finished goods	18,036,819	16,957,070
	<u>71,713,964</u>	<u>70,929,369</u>
	<u>(784,595)</u>	<u>(10,671,472)</u>

### SCHEDULE 20: FINANCIAL EXPENSES

Interest		
- on banks	6,509,921	2,857,416
- others	15,128,845	1,978,153
Bank charges	1,086,035	1,223,318
	<u>22,724,801</u>	<u>6,058,887</u>

### SCHEDULE 21: EARNINGS PER SHARE (EPS)

Net profit as per profit and loss account	193,192,392	259,865,300
Weighted average number of equity shares in calculating basic and diluting EPS	39,995,000	39,995,000
EPS	4.83	6.50

## 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 Notified accounting standard by Companies Accounting Standards Rules, 2006 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 have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

#### Changes in Accounting Policies

##### Accounting for Derivatives

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored. In the previous year, no gains/losses were recognised. Had the previous year policy been followed the profit after tax would have been higher by Rs. 17,143,276 and current liabilities would have been lower by Rs. 17,143,276.

#### 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.
- 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 charges. 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 into account 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. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing on or after December 7, 2006 are capitalized as a part of fixed asset.

##### (iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

##### (v) Forward Exchange Contracts for trading or speculation purposes

A gain or loss on such forward exchange contracts is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier year). The gain or loss so computed is recognised in the statement of profit and loss for the period. The premium or discount on the forward exchange contract is not recognised separately.

#### **k) Retirement and other employee benefits**

(i) Retirement benefits in the form of provident fund contributions and superannuation fund (maintained as per the scheme of Life Insurance Corporation) which are defined contribution schemes 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 provided for on the basis of an actuarial valuation on projected unit credit method 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.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

In the previous year, the Company had 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.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

#### **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

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

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, front 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 business and geographical segment and thus no further disclosures required to be made as per of Accounting Standard (AS-17).

4. Related party disclosure

(i) Names of related parties

(a) Key management personnel and their relatives

- Mr. Brijmohan Lall Munjal- Chairman
- Mr. Yogesh Chander Munjal Managing Director
- Mr. Kazuhiro Nishioka- Joint Managing Director
- Mr. Suresh Munjal- Relative of Yogesh Chander 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
- Arrow Infrastructure Limited

(ii) 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, 2008 and 2007 and for the years then ended are presented in the following table:

## SCHEDULES TO THE ACCOUNTS

	Enterprises with significant influence over the Company		Key Management Personnel & their relatives		Enterprises over which Directors and their relatives have significant influence		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Transactions during the year</b>								
<b>Sale of Goods</b>								
Hero Honda Motors Ltd.	-	-	-	-	6,493,489,770	6,578,724,070	6,493,489,770	6,578,724,070
Hero Motors Ltd.	-	-	-	-	653,912	1,174,564	653,912	1,174,564
Majestic Auto Ltd.	-	-	-	-	1,963,401	9,092,585	1,963,401	9,092,585
Sunbeam Auto Ltd.	-	-	-	-	-	80,004	-	80,004
Showa Corporation	150,342	49,390	-	-	-	-	150,342	49,390
	150,342	49,390	-	-	6,496,107,083	6,589,071,223	6,496,257,425	6,589,120,613
<b>Purchase of Goods</b>								
Hero Honda Motors Ltd.	-	-	-	-	308,657	8,508	308,657	8,508
Sunbeam Auto Ltd.	-	-	-	-	1,799,024,444	1,332,231,036	1,799,024,444	1,332,231,036
Highway Cycle Inds. Ltd.	-	-	-	-	-	1,040,366	-	1,040,366
Majestic Auto Ltd.	-	-	-	-	2,313,341	1,668,590	2,313,341	1,668,590
Showa Corporation	322,581,742	480,055,028	-	-	-	-	322,581,742	480,055,028
	322,581,742	480,055,028	-	-	1,801,646,442	1,334,948,500	2,124,228,184	1,815,003,528
<b>Services</b>								
Hero Corporate Services Ltd.	-	-	-	-	3,375,339	3,057,760	3,375,339	3,057,760
	-	-	-	-	3,375,339	3,057,760	3,375,339	3,057,760
<b>Purchase of Assets</b>								
Hero Corporate Services Ltd.	-	-	-	-	-	113,164	-	113,164
Showa Corporation	8,481,898	1,845,972	-	-	-	-	8,481,898	1,845,972
	8,481,898	1,845,972	-	-	-	113,164	8,481,898	1,959,136
<b>Capital Advance</b>								
Arrow Infrastructure Ltd.					200,000,000	-	200,000,000	-
<b>Royalty</b>								
Showa Corporation	190,306,184	181,736,020	-	-	-	-	190,306,184	181,736,020
<b>Design &amp; Drawing fee</b>								
Showa Corporation	6,013,500	12,442,548	-	-	-	-	6,013,500	12,442,548
<b>Technician Fee</b>								
Showa Corporation	1,569,248	533,017	-	-	-	-	1,569,248	533,017
<b>Interest on L.C.</b>								
Showa Corporation	1,993,276	1,302,354	-	-	-	-	1,993,276	1,302,354
<b>Dividend Paid</b>								
Showa Corporation	20,800,000	20,800,000	-	-	-	-	20,800,000	20,800,000
Hero Cycles Ltd.	-	-	-	-	13,200,000	13,200,000	13,200,000	13,200,000
Thakurdevi Investment Private Limited	-	-	-	-	6,000,000	6,000,000	6,000,000	6,000,000

## SCHEDULES TO THE ACCOUNTS

	Enterprises with significant influence over the Company		Key Management Personnel & their relatives		Enterprises over which Directors and their relatives have significant influence		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Dayanand Munjal Trust Investment Private Ltd.	-	-	-	-	6,000,000	6,000,000	6,000,000	6,000,000
Mr.Suresh Munjal	-	-	6,000,000	6,000,000	-	-	6,000,000	6,000,000
Others	-	-	8,000	8,000	-	-	8,000	8,000
<b>Employee Benefits for Key Management Personnel</b>	<b>20,800,000</b>	<b>20,800,000</b>	<b>6,008,000</b>	<b>6,008,000</b>	<b>25,200,000</b>	<b>25,200,000</b>	<b>52,008,000</b>	<b>52,008,000</b>
Mr. Yogesh Chander Munjal	-	-	10,167,824	9,293,128	-	-	10,167,824	9,293,128
Mr. Kazuhiro Nishioka	-	-	8,512,743	7,832,796	-	-	8,512,743	7,832,796
Sureties given to Govt. Departments	-	-	18,680,567	17,125,924	-	-	18,680,567	17,125,924
Hero Honda Motors Ltd.	-	-	-	-	565,033,377	565,033,377	565,033,377	565,033,377
Sunbeam Auto Ltd.	-	-	-	-	126,100,000	100,000	126,100,000	100,000
Hero Cycles Ltd.	-	-	-	-	100,000	100,000	100,000	100,000
Sureties obtained	-	-	-	-	691,233,377	565,233,377	691,233,377	565,233,377
Hero Honda Motors Ltd.	-	-	-	-	1,886,800	1,886,800	1,886,800	1,886,800
Sunbeam Auto Ltd.	-	-	-	-	1,100,000	1,100,000	1,100,000	1,100,000
<b>Balance at year end Payable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,986,800</b>	<b>2,986,800</b>	<b>2,986,800</b>	<b>2,986,800</b>
<b>Trade Payable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hero Corporate Services Ltd.	-	-	-	-	1,957,721	2,572,199	1,957,721	2,572,199
Majestic Auto Ltd.	-	-	-	-	182,790	313,535	182,790	313,535
Sunbeam Auto Ltd.	-	-	-	-	144,023,733	187,413,869	144,023,733	187,413,869
Showa Corporation	240,811,493	240,517,715	-	-	-	-	240,811,493	240,517,715
<b>Trade Receivable</b>	<b>240,811,493</b>	<b>240,517,715</b>	<b>-</b>	<b>-</b>	<b>146,164,244</b>	<b>190,299,603</b>	<b>386,975,737</b>	<b>430,817,318</b>
Hero Honda Motors Ltd.	-	-	-	-	642,730,085	632,882,051	642,730,085	632,882,051
Showa Corporation	76,757	91,962	-	-	-	-	76,757	91,962
Others	-	-	-	-	1,197,897	4,259,094	1,197,897	4,259,094
<b>Total</b>	<b>792,784,440</b>	<b>939,374,006</b>	<b>24,688,567</b>	<b>23,133,924</b>	<b>10,010,641,267</b>	<b>9,348,051,572</b>	<b>10,828,114,274</b>	<b>10,310,559,502</b>

## SCHEDULES TO THE ACCOUNTS

	<u>As at</u> <u>March 31, 2008</u> Rs.	<u>As at</u> <u>March 31, 2007</u> Rs.
<b>5 Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	308,006,844	294,678,681

## 6. Provisions and Contingencies

### 6.1 Provisions

	Balance as at 1.4.07	Additions during the year	Amounts used during the year	Unused amounts reversed during the year	Balance as at 31.03.08
Provision for warranties	28,592,038	4,928,686	9,602,754	-	23,917,970
<b>Total</b>	<b>28,592,038</b>	<b>4,928,686</b>	<b>9,602,754</b>	<b>-</b>	<b>23,917,970</b>

### Provision for Warranty

A provision is recognized for expected warranty claims on products sold during the last two years, based on past experience of level of repairs and returns. Assumption used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two year warranty period for all products sold.

### 6.2 Contingent liabilities (not provided for) in respect of:

a)	Demand raised by Income Tax Authorities, being disputed by the Company	50,827,347	39,003,394
b)	Interest claims by customs authorities, not acknowledged by the Company	-	356,047
c)	Amount claimed by Employees State Insurance Recovery Officer	9,600,316	9,600,316

#### i) Demands raised by the Income Tax Authorities comprise of:

- 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).
- In respect of Assessment Years 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 issues relating to some percentage of expenses like royalty, technician fee, design and drawing, prior period (2004-05) 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 increase of Rs 8,500,000 is attributable to a penalty being raised under section 271(1)(c) for disallowances made in AY 2004-05 of royalty and technical fees.

The Company has obtained legal opinion as per which the Company has good chances of success. The amount involved is Rs 48,959,984 (Previous year Rs 37,136,031).

**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.

**7. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

	(Amount in Rs. 2008)	(Amount in Rs. 2007)
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	43,425,449	33,613,188
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

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. 1,199,067,512 (Previous Year Rs. 1,151,216,630) has been reduced from sales in profit & loss account and excise duty on increase in stock amounting to Rs. 54,011 (Previous Year Rs. 840,772) has been considered as expense in the financial statements.

**9. 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	
	2008	2007
Current service cost	2,248,956	1,628,775
Interest cost on benefit obligation	1,397,138	1,206,776
Expected return on plan assets	(1,239,373)	(969,750)
Net actuarial( gain) / loss recognized in the year	6,953,435	(57,643)
Past service cost	-	4,259,884
Net benefit expense	9,360,156	6,068,042
<b>Actual return on plan assets</b>	<b>1,528,692</b>	<b>1,175,110</b>

**Balance sheet**
**Details of Provision for gratuity**

	Gratuity	
	2008	2007
Defined benefit obligation	28,472,612	18,628,506
Fair value of plan assets	18,744,432	16,524,975
	9,728,180	2,103,531
Less: Unrecognised past service cost		
<b>Plan asset / (liability)</b>	<b>9,728,180</b>	<b>2,103,531</b>

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

	Gratuity	
	2008	2007
Opening defined benefit obligation	18,628,506	16,090,351
Interest cost	1,397,138	1,206,776
Current service cost	2,248,956	1,628,775
Benefits paid	(1,044,742)	(445,113)
Actuarial (gains) / losses on obligation	7,242,754	147,717
<b>Closing defined benefit obligation</b>	<b>28,472,612</b>	<b>18,628,506</b>

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

	Gratuity	
	2008	2007
Opening fair value of plan assets	16,524,975	10,775,003
Expected return	1,239,373	969,750
Contributions by employer	1,735,507	5,019,975
Benefits paid	(1,044,742)	(445,113)
Actuarial gains / (losses)	289,319	205,360
<b>Closing fair value of plan assets</b>	<b>18,744,432</b>	<b>16,524,975</b>

The Company expects to contribute Rs 9,728,180 to gratuity in 2008-09.



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

	<b>Gratuity</b>	
	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Investments with insurer	<b>100</b>	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:**

	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>7.50</b>	7.50
Expected rate of return on assets	<b>7.50</b>	9.00
Increase in Compensation cost	<b>7.00</b>	7.00
Employee turnover		
- Upto 30 years	<b>3.00</b>	3.00
- Upto 44 years	<b>2.00</b>	2.00
- Above 44 years	<b>1.00</b>	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 previous year, the Company had gone for early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006.

## 10. Operating Lease Obligations

The Company has taken various residential under operating lease agreements. These are generally not "non-cancellable" and are renewable by mutual consent on mutually agreed terms.

Lease payments for the year are Rs.1,072,868 ( Previous Year 1,030,000)

Minimum Lease Payments:

Not later than one year - Rs. 568,000 (Previous Year Rs.1,072,868)

Later than one year but not later than five years - Rs. Nil

Later than five years - Rs. Nil

<b>For the year ended March 31, 2008 (Rs.)</b>	<b>For the year ended March 31, 2007 (Rs.)</b>
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## 11. Supplementary statutory information

### 11.1 Directors' remuneration (excluding sitting fees)

Salaries and allowances	<b>8,600,000</b>	5,700,000
Commission to whole time directors	<b>6,189,336</b>	8,135,463
Perquisites	<b>2,945,231</b>	2,663,461
Contribution to provident and superannuation funds	<b>946,000</b>	627,000
	<b><u>18,680,567</u></b>	<u>17,125,924</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.

	For the year ended March <u>31, 2008</u> (Rs.)	For the year ended March <u>31, 2007</u> (Rs.)
<b>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</b>		
Profit as per profit and loss account	297,845,682	396,345,836
<b>Add</b> : Directors' remuneration	18,680,567	17,125,924
Provision for doubtful advances	(1,891,286)	759,274
Provision for warranty	(4,674,068)	(364,715)
Provision for inventory obsolescence	-	(8,428,582)
Provision for wealth tax	345,919	265,429
Provision for labour compensation	(1,500,000)	470,000
Directors sitting fee	6,60,000	600,000
Net profit as per Section 349 of the Companies Act, 1956	<u>309,466,814</u>	<u>406,773,166</u>
Commission to Managing Director and Joint Managing Director @ 1% of the net profits for each of them	6,189,336	8,135,463
<b>11.3 Earnings in foreign currency (on accrual basis)</b>		
Exports at F.O.B. value	1,683,229	1,305,155
<b>11.4 Expenditure in foreign currency (on accrual basis)</b>		
Technician fees	1,569,248	533,017
Royalty	190,306,184	181,736,020
Traveling	2,710,026	2,416,005
Interest	2,793,998	1,302,354
Design and drawings (considered as intangible asset)	6,013,500	12,442,548
Miscellaneous Expenses	2,150,977	-
	<u>205,543,933</u>	<u>198,429,944</u>
<b>11.5 Value of imports calculated on CIF basis (excluding material in transit)</b>		
Capital goods	71,823,746	12,397,762
Raw materials, components, stores, spares, tools, etc.	377,321,300	488,289,892
	<u>449,145,046</u>	<u>500,687,654</u>
<b>11.6 Dividend remitted in foreign exchange</b>		
Year to which the dividend pertains	2006-07	2005-06
Number of non-resident shareholders (to whom dividend remitted in foreign currency)	1	1
Number of equity shares held on which dividend was due	10,400,000	2,080,000
Amount of dividend remitted - net (in Rs)	20,800,000	20,800,000

**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 (2008)	Previous year (2007)	Current year (2008)	Previous year (2007)
Shock absorbers Nos.	21,513,000	20,301,000	16,187,852	15,786,994
Struts Nos.	1,212,000	1,212,000	1,001,638	900,756
Window balancer Nos.	1,006,500	969,000	520,677	473,768

\* 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.	16,178,578	15,771,939	7,204,251,991	7,078,941,036
Struts Nos.	999,272	899,022	887,272,518	820,010,154
Window balancer Nos.	518,807	476,253	68,669,309	61,744,549
Components, etc.			132,658,714	109,515,747
<b>TOTAL</b>			<b>8,292,852,532</b>	<b>8,070,211,486</b>

**12.3 Consumption of raw materials and components**

Unit	Quantity		Value (Rs)	
	Current year	Previous year	Current year	Previous year
Fork pipe Nos.	7,883,910	7,808,713	797,241,575	819,388,227
Bottom case Nos.	7,097,342	6,942,508	1,072,802,392	1,128,029,100
Main spring cushion Nos.	17,074,749	16,545,072	794,503,130	661,945,301
Oil seal Nos.	17,776,978	16,225,718	338,274,071	424,695,223
Dust seal Nos.	7,914,154	7,459,830	63,958,631	63,186,523
Other materials and components *			2,256,492,771	2,141,919,280
			<b>5,323,272,570</b>	<b>5,239,163,654</b>

\* 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	7	11	396,405,554	595,817,650
Indigenously procured	93	89	4,926,867,016	4,643,346,004
	<b>100</b>	<b>100</b>	<b>5,323,272,570</b>	<b>5,239,163,654</b>
Stores and spares				
Imported	9	10	25,384,315	29,130,261
Indigenously procured	91	90	243,977,125	248,756,039
	<b>100</b>	<b>100</b>	<b>269,361,440</b>	<b>277,886,300</b>

## 12.5 Details of Finished Goods

	Quantity		Value (Rs.)	
	Current year	Previous year	Current year	Previous year
Opening 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
			<b>16,957,070</b>	10,932,989
Closing Stock				
Shock absorbers	51,763	42,489	13,159,875	10,763,825
Struts	11,560	9,194	4,516,008	6,011,917
Window balancer	4,031	2,161	360,936	181,328
			<b>18,036,819</b>	16,957,070

## 13. Derivative Instruments and Unhedged Foreign Currency Exposure

Particulars of Derivatives	Purpose
<b>Foreign Exchange Option Contracts outstanding as at balance sheet date</b>	
JPY 161,058,880 (Notional amount)	Hedge against borrowing in JPY
JPY 637,888,199 (Notional amount)	Hedge against borrowing in JPY

### Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount in Rs	Foreign currency
Debtors-USD	193,753	USD 4,831
Debtors-JPY	76,757	JPY 191,462
Advances	2,422,322	USD 60,682
Creditors-JPY	112,812,799	JPY 309,846,284
Creditors- THB	151,035	THB 118,710
Creditors- USD	1,657,333	USD 41,539

## 14. Previous year comparatives

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

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

**Yogesh Chander Munjal**  
Managing Director

**Kazuhiro Nishioka**  
Jt. Managing Director

**Ashok Munjal**  
Director

**Pankaj Munjal**  
Director

**Vinod K Agrawal**  
Director

**Anil Kumar Vadehra**  
Director

Place : Gurgaon  
Date : May 23, 2008

**Mahesh Taneja**  
GM- Finance and IT

**Pankaj Gupta**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
<b>A. Cash flow from operating activities</b>		
<b>Profit before tax</b>	<b>297,845,682</b>	396,345,836
Adjustments for:		
Depreciation and amortisation	153,623,310	130,761,577
(Profit)/ Loss on sale of fixed assets	10,547,126	(996,898)
(Profit)/ Loss on sale of investments	(5,304,529)	(4,574,292)
Unrealised foreign exchange loss	17,422,097	5,323,830
Provision for doubtful debts and advances	-	759,274
Interest income	-	(315,560)
Dividend income	(846,024)	(1,425,370)
Interest expense	21,638,766	4,835,569
<b>Operating profit before working capital changes</b>	<b>494,926,428</b>	530,713,966
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(15,147,078)	(73,143,428)
Decrease / (Increase) in current assets	12,997,637	(17,248,098)
Decrease / (Increase) in inventories	16,321,556	53,763,882
Decrease / (Increase) loans and advances	(39,251,823)	7,843,994
Increase / (Decrease) in current liabilities	1,901,786	(8,961,036)
Cash generated from operations	471,748,506	492,969,281
Direct taxes paid (net of refunds)	(99,559,134)	(153,814,327)
Interest on income-tax refund	-	722,867
<b>Net cash from operating activities</b>	<b>372,189,372</b>	339,877,821
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(350,637,326)	(483,345,739)
Proceeds from sale of fixed assets	1,145,535	3,220,481
Purchase of intangible assets	(6,013,500)	(12,442,548)
Purchase of investments	(5,907,355,688)	(5,872,158,570)
Gain on cancellation of forward contracts	-	(6,904,001)
(Sale) / maturity of investments	5,912,669,882	5,921,617,041
Dividends received	846,024	1,425,370
<b>Net cash from investing activities</b>	<b>(349,345,073)</b>	(448,587,966)
<b>C. Cash flows from financing activities</b>		
Proceeds from long term borrowings	251,151,614	57,942,487
Proceeds from short term borrowings	54,594,621	183,394,401
Repayment of short term borrowings	(183,394,401)	(38,664,886)
Repayment of long term borrowings	(18,127,785)	-
Interest paid	(21,638,766)	(4,835,569)
Dividends paid	(79,707,861)	(79,696,295)
Tax on dividend paid	(13,594,301)	(11,218,598)
<b>Net cash used in financing activities</b>	<b>(10,716,879)</b>	106,921,540
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>12,127,420</b>	(1,788,605)
Cash and cash equivalents at the beginning of the year	10,253,176	12,041,781
Cash and cash equivalents at the end of the year	<b>22,380,596</b>	10,253,176

Components of cash and cash equivalents as at	March 31, 2008 Rs.	March 31, 2007 Rs.
Cash and cheques on hand	1,378,890	418,783
With banks:		
- on current account	15,774,765	572,978
- on unpaid dividend account	2,158,053	1,889,276
- cash credit / overdraft	3,068,888	7,372,139
	22,380,596	10,253,176

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

**Yogesh Chander Munjal**  
Managing Director

**Kazuhiro Nishioka**  
Jt. Managing Director

**Ashok Munjal**  
Director

**Pankaj Munjal**  
Director

**Vinod K Agrawal**  
Director

**Anil Kumar Vadehra**  
Director

Place : Gurgaon  
Date : May 23, 2008

**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	8
	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 9 8 7 8 4 9 2 6 6

Total Assets

1 9 8 7 8 4 9 2 6 6

Sources of Funds

Paid - up Capital

7 9 9 9 2 5 0 0

Reserves and Surplus

1 4 5 9 7 0 7 4 9 8

Secured Loans

3 5 1 5 6 8 3 2 3

Unsecured Loans

N I L

Deffered Tax Liabilities (Net)

9 6 5 8 0 9 4 5

**Application of Funds****Net Fixed Assets**

1 7 6 8 0 9 6 2 8 9

**Net Current assets**

2 1 9 7 5 2 9 7 7

**Accumulated Losses**

N I L

**Investments**

N I L

**Misc. Expenditure**

N I L

**IV Performance of Company (Amount in Rs.)****Turnover (including other income)**

7 2 3 8 0 3 5 5 3 8

**Profit / Loss before Tax**

2 9 7 8 4 5 6 8 2

**Earning per Share in Rs.**

0 4 . 8 3

**Total Expenditure**

6 9 4 0 1 8 9 8 5 6

**Profit / Loss after Tax**

1 9 3 1 9 2 3 9 2

**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

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

For and on behalf of the Board of Directors

**Yogesh Chander Munjal**  
Managing Director**Kazuhiro Nishioka**  
Jt. Managing Director**Ashok Munjal**  
Director**Pankaj Munjal**  
Director**Vinod K Agrawal**  
Director**Anil Kumar Vadehra**  
DirectorPlace : New Delhi  
Dated : 23.05.2008**Mahesh Taneja**  
GM- Finance and IT**Pankaj 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 23rd ANNUAL GENERAL MEETING of the Company held on Thursday the 7th day of August' 2008 at 26 E & F, Sector-3, IMT, Manesar, Gurgaon-122 050, Haryana at 11.00A.M.

Foilo 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)

Foilo 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, \_\_\_\_\_ 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 23rd Annual General Meeting of the Company to be held on Thursday the 7th day of August' 2008 at 11.00 A.M. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Foilo No.	
DP ID & Client ID No.	

\_\_\_\_\_  
Affix a  
One rupee  
Revenue  
Stamp

Signature.....

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

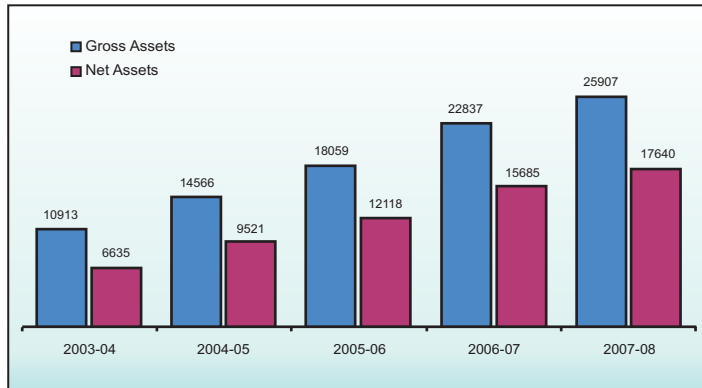
Note: The proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

(\* 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.

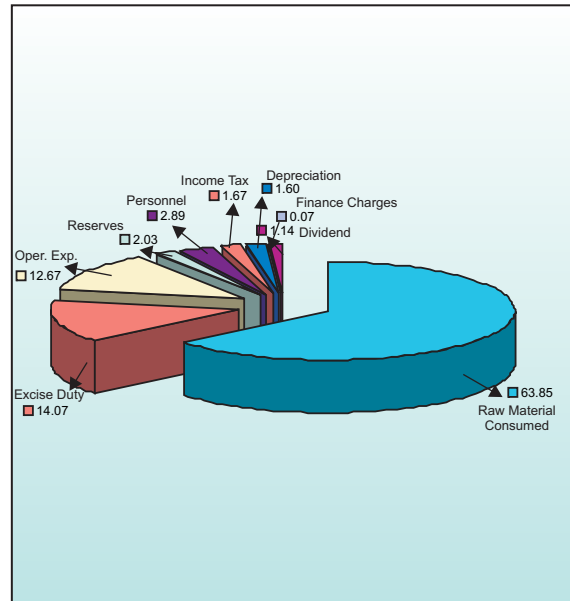


### Fixed Assets

(Rs. in Lacs)

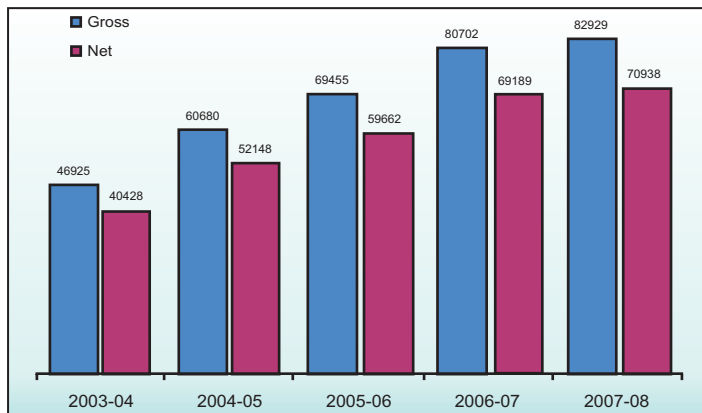


### Distribution of Revenue (2006-2007)

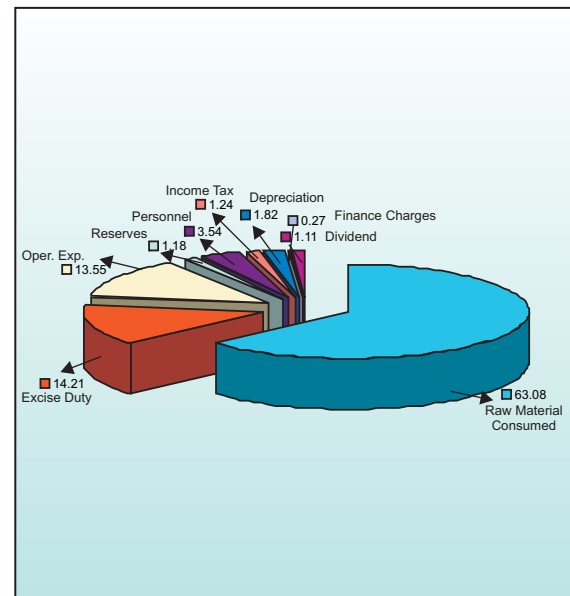


### Sales

(Rs. in Lacs)



### Distribution of Revenue (2007-2008)



### Application of Funds

(Rs. in Lacs)

