

CONTENTS

	Page No.
Board of Directors & Other Information Cover Inside	
Financial Highlights	1
Notice	2
Director's Report	8
Corporate Governance Report	13
General Shareholders Information	21
CEO & CFO Certificate & Auditor's Certificate	24
Auditors' Report	28
Balance Sheet, Statement of Profit and Loss	31
Cash Flow Statement	33
Notes to Financial Statements	34
Secretarial Audit Report	62
Attendance Slip	63

Chief Financial Officer

Company Secretary

Statutory & Tax Auditors

Internal Auditors

Cost Auditors

Secretarial Auditors

Bankers

Technical & Financial Collaborator

Registered Office & Works

Share Transfer Agents

BOARD OF DIRECTORS

Brijmohan Lall Munjal (Chairman)
 Yogesh Chander Munjal (Managing Director)
 Tetsuo Terada (Joint Managing Director)
 Akira Kadoya (upto May 23, 2012)
 Katsuhiko Matsuura (w.e.f. May 23,2012)
 Ashok Kumar Munjal
 Pankaj Munjal
 Krishan Chand Sethi
 Vinod Kumar Agarwal
 Anil Kumar Vadehra
 Surinder Kumar Mehta
 Nand Dhameja
 Devi Singh

Mahesh Taneja

Pankaj Gupta

S R Batliboi & Co.,
 Chartered Accountants, Gurgaon

Vaish & Associates,
 Chartered Accountants, New Delhi

Ramanath Iyer & Co., Cost Accountants, Delhi

Chandrasekaran Associates,
 Company Secretaries, New Delhi

The Bank of Tokyo-Mitsubishi UFJ Limited
 Standard Chartered Bank
 Citi Bank N.A.

State Bank of India

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

Haridwar Plant

Plot No. 1, Industrial Park-2, Phase-1,
 Salempur Mehdood, Haridwar- 249403 Uttarakhand

MCS Limited

F-65, Okhla Industrial Area, Phase I,
 New Delhi - 110 020

Tel: 011-41406149-52; Fax: 41709881

Email: admin@mcsdel.com

YEARLY FINANCIAL RESULTS AT A GLANCE

	(Rs. in lacs)				
	March'12	March'11	March'10	March'09	March'08
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	24816.28	19497.88	17254.96	15729.81	14597.07
Total Shareholder's Funds	25616.20	20297.80	18054.88	16529.73	15396.99
Unsecured Loans	1000.00	500.00	3124.14	0.00	0.00
Secured Loans	6315.65	8069.95	8878.67	10129.52	3515.68
Total Term Liability	7315.65	8569.95	12002.81	10129.52	3515.68
Current Liabilities & Provisions	20888.30	20637.64	16666.45	14031.65	12155.13
Total Assets / Liabilities	53820.15	49505.39	46724.14	40690.90	31067.80
Net Sales	155688.13	128932.65	100390.87	84248.17	71924.64
(% Growth year on year)	20.75%	28.37%	19.15%	16.88%	2.53%
Profit Before Interest Depn. & Tax (PBDIT)	12428.68	8334.05	7385.35	5521.53	4741.94
Profit Before Interest Depn. & Tax (PBDIT)-%	7.98	6.46	7.48	6.66	6.59
Interest	1115.92	914.01	1206.84	546.02	227.25
Depreciation	2722.88	2624.67	2307.64	1685.70	1536.23
Profit Before Tax (PBT)	8589.88	4793.49	3870.87	3289.81	2978.46
Profit After Tax (PAT)	6712.89	3401.91	2461.00	2068.58	1931.92
Earnings per Share (EPS) (Rs.)	16.78	8.51	6.15	5.17	4.83
Book Value per Share (Rs.)	64.05	50.75	45.14	41.33	38.50
Dividend Payout	# 150.00%	125.00%	100.00%	100.00%	100.00%
Dividend per share	# 3.00	2.50	2.00	2.00	2.00

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON THURSDAY, THE 9TH DAY OF AUGUST, 2012 AT 11:00 AM AT THE COMPANY'S REGISTERED OFFICE SITUATED AT 9-11, MARUTI INDUSTRIAL AREA, SEC-18, GURGAON-122015 (HARYANA) TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To declare a dividend of Rs. 3/- per equity share on 3,99,95,000 equity shares of Rs. 2/- each for the financial year 2011-12.
3. To appoint a Director in place of Mr. Krishan Chand Sethi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashok Kumar Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Vinod Kumar Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s S. R. Batliboi & Co., Chartered Accountants (Registration No. 3013003E), 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

7. Appointment of Mr. Katsuhiko Matsuura as a Director of the Company

"RESOLVED THAT Mr. Katsuhiko Matsuura who has been appointed by the Board of Directors as an Additional Director of the Company w.e.f. May 23, 2012 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."

8. Variation in the Terms of Appointment of Mr. Tetsuo Terada- 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 Sixth Annual General Meeting held on August 11, 2011, 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. Tetsuo Terada- Joint Managing Director be increased to Rs. 7,50,000/- per month from Rs. 6,00,000/- per month with effect from September 01, 2012 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.”

As Special Resolution

9. 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 Sixth Annual General Meeting held on August 11, 2011, 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. 10,00,000/- per month from Rs. 8,50,000/- per month with effect from September 01, 2012 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
Date: May 23, 2012

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

Registered Office:

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

PANKAJ GUPTA
GM (F&A) & 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 AND 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. 7 to 9 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 to 5, as required by clause 49 IV (G) (i) of the listing agreement with the Stock Exchanges are also annexed.
- 03) Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, July 21, 2012 to Thursday, August 09, 2012 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twenty Seventh Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members of the Company on Thursday, August 09, 2012. In respect of the shares held in electronic form, the dividend shall be paid on the basis of beneficial ownership as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), depositories for this purpose.

- 05) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 2005-06 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 2003-04 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for the financial year 2004-05 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
31.03.2006	28.08.2006	03.09.2013
31.03.2007	07.08.2007	13.08.2014
31.03.2008	07.08.2008	13.08.2015
31.03.2009	07.08.2009	13.08.2016
31.03.2010	11.08.2010	17.08.2017
31.03.2011	11.08.2011	17.08.2018

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 remain unclaimed or 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, F-65 Okhla Industrial Area, Phase I, 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) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Other members / transferee(s) are required to furnish a copy of their PAN to the Company / Registrar & Transfer Agent, MCS.
- 11) Members are requested to bring their copy of the Annual Report and Attendance Slip duly filled in to the Annual General Meeting.
- 12) 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.

ANNEXURE TO THE NOTICE

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

Item No. 7

Mr. Katsuhiko Matsuura has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Akira Kadoya. In pursuance of the above, Mr. Katsuhiko Matsuura was appointed as an additional director with effect from May 23, 2012, 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. Katsuhiko Matsuura for the office of the Director of the Company.

Item No. 8

The Members had approved basic salary of Mr. Tetsuo Terada- Joint Managing Director Rs. 6,00,000/- with effect from September 01, 2011 in the Twenty Sixth Annual General Meeting held on August 11, 2011. The job responsibilities of Joint Managing Director have increased in view of increase in the volume of business of IIIrd Plant at Haridwar (Uttarakhand) & IIInd Plant at Manesar. 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 23rd, 2012, revised the basic salary of Joint Managing Director to Rs. 7,50,000/- per month from Rs. 6,00,000/- per month with effect from September 1, 2012 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same.

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

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

Item No. 9

The Members had approved basic salary of Mr. Yogesh Chander Munjal- Managing Director Rs. 8,50,000 with effect from September 01, 2011 in the Twenty Sixth Annual General Meeting held on August 11, 2011. The job responsibilities of Managing Director have considerably increased in the volume of business of IIIrd Plant at Haridwar (Uttarakhand) & IIInd Plant at Manesar. 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 23rd, 2012, revised the basic salary of Managing Director to Rs. 10,00,000/- per month from Rs. 8,50,000/- per month with effect from September 1, 2012 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. 9. The Board recommends the resolution to the members for their approval to be adopted as special resolution in view of the age more than 70 years.

Mr. Yogesh Chander Munjal does not hold any equity shares in the Company.

B. INFORMATION PURSUANT TO CLAUSE 49(IV) (G) (i) OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

a) Mr. Krishan Chand Sethi

Mr. Krishan Chand Sethi aged 74 years is Master of Economics from the Delhi University and D.Sc. in Economics and Management Enterprises from the University of Zagreb, Croatia. He was Director General of Mangalmay Institute of Management and Technology, Greater Noida, until November 2002. Earlier he was Director General of BLS Institute of Management, Ghaziabad and Director of ITS (Institute of Technology and Science). Mr. Sethi an eminent Scholar, Academician and administrator having experience of around 35 years in the field of Management Education, was also associated with many of the leading and well known institutions in India like IIM Calcutta, MDI Gurgaon, Director of IMT Ghaziabad, etc.

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

Mr. Krishan Chand Sethi does not hold any share (as owner or on behalf of any other person on beneficial basis) in the Company.

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

b) Mr. Ashok Kumar Munjal

Mr. Ashok Kumar Munjal, 61 is a Commerce and Law Graduate from Punjab University, Chandigarh. He joined Munjal Showa Limited in 1989 as Non-executive Director of the Company. He has rich experience of 36 years in the field of engineering industry, investment, finance and auto component. He is on the Board of the following Companies:

S.No.	Name of Company	Nature of Office
1	Sunbeam Auto Private Limited	Managing Director
2	Orient Craft Limited	Director
3	Sunglow Industries Private Limited	Director
4	SKH Education Private Limited	Director
5	Maruti Insurance Broking Private Limited	Director
6	H & H Industries Private Limited	Director

Mr. Ashok Kumar Munjal does not hold any share (as owner or on behalf of any other person on beneficial basis) in the Company.

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

c) Vinod kumar Agrawal

Mr. Vinod Kumar Agrawal aged 69 years, is a graduate in commerce and law from University of Lucknow. He topped Lucknow University in LLB and LLM examination and was awarded five Gold Medals. He cleared Civil services exams of UPSC in 1966 and joined Indian Customs and Excise services in 1967. He served the prestigious positions in the Government of India. He served as member of Custom Excise and Service Tax Appellate Tribunal. He also served as Chairman of two members committee for simplification of excise procedures. He as a member of CEGAT (now termed as CESTAT) passed various judicial orders resolving disputes on classification, valuation, CENVAT credit, refunds etc. He was awarded by the President of India for "DISTINGUISHED RECORD OF SERVICE" on Republic Day in 1998.

He is presently holding the membership/ Directorship of the Board of the following Companies:

SI. No.	Name of Company	Nature of Office
1	Munjal Kiriu Industries Private Limited	Director

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

Mr. Vinod Kumar Agrawal does not hold any share (as owner or on behalf of any other person on beneficial basis) in the Company.

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

d) Mr. Katsuhiko Matsuura

Mr. Katsuhiko Matsuura aged 55 years, is graduate from Japan. He started his career in 1978 in Production Department, Asaba Plant, Showa Corporation, Japan. He was promoted as a Manager in Production of Asaba plant in July 2000. In 2004, he was stationed to Spain and appointed as Vice President of Showa Europe S. A. In 2010 he returned to Showa Corporation and served as Manager overseas production support for Motorcycle Parts and in June 2011, he was promoted as General Manager of production planning office, Showa Corporation, Japan.

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

Mr. Katsuhiko Matsuura does not hold any share (as owner or on behalf of any other person on beneficial basis) in the Company.

None of the directors except Mr. Katsuhiko Matsuura himself is concerned or interested in the above resolution under item number 7. 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, 2012

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

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

PANKAJ GUPTA
GM (F&A) & COMPANY SECRETARY

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 27th Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS AND APPROPRIATIONS

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

	(Rs. In Lacs)	
	Year Ended 31.03.12	Year Ended 31.03.11
Sales and other Income	167568.49	139075.53
Profit before Interest, Depreciation & Tax	12428.68	8332.17
Financial Cost	1115.92	914.01
Depreciation	2722.88	2624.67
Profit before Tax	8589.88	4793.49
Provision for Taxation	1876.99	1391.58
Profit after Tax	6712.89	3401.91
Net Profit brought forward	3590.03	2347.12
Profit available for appropriation	10302.92	5749.03
Dividend (Recommended)	1199.85	999.88
Dividend Tax (Net)	194.64	159.12
Transfer to General Reserve	2000.00	1000.00
Surplus carried to Balance Sheet	6908.43	3590.03

OPERATIONS

The Company has achieved a record sales turnover of Rs. 167568.49 lacs registering a growth of 20.49 per cent vis-à-vis Rs. 139,075.53 lacs in the previous year. The profit before tax in the current year was at Rs. 8,589.88 lacs as compared to Rs. 4,793.49 lacs in the previous year registering a growth of 79.20 per cent.

FUTURE PROSPECTS

It has become clearer that Indian economy will not be able to achieve its GDP growth forecast of 8% or thereabouts, it might have the possibility to settle for a figure as estimated by IMF around 6.9 per cent in 2012 and 7.3 per cent next year, as a result of weak demand and higher interest rates, another flare-up of the euro-zone sovereign debt crisis or sharp escalation in oil prices on geopolitical uncertainty could easily undermine confidence and disrupt the improving growth path for world economy. With the passing of the crisis and some good news about the US economy, some optimism has returned.

As per Consumer Confidence Survey March 2012 conducted by Reserve Bank of India households' perception about current economic conditions and expectation for next one year has decreased in terms of net response; however, more than half of the respondents continue to feel that the current economic conditions and future prospects are favourable. Majority of respondents perceive that household circumstances have become better, though the proportion of respondents reporting worsening of current household circumstances has increased as compared with the previous round.

While the growth prospects of the Indian auto components industry remain promising, there are new challenges as we evolve into a critical part of the global auto ecosystem. For Indian suppliers, on one hand there is the need to maintain competitiveness in an inflationary environment and on the other they need to compete with the best in an increasingly uncertain global market. The increase in petrol prices may impact the sales of 4 Wheeler sales but subsequent proposal for increase in duties of diesel vehicles & increase in diesel prices in order to balance the fiscal deficit will neutralize the shift towards diesel run vehicles. Further, OEMs internationally are reducing the number of suppliers that they wish to work with. Thus, it calls for Tier-1 suppliers to facilitate up-gradation and scaling up capacity, quality, technology, people and even hand hold the Tier-II and Tier-III suppliers, without which it will be really difficult to sustain the industry's competitiveness in the long term.

Our existing customers have targeted to meet predetermined sales targets with around 10 per cent growth, with the support of new models likely to be launched both in 2 Wheeler and 4 Wheeler segment in the coming year i.e.2012-13. In brief, all customers of the Company are on growth path and Company is confident to meet their increased demand.

TRANSFER TO GENERAL RESERVE

The Board proposes to transfer an amount of Rs.2000.00 lacs to General Reserve, having regard to the requirements of Section 205 (2A) of the Companies Act, 1956. The balance amount of Rs. 6908.43 lacs (Previous year Rs. 3,590.03 lacs) will be retained in the Profit and Loss Account.

DIVIDEND

Your directors are pleased to recommend a dividend of 150 per cent (i.e. Rs. 3/- Per equity share of Rs. 2/- each) for the year ended March 31, 2012 amounting to Rs.1199.85 lacs in aggregate as compared to 125 per cent i.e. Rs. 2.50 per share in the corresponding last year. Dividend will be tax free in the hands of shareholders, as the Company will bear the dividend distribution tax of Rs. 194.64 lacs. The dividend, if approved, at the Annual General Meeting shall be payable to the shareholders registered in the books of the Company and the beneficial owners whose names are furnished by the depositories, determined with reference to the book closure from July 21, 2012 to August 09, 2012 (both days inclusive).

DIRECTORS

Mr. Krishan Chand Sethi, Mr. Ashok Kumar Munjal and Mr. Vinod Kumar Agrawal, the directors of the Company are liable to retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Krishan Chand Sethi, Mr. Ashok Kumar Munjal and Mr. Vinod Kumar Agrawal being eligible have offered themselves for re-appointment.

Mr. Akira Kadoya- non executive director has resigned from the post of director w.e.f. May 23, 2012. The Board places on record their appreciation for the valuable services rendered by Mr. Akira Kadoya during his tenure as Director of the Company.

Mr. Katsuhiko Matsuura has been appointed as an additional director under Section 260 of the Companies Act, 1956 read with Article 89 of the Articles of Association of the Company w.e.f May 23, 2012. He shall hold office of director up to the date of ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956, proposing his candidature as Director at the ensuing Annual General Meeting of the Company, has been received.

Brief resumes of Mr. Krishan Chand Sethi, Mr. Ashok Kumar Munjal, Mr. Vinod Kumar Agrawal and Mr. Katsuhiko Matsuura have been appended to the Notice of the Annual General Meeting.

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

CORPORATE GOVERNANCE

Report on Corporate Governance and Management Discussion & 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 support 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 also received 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 of the Auditors in their report read with the notes to accounts are self-explanatory and do not require any specific comments. However as pointed out by the Auditors in annexure to their report at point number (ix) (a), the slight delay in payment of undisputed statutory dues in few cases was on account of finalization of accounts beyond the due date.

COST AUDITORS

The Board on the basis of recommendation of Audit Committee and subject to the approval of Central Government appointed M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi, as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the financial year 2012-13 and the necessary application for obtaining the requisite approval will be filed with the Central Government before due date.

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' 2012 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) that the annual accounts have been prepared on a going concern basis;

AUDIT COMMITTEE RECOMMENDATION

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

FIXED DEPOSIT

The Company has not accepted any Fixed Deposits during the year under Section 58A or 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

As India's economy continues to accelerate, the performance of both the environmental regulations and the regulator will come under increased national and international scrutiny and pressure. The increasing public demand for better performance by the environmental regulatory agencies is matched by adequate support to these agencies, conditioned on institutional reforms to increase efficiency, transparency and accountability; it would be unfair to expect substantial progress from the corporate and also unfair to solely blame the regulator for the lack of it. We need to replicate climate change initiatives on finance and technology for pollution abatement within the country as this model has suggested. We must induct some concern and commitment in our profiting from Clean Development Mechanism to ensure compliance of pollution standards.

We have started believing "waste is a precious resource kept in a wrong place". We further believe that "there is no waste as per the law of the nature". Hence from the solid waste like Iron & Steel from old scrap machines, we are collecting the raw material and we are manufacturing "Lean and Low cost" machines with a philosophy of "Easy to run, Easy to maintain, Easy to clean and Zero accident" by meeting all the quality and productivity standard. Everything is done in house starting from design up to finishing of the machine. This concept of reuse of metallic waste is highly appreciated by CII, ACMA and experts of our Japanese Collaborator.

By Regular training for workers and staff to prevent accident related to mechanical, electrical, chemical, physiological and psychological safety the Company has made "Zero incidents" as acceptable standard.

The Company is a regular member of Haryana Environment Management Society.

The Company has started Green Vendor Development Programme (GVDP) in 2009-10. The aim of the project is to conserve water and Energy, Minimize generation of waste, terminate hazardous chemicals with non-hazardous chemicals, minimize carbon foot print, generate pollution prevention awareness throughout the plant and to achieve 100 per cent legal compliance.

ISO/TS 16949 ACCREDITATION

Your Company's manufacturing facilities plants located at Gurgaon and Manesar continue to maintain and uphold the prestigious **ISO/TS 16949:2009**, **ISO 14001:2004** and **OHSAS 18001: 2007** (Occupational Health & Safety Assessment Series) certifications from reputed leading Indian and International Certification Institutions. Company's third plant located at Haridwar has also got TS 16945. 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 Institute of Plant Maintenance) Japan and CII, TPM Club India. Major objectives of TPM are to increase Productivity, to improve Quality, to reduce Costs, to ensure in time Delivery, to increase Safety, to increase profitability, to build Moral and to protect environment by formation of small cross functional work groups (PQCDSME) and to improve overall Plant efficiency. 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. In nut shell TPM convert all the losses into Profit.

We have achieved Japan Institute of Plant Maintenance TPM Excellency Award “category A” for Gurgaon as well as our Manesar Plants in the year 2008 & 2010 respectively. We are working towards challenging the next level which is consistency level by the end of 2012. Top Management has made the TPM declaration for our Haridwar Plant on 23rd March 2011. Munjal Showa is helping some of our Vendors in doing TPM in their Organizations.

To share the TPM & Lean achievements we receive many delegations not only from India rather from all over the World Countries like USA, Germany, UK, Japan, Thailand, Brazil, Indonesia, Vietnam, China, etc. Besides that we receive lots of Delegations from CII, (all the regions) ACMA, Honda cluster club, IMTMA, etc.)

Lean Activities:

We have clubbed TPM with lean manufacturing system. Our Company has conducted Lean Manufacturing System (Value Stream Mapping) Work Shop. We have converted lots of huge & complicated machines to Lean Machines & manufactured Lean machines in house. We receive many visitors not only from India but also from all over the World to see our TPM & Lean machine manufacturing activity. Munjal Showa is taking a lead role in spreading this concept of Lean Machines across the Country thru CII, ACMA, IMTMA, MSIL, HMCL, Honda Siel Club, etc.

At present we were able to re-build many very big & very complicated machines into very simple & Lean machines, which have many advantages besides the space saving. We have manufactured many new machines by using the TPM, Lean & Low cost Automation concepts. And the Journey is still on.

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 2012-2013 have been paid to them well before the due date i.e. April 30, 2012. The Company has also paid the annual custodian fees for the year 2012-13 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 to continued growth is dependent upon the Company's ability to attract and retain quality people. The total headcount increased to 3494 at the end of the year as compared to 3477 of the previous year. The Company encourages long-term commitment to the Company by rewarding its people for the opportunities they create and the value generated for customers and shareholders. The Company conducts several training programmes to upgrade the skills of the workforce.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the co-operation and support extended to the Company by Government of India, State 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
Date: May 23, 2012

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, 2012.

Company's Philosophy on Corporate Governance

Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. Munjal Showa believes in the concept of good Corporate Governance involving transparency, empowerment, accountability, equity and integrity with a view to enhance stakeholders' value as Corporate Governance is a set of systems and practices which ensures fairness in all its transactions in the widest sense and meet its stakeholders aspirations and societal expectations.

This is demonstrated in shareholder returns, high credit ratings, governance processes and an entrepreneurial, performance focused work environment. Our customers have benefited from high quality products delivered at the most competitive prices. The basic ingredients of corporate governance require professionals to raise their competency and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics.

I. BOARD OF DIRECTORS

A. Composition of Board

The Board of Directors of the Company consists of twelve Directors having a pool of collective knowledge from various disciplines like Engineering, Finance, Treasury, Business Management, Corporate Planning, etc. The Board has been constituted in a manner resulting 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. Two Directors are executive; four directors, including the Chairman, are non-executive and six directors are Non-Executive and Independent.

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 of the composition of the Board, number of meetings held during their tenure and attended by Directors during financial year 2011-12 are as follows:

Name of Director	Number of Board Meetings held during his tenure and attended by him		Number of Attendance at last AGM	Number of Committee Memberships (including Chairmanships) held	Number of Committee Chairmanships held	Number of Outside Directorships held
	Held	Attended				
Executive Directors						
Mr. Yogesh Chander Munjal	4	4	YES	None	None	None
Mr. Tetsuo Terada	4	3	YES	None	None	None
Non-Executive Directors						
Mr. Brijmohan Lall Munjal	4	4	NO	None	None	7
Mr. Akira Kadoya *	4	1	NO	None	None	None
Mr. Pankaj Munjal	4	1	NO	4	2	6
Mr. Ashok Kumar Munjal	4	1	NO	1	None	1
Non-Executive and Independent Directors						
Mr. Krishan Chand Sethi	4	4	YES	None	None	None
Mr. Vinod Kumar Agarwal	4	3	YES	None	None	None
Mr. Anil Kumar Vadehra	4	4	YES	None	None	None
Mr. Surinder Kumar Mehta	4	4	NO	1	1	1
Mr. Nand Lal Dhameja	4	4	YES	None	None	None
Mr. Devi Singh	4	4	YES	3	2	5

* Representative of Showa Corporation, Japan based at Japan

B. Meetings held in financial year 2011-12 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 2011-12 on May 20, 2011, July 29, 2011, October 25, 2011 and January 31, 2012.

Information supplied to the Board inter alia includes:

- Annual operating plans and budgets of business, capital budgets and 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,
- Any material defaults in financial obligation to and by the Company, or substantial non-payments for goods sold by the Company,
- 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,
- Sale of material nature, of investments and assets, which are not in normal course of business,
- 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.

C. Code of Conduct

The Code of Business Conduct & Ethics for Directors/Management Personnel ('the Code'), as adopted by the Board, is a comprehensive Code applicable to all Directors and Management Personnel. The Company's Board of Directors and Management Personnel are responsible for and are committed to setting the standards of conduct contained in this Code and for updating these standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This Code should be adhered to in letter and in spirit." A copy of the Code has been put on the Company's website www.munjalshowa.net. The Code has been circulated to all the Directors and Management Personnel and the compliance of the same is affirmed by them annually. A declaration signed by the Managing Director of the Company is given below:

I hereby confirm that the Company has obtained from all the members of the Board and Management Personnel, affirmation that they have complied with the Code of Business Conduct & Ethics for directors / Management Personnel in respect of the financial year 2011-12.

II. AUDIT COMMITTEE

The Audit Committee consists of four Directors namely Mr. Krishan Chand Sethi, Mr. Ashok Kumar Munjal, Mr. Vinod Kumar Agrawal and Mr. Anil Kumar Vadehra, being Non- Executive Directors, to review various areas of audit and accounts. Mr. Vinod Kumar 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 Kumar 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 disclosures 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 2011-12, the Audit Committee met four times, on May 19, 2011, July 28, 2011, October 24, 2011 and January 30, 2012.

Attendance of Members at the meetings of the Audit Committee held during 2011-12 was as under:

Members	No. of Meetings attended
Mr. Vinod Kumar Agrawal, Chairman	3
Mr. Ashok Kumar Munjal	2
Mr. Krishan Chand Sethi	4
Mr. Anil Kumar Vadehra	4

III. REMUNERATION COMMITTEE

The Remuneration Committee duly constituted 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. Krishan Chand Sethi-Chairman

Mr. Vinod Kumar Agrawal- Member

Mr. Anil Kumar Vadehra - Member

The meeting of the Remuneration Committee was held on May 19, 2011 under the Chairmanship of Mr. Krishan Chand Sethi. The meeting was attended by Mr. Krishan Chand Sethi, Mr. Vinod Kumar Agrawal and Mr. Anil Kumar Vadehra. The meeting was held to consider and recommend re-appointment and increase in the remuneration payable to Mr. Yogesh Chander Munjal, Managing Director and to consider and recommend the increase in remuneration of Mr. Tetsuo Terada, 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 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 2011-12 are as under:

Name	Salary, Allowances and Perquisites*	Commission**	Sitting Fee***	Total
Mr. Brijmohan Lall Munjal	Nil	Nil	60000	60000
Mr. Yogesh Chander Munjal	17010566	9055394	Nil	26065960
Mr. Tetsuo Terada	9013294	9055394	Nil	18068688
Mr. Pankaj Munjal	Nil	Nil	15000	15000
Mr. Ashok Kumar Munjal	Nil	Nil	75000	75000
Mr. Krishan Chand Sethi	Nil	Nil	135000	135000
Mr. Vinod Kumar Agrawal	Nil	Nil	105000	105000
Mr. Anil Kumar Vadehra	Nil	Nil	195000	195000
Mr. Surinder Kumar Mehta	Nil	Nil	60000	60000
Mr. Nand Dhameja	Nil	Nil	60000	60000
Mr. Devi Singh	Nil	Nil	60000	60000

* 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 Mr. Anil Kumar Vadehra 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.

During the year, the Company received 81 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, 2012.

List of requests/complaints received from shareholders during the financial year 2011-2012 is as under:

Sr. No.	Nature of complaints received	Received	Solved	Pending
1.	Transfer / Transmission of shares	12	12	Nil
2.	Non receipt of Annual Report	11	11	Nil
3.	Non receipt of dividend warrant / Revalidation of dividend warrants	44	44	Nil
4.	Miscellaneous	14	14	Nil
	TOTAL	81	81	

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 have been held as under:

For the Year	Location	Day and Date	Time	No. of Special Resolutions passed
2010-2011	26E & F, Sector 3, IMT Manesar, Gurgaon	Thursday, August 11, 2011	11:00 A.M.	NIL
2009-2010	26E & F, Sector 3, IMT Manesar, Gurgaon	Wednesday, August 11, 2010	11:00 A.M.	NIL
2008-2009	26E & F, Sector 3, IMT Manesar, Gurgaon	Friday, August 07, 2009	11:00 A.M.	NIL

No resolution has been passed by the Company's shareholders through postal ballot during the Financial Year 2011-12 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. 29 of notes to financial statements for the year ended March 31, 2012.
- 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.

- c. In the preparation of financial statements, all the prescribed Accounting Standards have been followed.
- d. The Company is consulting foreign exchange experts on day-to-day basis for hedging / booking the import bill to manage the foreign exchange risks.
- e. 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 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 shareholder, these results are placed on Company's web site www.munjalshowa.net. As the Company publishes the Audited Annual Results within a stipulated period of sixty days 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

Economic reform of 1990's dispensed with Licensing Raj and encouraged Foreign Direct Investment (FDI) to harness growing market share in Indian subcontinent. New manufacturers entered into auto component field with the support of technology and efficient methods of manufacturing which radically changed the overall culture and standard. ISO and TPM certification became bench mark for accreditation and registration as reliable suppliers. It also facilitated sub-contracting vital component and receiving assemblies for onward supplies to the customers which were hitherto not the practice in the industry. In brief new era ushered in, where bulk of large enterprises entered the industry with Technical and/or Financial Collaboration route to have access to R&D facilities overseas and thus developed the components which are meeting international standard, cost and quality front under Quality, Cost, Delivery, Development, and Management (Q.C.D.D.M.) parameters.

CARE Research's report on 'Indian Auto Component Industry' gives valuable insight of the industry encompassing its size, segments, structure, characteristics, government regulations and trends in duties, trend analysis of domestic market, export market and competition. The trends are analyzed in depth for various segments by market, namely OEM segment and replacement segment and by product classification, namely engine components, drive transmission and steering components, body and chassis, suspension and braking components, equipments, electrical components and others.

Cumulative production of vehicles of all categories for the financial year 2011-12 registered an impressive growth of 13.83 per cent over the same period of last year. Passenger car sales grew by 6.09 per cent and two wheeler sales soared by 15.66 per cent.

Opportunities and Threats

Impressive growth in auto-sector continuously for past over fifteen years has started attracting key world level players to enter the market and thus make strong base and presence in India with a view to capture vast potential of domestic market and simultaneously explore the export market. General slowdown in Europe and America has de-motivated leading brands to seek greener pastures in growing economies in India and China. India is the second largest two wheeler market and fourth largest commercial vehicle market, eleventh largest passenger car market and fifth largest bus and truck market in the world. According to Automotive Manufacturers Association of India (AMAI), Auto-component sector is expected to grow at a CAGR of 10% till 2015 – 2016. India is projected to be among top five economies by year 2025.

Hero MotoCorp Limited being a major customer has led the motorcycle segment by registering a market share of 56 per cent in domestic market and overall growth of 14.65 per cent. Honda Motorcycles and Scooters India Private Limited has registered a market share of around 47 per cent and depicted a growth of 37 per cent in scooter segment during the year 2011-12. For financial year 2012-13, Hero MotoCorp Limited has chalked out impressive growth plan to introduce variety of new models to counter the competition and thus maintain supremacy in the market.

The Company continued to be clear gainer in terms of increase in market share, due to continuously handsome growth of its customer's base. In brief, we expect stability on price front which is expected to stimulate demand and thus register higher sales for the Company. 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 more than ten per cent.

There exist few risks that may have to be confronted by the auto component manufacturers. A global slowdown can derail the prospects of the industry. Steel is a primary product for the auto component industry and component makers importing steel will incur huge costs and with the rupee depreciation already acting as an automatic protection for the domestic steel industry and demand and growth for steel at the moment low. At a time when inflation is at its peak, hike in excise duty will harm the auto and auto parts industry marginally. Intense competition from counterparts in other emerging economies may add pressure on margins of manufacturers. Crude oil prices influence Auto Sector significantly; any volatility due to tense situation in Middle East and its escalation can dampen market appetite indefinitely.

Product-wise performance

All 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

Indian auto component industry is robustly driven by the growth in demand for automobiles. The sector has become a lucrative business proposition for global players, majorly owing to two factors. First, needless to say, the demand for automobiles is increasing day by day in the country. India, a market with high potential for the automobiles sector, is expected to witness a three-fold increase in demand for automobiles by 2020. Secondly, all major global auto-makers are establishing their bases here due to highly positive business environment, favorable policies and government support. According to a report by ACMA, the Indian auto component industry would grow at a compounded annual growth rate (CAGR) of 11 per cent through 2011-21. Not only domestic demand, India is poised to scale new heights in terms of exports as well as the report estimates exports would grow at a CAGR of 18.8 per cent through the forecast period.

The outlook of the company appears promising with positive indication for healthy growth both in terms of value and volume. Our key customers Hero MotoCorp Limited, Honda Motorcycles and Scooters India Private Limited and Maruti Suzuki India Limited have firm plans to register growth in the region of ten to fifteen per cent.

Our customers have chalked out wide range of new products to be introduced in the market on or before festive season with a view to harness higher market share and thus register healthy sales. It is expected that post Europe crisis, the economy will stabilize which in turn will offer conducive environment to the industry for growth and prosperity.

Risk and Concerns

The major risk associated with the Automobile Industry continues 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.

The key concerns are volatility in raw material prices such as steel, iron etc. The auto component manufactures typically have low bargaining power and find it difficult to pass on price increase to the price sensitive market. Free Trade Agreements signed by India in 2011 have also made difficult for local component makers. Trade agreement signed with countries like China and Thailand, which already offer a number of incentives to their domestic players, are perceived to be a huge threat to India. Indian component manufacturers face tough competition from aggressive Chinese suppliers.

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 widening its customer base and also reviewing prices with existing customers to balance the additional raw material cost impact on account of increase in price of metals & other inputs and conversion costs .

The profitability of the Company may further be affected by changes in Government Policies regarding excise duty, import duty, Income Tax, VAT, Service Tax, GST regime, Direct Tax Code 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. While announcing the Budget 2012, Government has already increased the excise and service tax by two percent which will have cascading effect on the input and service cost w.e.f. 17.03.2012. Further, the exchange rate of USD / JPY to INR reached to new height, will finally impact the landed price to end customer and increase in fuel cost i.e. Diesel/Petrol due to exchange rate / crude oil price which can force the customers to defer the purchase of new vehicles. The import content in our product constitutes slightly more than 6 % of the raw material cost mainly in 4 wheeler.

Last year, the rupee's downward spiral was arrested by policy and market actions by Reserve Bank of India (RBI). Now, the fear of the rupee losing its relative strength to the dollar is making rounds with expectations of the rupee touching, or even breaching its lifetime low in December 2011 and the loosing is still continuing. However, RBI is intervening and taking corrective measures to curb the further weakening by taking measures like restricting forward contracts in USD/INR leg and compulsory conversion of foreign currency earned thru exports to the tune of 50% which has shown favorable results but sustaining at those levels only time will tell any further change due to rupee depreciation or Yen appreciation 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 in slowdown. However, RBI has already reduced repo rate and reverse repo rate by 50 basis point in March '12 and further reduction in these rates will depend upon the inflation rate which may go up after budget impact and fuel cost increase which is under consideration.

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. M/s. S.R.Batlboi & Co., Chartered Accountants, audit the accounts of the Company. The Company has a Management Audit Cell as well outside internal auditors, practising company secretaries, tax & legal consultants and forex & other consultants / professionals that reviews internal controls and operating systems and procedures. A dedicated Legal Compliance Cell ensures that the Company conducts its business with high standards of legal, statutory and regulatory compliances. The Company has instituted a legal compliance programme in conformity with best international standards, supported by a robust online system that covers all manufacturing units of the Company.

The gamut of this system includes statutes such as, industrial and labour laws, taxation laws, corporate and securities laws and health, safety and environment regulations. At the heart of our processes is the wide use of technology that ensures robustness and integrity of financial reporting, internal controls, allows optimal use and protection of assets, facilitates accurate and timely compilation of financial statements and management reports and ensure compliance with statutory laws, regulations and company policies.

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, Generally Accepted Accounting Principles (GAAP) and revised Schedule VI. 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. 1,67,568.49 lacs as against Rs. 1,39,075.53 lacs during the previous year, and profit before tax increased to Rs. 8,589.88 lacs as against previous year of Rs. 4,793.49 lacs.

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's strength of employees stood at 3494 as on 31st March, 2012. 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.

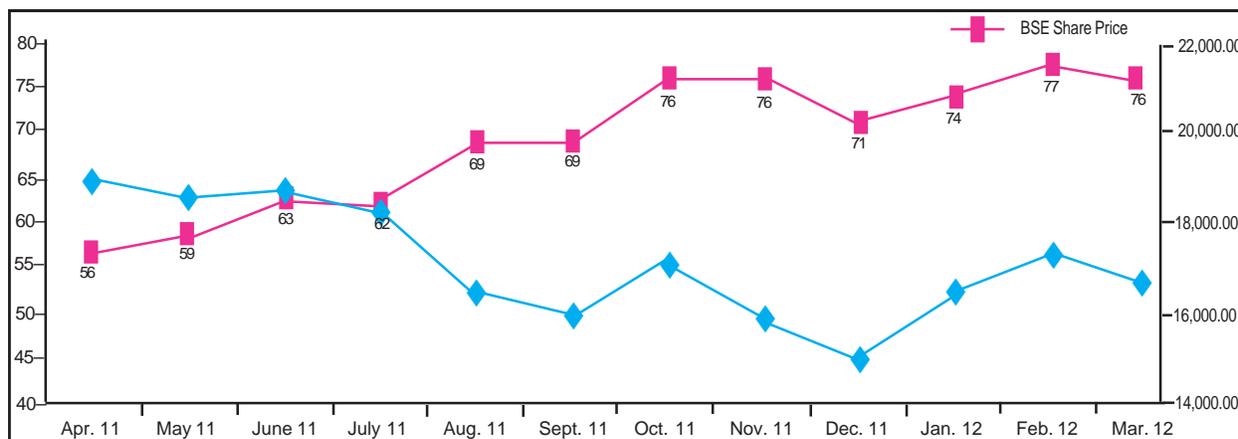
XI. GENERAL SHAREHOLDERS INFORMATION:

1) Annual General Meeting	
- Day, Date and Time - Venue	Thursday, August 09, 2012, 11:00 A. M. 9-11, Maruti Indl. Area, Sec-18, Gurgaon-122015 (HR)
2) Financial Calendar	
(a) Financial Year 2012-2013	April to March
(b) Financial reporting for the quarter ending June'2012	End July' 2012
(c) Financial reporting for the half year ending September'2012	End October'2012
(d) Financial reporting for the quarter ending December'2012	End January'2013
(e) Financial reporting for the year ending March'2013.	End May' 2013
(f) Annual General Meeting for the year ending March 31, 2013.	End September'2013
3) Face Value of the Equity Share	Rs. 2 per share
4) Date of Book Closure	July 21, 2012 to August 09, 2012 (both days inclusive)
5) Dividend Payment Date	30 days from the date of AGM
6) Listing on Stock Exchanges	Bombay Stock Exchange Limited, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 National Stock Exchange of India Limited "Exchange Plaza", Bandra- Kurla Complex, Bandra (E), Mumbai-400 051
7) Stock Code-	
- The Stock Exchange, Mumbai-	520043
- National Stock Exchange-	MUNJALSHOW
- International Securities Identification number (ISIN) for NSDL & CDSL	INE577A01027
- Company Identification Number (CIN)	L34101HR1985PLC020934
- Permanent Account Number (PAN)	AAACM0070D

8) Monthly Highs, Lows and volume for the year 2011-2012 on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

YEAR – 2011-12	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April'11	56	50	232382	56	50	221521
May'11	59	50	242218	60	49	509592
June'11	63	56	190695	63	55	362230
July'11	62	57	122342	62	56	314151
August'11	69	57	1054582	69	56	1295038
September'11	69	60	256220	68	59	452305
October'11	76	60	454370	83	57	706988
November'11	76	65	323311	76	63	527558
December'11	71	53	194276	71	54	176328
January'12	74	61	181372	74	60	327006
February'12	77	70	329654	78	70	557486
March'12	76	69	222291	77	68	192412

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
 F-65, Okhla Industrial Area, Phase I,
 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. Members are, therefore, requested to dematerialize their shareholding to avoid inconvenience. 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 4001 shares.

12) A. Distribution of Shareholding as on March 31, 2012:

No. of shares	Shareholders	% Shareholders	No. of shares	% Shareholding
Upto 500	6915	68.16	1172825	2.93
501-1000	1589	15.66	1468284	3.67
1001-2000	931	9.18	1641322	4.10
2001-3000	237	2.34	626875	1.57
3001-4000	141	1.39	532973	1.33
4001-5000	111	1.09	532959	1.33
5001-10000	111	1.09	839609	2.10
10001-50000	96	.95	2002510	5.01
50001-100000	5	.05	299612	0.75
100001 and above	9	.09	30878031	77.21
Total	10145	100.00	39995000	100.00

B. Shareholding pattern as on March 31, 2012

Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares
Indian Promoters	2	15604000	15604000	39.01
Foreign Promoters	1	10400000	10400000	26.00
Public Shareholding				
Institutions				
Mutual Funds/ UTI	5	674980	671480	1.69
Financial Institutions/ Banks	6	8500	1500	0.02
Insurance Companies	0	0	0	0.00
Foreign Institutional Investors	3	113736	113736	0.28
Non-institutions				
Bodies Corporate	336	4947060	4935060	12.37
Individuals -				
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	9635	7698407	6869238	19.26
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	4	366212	366212	0.92
Any Other-NRI	151	180555	175555	0.45
Any Other-Trust & foundation	2	1550	1550	0.01
GRAND TOTAL	10145	39995000	39138331	100.00
% of Dematerialization			97.86%	

No shares have been pledged by the promoters.

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, 2012 a total of 39,138,331 equity shares of the Company, which forms 97.86 % of share capital of the Company have been dematerialized.
- 15) Outstanding GDRs/ADRs/Warrants or any convertible instruments, if any** : Not Applicable
- 16) Plant Locations** :a) 9-11, Maruti Industrial Area, Gurgaon-122 015, Haryana
b) 26 E & F, Sector-3, IMT Manesar, Gurgaon-122050, Haryana
c) Plot No. 1, Industrial Park-2, Phase-1 Salempur Mehdood, Haridwar- 249403 Uttarakhand
- 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 ended March 31, 2012 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.

We further declare that all board members and senior management have affirmed compliance with the code of conduct for the year 2011-12.

(Yogesh Chander Munjal)

Managing Director
New Delhi,
May 23, 2012

(Mahesh Taneja)

VP- 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, 2012, 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 & COMPANY
Firm's Registration Number: 301003E
Chartered Accountants
per **Anil Gupta**
Partner

Place: Gurgaon
Date: May 23, 2012

Membership No.: 87921

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 2011-12 and their impact

Measures taken	Impact
Installation of LED Lights	Reduction in power consumption
RENTAR unit for Diesel Ionization Installed on Three Cummins D. G Sets	Reduction in Diesel fule consumption
Big Size Motors Converted into Small Size wherever required	Reduction in power consumption
Conversion of Huge Machine to Lean Machine	Reduction in power consumption
Chillers Gas Leakages Stopped & Compressors overhauling done to increase efficiency	Reduction in power consumption

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

Measures taken	Impact
Gas Burner to be installed in Powder Coating against Diesel Burner	Reduction in Diesel fuel consumption
Short Term open access power to be used to save in Electricity bill	Reduction in power consumption

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

It is very difficult to quantify the impact as number of equipments and other activities are being added on continuous basis. However, the impact of above will reduce fuel and power consumption and ultimately reduction in power cost.

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	Rs. NIL
Recurring	Rs.2,097,956/-
Total	Rs.2,097,956/-

Total expenditure as a percentage of total turnover 0.01 per cent

(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 any export directly to those countries where our collaborator M/s. Showa Corporation has manufacturing base. However, the Company has started exporting certain components to Showa/its joint ventures/its associates wherever they find our price competitive. Further, the Company is catering to the requirement of Shock, Absorbers, Struts and Window Balancers for export models of Hero MotoCorp Limited and Honda Motorcycles and Scooter India Pvt. Limited on 100% basis and partly for Maruti Suzuki India Limited.

Total Foreign Exchange used and earned

The foreign exchange earnings during the year were Rs. 14,093,986/- and foreign exchange outgo during the year was Rs. 1,186,184,279/-.

For and on behalf of the Board

Place : New Delhi
Dated : May 23, 2012

BRIJMOHAN LALL MUNJAL
Chairman

ANNEXURE-C TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012

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	Percentage/ Nos. of Equity share as per Clause (a) (iii) of Section 217 (2A)	Other Terms & conditions
Employed throughout the period and in receipt of remuneration not less than Rs. 60,00,000/- per annum											
1	Yogesh Chander Munjal	72	Managing Director	Overall management of the affairs of the Company	B. Arch.	48	01.09.1986	26,065,960	Chief Executive- Rockman Cycle Inds. Ltd.	NIL	As per rules of the Company
2	Tetsuo Terada	56	Joint Managing Director	Overall management of the affairs of the Company	Bachelor of Arts in Business Administration	30	18.05.2010	18,068,688	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. 60,00,000/- (Rs. Sixty 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. 5,00,000 (Five 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 whole time employees of the Company and all appointments are/were on contractual basis.
- The above employees are not related to any Director of the Company.

For and on behalf of the Board

BRIJMOHAN LALL MUNJAL
Chairman

Place: New Delhi
Dated: May 23, 2012

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, 2012 and also the Statement of Profit and Loss 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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, 2012;
 - b) in the case of the statement of profit and loss, 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.
Firm's Registration No. 301003E
Chartered Accountants

per Anil Gupta
Partner
Membership No.: 87921

Place: Gurgaon
Date: May 23, 2012

**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) All fixed assets were physically verified by the management in the year 2009-10 in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (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.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of items of inventories and certain fixed assets are of proprietary nature and alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company 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 Rs. 500,000 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) In our opinion, the Company has an internal audit system commensurate with the size and 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 related to the manufacture of auto components 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) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess, excise duty and other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in few cases*.
- (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 material

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 (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax demand	85,716,810	F.Y. 2005-06 2006-07	Income Tax Appellate Tribunal
Finance Act, 1994	Service Tax demand and penalty	12,364,172	April 2007 to January 2009	Custom, Excise, Service Tax Appellate Tribunal
	Service Tax demand, penalty and interest	2,010,408	February 2009 to March 2009	Commissioner of Central Excise (Appeals)
	Service Tax demand, penalty and interest	146,715,981	February 2006 to March 2010	Commissioner of (Adjudication), Service Tax

- (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 banks. 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 our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (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 year.

For S.R. BATLIBOI & CO.
Firm's Registration No. 301003E
Chartered Accountants
per Anil Gupta
Partner
Membership No.:87921

Place: Gurgaon
Date: May 23, 2012

BALANCE SHEET AS AT MARCH 31, 2012

	Notes	March,31, 2012 Rs.	March 31, 2011 Rs.
Equity and liabilities			
Shareholders' funds			
Share capital	3	79,992,500	79,992,500
Reserves and surplus	4	2,481,627,529	1,949,788,053
		<u>2,561,620,029</u>	<u>2,029,780,553</u>
Non-Current Liabilities			
Long-term borrowings	5	211,087,146	518,998,385
Deferred tax liabilities (net)	6	141,990,748	142,091,878
Long-term provisions	7	6,514,099	6,329,030
		<u>359,591,993</u>	<u>667,419,293</u>
Current Liabilities			
Short-term borrowings	8	200,000,000	54,222,960
Trade payables	9	1,685,980,487	1,639,993,663
Other current liabilities	9	392,686,183	371,034,451
Short-term provisions	7	182,136,259	188,088,514
		<u>2,460,802,929</u>	<u>2,253,339,588</u>
TOTAL		<u>5,382,014,951</u>	<u>4,950,539,434</u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	2,427,579,997	2,512,997,240
Intangible assets	11	22,064,447	31,983,978
Capital work-in-progress		111,886,462	85,541,989
Long term loans and advances	12	33,896,966	34,533,894
Trade receivables	13.1	-	-
Other non-current assets	13.2	1,861,827	8,259,974
		<u>2,597,289,699</u>	<u>2,673,317,075</u>
Current assets			
Current investments	14	30,000,000	-
Inventories	15	490,729,146	366,732,764
Trade receivables	13.1	1,759,675,375	1,429,928,971
Cash and bank balances	16	47,224,607	30,890,754
Short-term loans and advances	12	371,123,764	369,313,181
Other current assets	13.2	85,972,360	80,356,689
		<u>2,784,725,252</u>	<u>2,277,222,359</u>
TOTAL		<u>5,382,014,951</u>	<u>4,950,539,434</u>
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the financial statements.

As per our report of even date

For S.R.BATLIBOI & CO.

Firm's Registration No. 301003E
Chartered Accountants

For and on behalf of the Board of Directors of Munjal Showa Ltd.

per Anil Gupta
Partner
Membership No. 87921
Place: Gurgaon
Date: May 23, 2012

Brijmohan Lall Munjal
Chairman

Mahesh Taneja
VP- Finance and IT

Yogesh Chander Munjal
Managing Director

Pankaj Gupta
GM (F&A) & Company Secretary

Vinod Kumar Agrawal
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	March 31, 2012 Rs.	March 31, 2011 Rs.
INCOME			
Revenue from operations (gross)	17	16,740,906,597	13,884,144,240
Less : Excise duty		1,172,093,764	990,879,090
Revenue from operations (net)		15,568,812,833	12,893,265,150
Other income	18	15,941,968	23,408,284
Total revenue(I)		15,584,754,801	12,916,673,434
EXPENSES			
Cost of raw materials and components consumed	19	11,636,329,640	9,698,424,257
(Increase) / Decrease in inventories	20	(46,101,543)	7,038,010
Employee benefits expense	21	665,470,613	547,120,578
Other expenses	22	2,086,188,643	1,830,874,490
Total (II)		14,341,887,353	12,083,457,335
Earning before Interest, tax, depreciation and amortisation (EBITDA) (I) - (II)		1,242,867,448	833,216,099
Depreciation and amortization expense	23	272,287,671	262,466,807
Financial costs	24	111,591,864	91,400,517
Profit before tax		858,987,913	479,348,775
Tax expense			
Current tax		187,800,000	149,000,000
Income tax credit for earlier year		-	(2,000,000)
Deferred tax (credit) [net of charge of Nil (Previous year Rs.2,380,428) for earlier years]		(101,130)	(7,842,017)
Total tax expense		187,698,870	139,157,983
Profit for the year		671,289,043	340,190,792
Earnings per share			
Basic and diluted [Nominal value of shares Rs 2/- (Previous year Rs 2/-)]	25	16.78	8.51
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the financial statements.

As per our report of even date

For S.R.BATLIBOI & CO.
Firm's Registration No. 301003E
Chartered Accountants

For and on behalf of the Board of Directors of Munjal Showa Ltd.

per Anil Gupta
Partner
Membership No. 87921

Brijmohan Lall Munjal
Chairman

Yogesh Chander Munjal
Managing Director

Vinod Kumar Agrawal
Director

Place: Gurgaon
Date: May 23, 2012

Mahesh Taneja
VP- Finance and IT

Pankaj Gupta
GM (F&A) & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	March 31, 2012 Rs.	March 31, 2011 Rs.
A. Cash flow from operating activities		
Net Profit before tax	858,987,913	479,348,775
Adjustments for:		
Depreciation and amortisation expense	272,287,671	262,466,807
Loss / (Profit) on disposal of fixed assets (net)	581,643	(10,495,091)
(Profit) on sale of current investments-(net)	(10,774,788)	(6,779,463)
Interest Income	(2,026,533)	(3,303,936)
Interest expense	106,566,849	86,658,244
Amortisation of borrowing costs	3,623,652	3,623,652
Provision for doubtful debts and advances (net)	(86,004)	745,840
Operating profit before working capital changes	1,229,160,403	812,264,828
Movements in working capital :		
(Increase) in Trade Receivables	(329,660,400)	(148,594,254)
(Increase) in inventories	(123,996,382)	(62,513,738)
(Increase) in Long term Loans and Advances	(7,564,006)	(452,870)
Decrease / (Increase) in Short term Loans and Advances	34,034,512	(23,758,390)
Decrease / (Increase) in other current assets	(5,612,579)	(47,492,084)
Increase in Trade Payables	45,986,824	415,075,109
Increase / (Decrease) in other current liabilities	2,113,615	(10,788,438)
(Decrease) in deferred payment liabilities	-	(36,274,939)
(Decrease) / Increase in Short term provisions	(29,193,850)	8,630,375
Increase in Long term provisions	185,069	-
Cash generated form operations	815,453,206	906,095,599
Direct taxes paid (net of refunds)	(203,645,095)	(169,740,076)
Net cash generated form operating activities (A)	611,808,111	736,355,523
B. Cash flows from investing activities		
Purchase of fixed assets, intangible asstes, CWIP and capital advance	(214,292,447)	(303,602,008)
Proceeds from disposal of fixed assets	1,625,797	35,233,563
Investment in bank deposits (having original maturity of more than six months)	2,450,000	-
Purchase of current investments (including advance for investment)	(5,330,000,000)	(5,240,298,782)
Sale of Current investments	5,290,774,788	5,297,092,484
Interest received	2,347,938	3,104,445
Net cash (used in) investing activities (B)	(247,093,924)	(208,470,298)
C. Cash flows from financing activities		
Proceeds from long term borrowings	-	214,525,050
Repayment of long term borrowings	(271,207,259)	(206,291,348)
Proceeds from short term borrowings	495,777,040	50,000,000
Repayment of short term borrowings	(350,000,000)	(400,351,486)
Interest paid	(107,155,548)	(83,272,552)
Dividend paid	(99,574,095)	(79,695,164)
Corporate dividend tax paid	(16,220,472)	(13,285,340)
Net cash generated from / (used in) financing activities (C)	(348,380,334)	(518,370,840)
Net increase in cash and cash equivalents (A+B+C)	16,333,853	9,514,385
Cash and cash equivalents at the beginning of the year	30,890,754	21,376,369
Cash and cash equivalents at the end of the year	47,224,607	30,890,754
Components of cash and cash equivalents as at March 31, 2012		
Cash on hand	634,554	942,939
Cheques on hand	5,150,158	4,570,746
Balances with scheduled banks:		
On current accounts	7,293,846	12,264,792
On cash credit accounts	30,590,498	9,970,131
On unpaid dividend accounts (refer note 2 below)	3,555,551	3,142,146
Balances with non-scheduled banks-on current account	-	-
	47,224,607	30,890,754

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
- These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.
- Negative Figures have been shown in brackets.

As per our Report of even date
For S.R.BATLIBOI & CO.
 Firm's Registration No. 301003E
 Chartered Accountants

For and on behalf of the Board of Directors of Munjal Showa Ltd

per Anil Gupta
Partner
 Membership No. 87921

Brijmohan Lall Munjal
 Chairman

Yogesh Chander Munjal
 Managing Director

Vinod Kumar Agrawal
 Director

Place: Gurgaon
 Date: May 23, 2012

MaheshTaneja
 VP- Finance and IT

Pankaj Gupta
 GM (F&A) & Company Secretary

Notes to financial statements for the year ended 31st March, 2012.**1. Corporate information**

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 and one plant at Haridwar.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of significant accounting policies**a) Change in accounting policy****Presentation and disclosure of financial statements**

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Tangible fixed assets

- Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.
- Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.
- From accounting periods commencing on or after 7 December 2006, the Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.
- Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

d) Depreciation on tangible fixed assets

- Depreciation on fixed assets is provided using the straight line method as per the estimated useful lives of the fixed assets estimated by the management, which results in depreciation rates being equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956 except for certain non factory buildings like boundary wall, tubewell and road

which are depreciated at 3.34%, the rate of which is higher than the rate 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.
- Assets costing less than or equal to Rs. 5,000 are depreciated fully in the year of purchase.

e) Intangible assts

- Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.
- Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the persuasive evidence exists to the effect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.
- The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*.
- Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Designs and Drawings

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.

Computer Software

Costs relating to Software, which are acquired, are capitalized and amortised on a straight line basis over the useful lives of four years.

f) Leases

Where the Company is lessee

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

g) Borrowing Costs

- Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.
- Ancillary costs of arranging the borrowings are amortized equally over the period for which the funds are acquired. During an earlier year, the Company incurred such expenditure amounting to Rs. 18,118,261/- on External Commercial Borrowings which is being amortized over a period of 5 years. During the year, an amount of Rs.3,623,652/- (Previous year: Rs. 3,623,652/-) has been charged to the statement of profit and loss.
- Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

h) Impairment of tangible and intangible assets

- The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.
- The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.
- Impairment losses, including impairment on inventories, are recognized in the statement of profit and loss.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

i) Investments

- Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.
- On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees additions.
- Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

j) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realizable 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. Cost is determined on a weighted average basis.
Scrap	At net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

k) Revenue Recognition

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

Dividends

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

l) Foreign currency translation**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.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are measured at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

From accounting periods commencing on or after 7 December 2006, the Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.
2. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
3. All other exchange differences are recognized as income or as expenses in the period in which they arise.

Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period. Any gain/ loss arising on forward contracts which are long-term foreign currency monetary items is recognized in accordance with paragraph 1 and 2 above.

m) Retirement and other benefits

- (i) Retirement benefits in the form of Provident Fund contributions and superannuation fund (maintained per the scheme of Life Insurance Corporation) which are defined contribution schemes are charged to the statement of profit and loss for 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. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss.
- (iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- (iv) The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

n) Income taxes

- Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the income tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.
- Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.
- In the situation where the Company is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of 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 realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.
- At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.
- The carrying amount of deferred tax assets are reviewed at each reporting 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 realized. 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.
- Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

o) Segment reporting*Identification of segments*

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

p) Earnings per share

- Basic earning 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.

q) Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold. Provision is based on historical experience. The estimate of such warranty-related costs is revised annually.

r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

s) Cash and cash equivalents

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

t) Derivative instruments

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

u) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

3. Share Capital	March 31, 2012 Rs.	March 31, 2011 Rs.
Authorised 75,000,000 (Previous Year 75,000,000) equity shares of Rs.2/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued 39,997,500 (Previous Year 39,997,500) equity shares of Rs. 2/- each	<u>79,995,000</u>	<u>79,995,000</u>
Subscribed and Fully Paid up 39,995,000 (Previous Year 39,995,000) equity shares of Rs.2/- each fully paid	<u>79,990,000</u>	<u>79,990,000</u>
Share forfeited (amount originally paid up)	<u>2,500</u>	<u>2,500</u>
Total paid-up share capital	<u>79,992,500</u>	<u>79,992,500</u>

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

	March 31, 2012		March 31, 2011	
	No. of shares	Rs.	No. of shares	Rs.
Equity shares				
At the beginning the year	39,995,000	79,992,500	39,995,000	79,992,500
Outstanding at the end of the year	<u>39,995,000</u>	<u>79,992,500</u>	<u>39,995,000</u>	<u>79,992,500</u>

(b) Terms/ rights attached to equity shares

- The Company has only one class of equity shares having par value of Rs. 2/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders is Rs. 3.00 previous year Rs. 2.50.
- In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Detail of shareholders holding more than 5% shares in the Company

	March 31, 2012		March 31, 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of Rs. 2/- each fully paid				
(i) Dayanand Munjal Investments Private Limited	15,600,000	39.00%	15,600,000	39.00%
(ii) Showa Corporation, Japan	10,400,000	26.00%	10,400,000	26.00%
(iii) Enam Shares & Securities Private Limited	2,837,000	7.09%	2,837,000	7.09%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. Reserves and Surplus

	March 31, 2012 Rs.	March 31, 2011 Rs.
General reserve		
Balance as per the last financial statements	1,590,784,601	1,490,784,601
Add: Amount transferred from surplus balance in the statement of profit and loss	200,000,000	100,000,000
Closing Balance	1,790,784,601	1,590,784,601
Surplus in the statement of profit and loss		
Balance as per the last financial statements	359,003,452	234,711,671
Profit for the year	671,289,043	340,190,792
Less: Appropriations		
Proposed final dividend (amount per share Rs. 3.00 (previous year Rs 2.50))	(119,985,000)	(99,987,500)
Tax on dividend	(19,464,567)	(15,911,511)
Transfer to general reserve	(200,000,000)	(100,000,000)
Total appropriations	(339,449,567)	(215,899,011)
Net surplus in the statement of profit and loss	690,842,928	359,003,452
Total reserves and surplus	2,481,627,529	1,949,788,053

5. Long-Term Borrowings

	Non-Current portion	Current maturities	Non-Current portion	Current maturities
	March 31, 2012 Rs.	March 31, 2012 Rs.	March 31, 2011 Rs.	March 31, 2011 Rs.
Term loans				
Indian rupee loan from a bank (secured)	80,000,000	80,000,023	160,000,000	40,000,000
Foreign currency loans:				
From a bank (secured)	-	98,011,458	85,445,068	85,445,146
External Commercial Borrowing from a bank (secured)	127,455,883	127,455,878	254,911,761	127,455,884
Buyer's credit from a bank (secured)	3,631,263	15,010,295	18,641,556	30,872,644
	<u>211,087,146</u>	<u>320,477,654</u>	<u>518,998,385</u>	<u>283,773,674</u>
The above amount includes				
Secured borrowings	211,087,146	320,477,654	518,998,385	283,773,674
Unsecured borrowings	-	-	-	-
Amount disclosed under the head "other current liabilities"(note 9)	-	(320,477,654)	-	(283,773,674)
Net amount	<u>211,087,146</u>	<u>-</u>	<u>518,998,385</u>	<u>-</u>

- a. Indian rupee loan from a bank was taken during the financial year 2010-11 and carries interest linked to Bank base rate + 2.50% p.a. The loan is repayable in 10 quarterly instalments of Rs. 20,000,000 each after the initial moratorium of 6 months from the date of first drawdown, viz., 28 February, 2011. The loan is secured by equitable mortgage charge over property at 9-11, Maruti Industrial Area, Gurgaon-122015.

- b. Foreign currency loan from a bank carries a fixed rate of interest @ 9.10% p.a (fixed by interest rate swap contract on INR notional). The loan is repayable in 16 quarterly instalments of JPY 39,868,033 (Rs. 24,502,894) each, beginning from 26th June 2009. The loan is secured by equitable mortgage charge over property at 9-11, Maruti Industrial Area, Gurgaon-122015.
- c. External Commercial Borrowing ('ECB') from a bank carries a fixed rate of interest @ 8.85% p.a (fixed by interest rate swap contract on INR notional). The loan is repayable in 17 equal quarterly instalments of JPY 68,029,412 (Rs. 31,863,971), started from 31st December, 2009. The loan is secured with an exclusive charge on the fixed assets to be procured out of the loan along with mortgage charge over property at 9-11, Maruti Industrial Area, Gurgaon -122015.
- d. Buyer's credit from a bank in EURO, JPY & USD carries a fixed rate of interest @ 8.70% p.a., 8.70% p.a. & 8.00% p.a. respectively (fixed by interest rate swap contracts on INR notional). The loan in USD was taken during the financial year 2010-11 and is repayable in four half yearly installments of USD 77,500 (Rs. 3,631,263) each, started from 20th January, 2012. The loan in EURO is repayable in four half yearly installments of EURO 110,841 (Rs. 7,747,768) each, started from 4th March, 2011. The loan in JPY is repayable in four half yearly installments of JPY 10,990,000 (Rs. 5,872,923) each, started from 8th September, 2010. The loans are secured by exclusive charge on specific imported machineries against which buyers credit has been availed.

6. Deferred tax liabilities(net)	March 31, 2012	March 31, 2011
	Rs.	Rs.
Deferred tax liabilities		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	154,759,814	164,303,362
Unamortized Cost of arranging the borrowings	1,763,541	2,939,235
Gross deferred tax liabilities	156,523,355	167,242,597
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowable for tax purposes on paymnet basis	6,128,669	16,718,877
Provision for Doubtful debts and advances	8,403,938	8,431,842
Gross deferred tax assets	14,532,607	25,150,719
Net deferred tax liabilities	141,990,748	142,091,878

7. Provisions

	Long term	Short term	Long Term	Short term
	March 31, 2012		March 31, 2011	
	Rs.		Rs.	
Provision for employee benefits				
Provision for gratuity (note 26)	-	2,527,619	-	22,590,673
Provision for leave encashment	-	21,121,485	-	18,016,534
	-	23,649,104	-	40,607,207
Other provisions				
Provision for wealth tax	-	193,911	-	188,541
Provision for warranties	6,514,099	11,343,677	6,329,030	11,084,794
Provision for contingency	-	7,500,000	-	20,000,000
Proposed dividend	-	119,985,000	-	99,987,500
Tax on proposed dividend	-	19,464,567	-	16,220,472
	6,514,099	158,487,155	6,329,030	147,481,307
	6,514,099	182,136,259	6,329,030	188,088,514

Provision for warranties

A provision is recognized for expected warranty claims on products sold during the last one to three years as per warranty period on respective models, based on past experience of level of repairs and returns. Assumption used to calculate the provision for warranties are based on current sales level and current information available about returns based on the warranty period for all products sold. The table below gives information about movement in warranty provision:

	March 31, 2012 Rs.	March 31, 2011 Rs.
At the beginning of the year	17,413,804	15,937,306
Additions during the year	12,402,442	13,186,672
Utilized during the year	11,958,470	11,710,154
Unused amount reversed	-	-
At the end of the year	17,857,776	17,413,824
Current portion	11,343,677	11,084,794
Non-current portion	6,514,099	6,329,030

Provision for contingency

The Company had received a show-cause notice from Haryana State Pollution Control Board ('HSPCB') in 2009-10 towards contamination of ground water caused due to higher concentration of chromium used by the Company as compared to the minimum expected level. Pursuant to the show cause notice, the management had submitted a time bound remediation plan as per which specified milestones were to be achieved at the end of each quarter till December 2010. A bank guarantee of Rs. 50,000,000 had also been submitted to HSPCB. The management has initiated adequate steps suggested by the experts and has completed the plan within the overall time frame. Against the appeal filed by the Company with Appellate Authority, HSPCB, the case has been decided by the appellate authority on November 4, 2011 and as per the order of the appellate authority, bank guarantee of Rs. 37,500,000 has been released and bank guarantee of Rs. 12,500,000 has been forfeited by HSPCB. The Company has filed a writ petition against the order of the appellate authority with the Hon'ble High Court of Punjab and Haryana, which is pending for disposal. Since the matter is subjudice, provision of Rs. 7,500,000 (Previous year Rs. 32,500,000), over and above the amount already forfeited by HSPCB, has been retained towards any contingency, as per management's assessment of the costs to be incurred. The table below gives information about movement in provision (others):

	March 31, 2012 Rs.	March 31, 2011 Rs.
At the beginning of the year	20,000,000	32,500,000
Additions during the year	-	-
Utilized during the year	12,500,000	-
Unused amount reversed	-	12,500,000
At the end of the year	7,500,000	20,000,000
Current portion	7,500,000	20,000,000
Non-current portion	-	-

8. Short-term borrowings

	March 31, 2012 Rs.	March 31, 2011 Rs.
Cash credit from banks (secured)	-	4,222,960
Working capital loan from a bank (unsecured)	100,000,000	50,000,000
Working capital loan from a bank (secured)	100,000,000	-
	200,000,000	54,222,960
The above amount includes		
Secured borrowings	100,000,000	4,222,960
Unsecured borrowings	100,000,000	50,000,000

Cash credit and working capital loan from banks are secured by the hypothecation of stocks and book debts, both present and future. The cash credit is repayable on demand and carries interest @ 11.25% to 13% p.a. Working capital loan carries interest @ 10.75% p.a.

9. Other current liabilities

	March 31, 2012 Rs.	March 31, 2011 Rs.
Trade payables (including acceptances) (refer note 33 for details of dues to micro and small enterprises)	1,685,980,487	1,639,993,663
Other liabilities		
Current maturities of long term borrowings (note 5)	320,477,654	283,773,674
Interest accrued but not due on borrowings	7,840,608	8,985,073
Interest accrued and due on borrowings	66,115	10,349
Investor Education and Protection Fund shall be credited by following amount (as and when due):		
Unpaid dividend	3,555,551	3,142,146
Others:		
Payable towards capital goods	7,866,920	24,857,489
Security deposit from customers / others*	3,373,770	3,699,426
Excise duty payable	13,795,340	4,022,446
Service tax payable	45,624	60,965
Sales tax/VAT payable	17,055,895	24,200,149
Interest on income tax payable	1,100,000	600,000
TDS payable	14,644,216	14,953,237
Cess payable	303,522	273,201
WCT payable	177,553	85,953
Other payable	2,383,415	2,370,343
	392,686,183	371,034,451
	2,078,666,670	2,011,028,114

*Security deposits are repayable on demand.

10. Tangible assets

	Amount in Rs.							
	Freehold Land	Buildings	Plant & equipment	Furniture & Fixtures	Office equipment	Computers	Vehicles	Total
Cost								
At 01.04.2010	465,275,271	702,280,043	2,436,752,504	15,135,088	15,602,354	26,849,227	33,739,070	3,695,633,557
Additions	-	7,872,402	223,215,762	143,681	1,488,990	1,096,841	9,826,204	243,643,880
Disposals	8,175,000	11,526,975	27,622,606	1,302,472	1,986,731	8,435,414	3,895,470	62,944,668
At 31.03.2011	457,100,271	698,625,470	2,632,345,660	13,976,297	15,104,613	19,510,654	39,669,804	3,876,332,769
Additions	-	8,088,053	141,573,383	548,957	816,626	1,188,218	6,306,404	158,521,641
Disposals	-	-	-	-	492,800	-	7,335,512	7,828,312
At 31.03.2012	457,100,271	706,713,523	2,773,919,043	14,525,254	15,428,439	20,698,872	38,640,696	4,027,026,098
Depreciation								
At 01.04.2010	-	78,257,242	1,048,324,211	6,786,434	5,556,843	19,432,221	13,167,461	1,171,524,412
Charge for the year	-	23,320,189	199,369,081	795,108	1,006,807	2,115,945	3,410,183	230,017,313
Disposals	-	2,741,981	23,642,481	984,165	1,326,433	8,013,380	1,497,756	38,206,196
At 31.03.2011	-	98,835,450	1,224,050,811	6,597,377	5,237,217	13,534,786	15,079,888	1,363,335,529
Charge for the year	-	23,558,469	211,266,797	703,779	974,281	1,867,584	3,360,533	241,731,443
Disposals	-	-	-	-	179,328	-	5,441,543	5,620,871
At 31.03.2012	-	122,393,919	1,435,317,608	7,301,156	6,032,170	15,402,370	12,998,878	1,599,446,101
Net Block								
At 31 March 2011	457,100,271	599,790,020	1,408,294,849	7,378,920	9,867,396	5,975,868	24,589,916	2,512,997,240
At 31 March 2012	457,100,271	584,319,604	1,338,601,435	7,224,098	9,396,269	5,296,502	25,641,818	2,427,579,997

Note : Fixed assets of the cost of Rs. 39,347,222 (Written down value Rs. 5,380,762) were discarded during the previous year.

11. Intangible assets

Amount in Rs.

	Computer Software	Designs and drawings	Total
Gross block			
At 01.04.2010	5,460,000	71,745,802	77,205,802
Purchase	1,672,000	44,486,115	46,158,115
Adjustments	-	-	-
At 31.03.2011	7,132,000	116,231,917	123,363,917
Purchase	1,535,697	19,101,000	20,636,697
Adjustments	-	42,895,552	42,895,552
At 31.03.2012	8,667,697	92,437,365	101,105,062
Amortization			
At 01.04.2010	1,140,600	57,789,830	58,930,430
Charge for the year	1,364,985	31,084,524	32,449,509
Adjustments	-	-	-
At 31.03.2011	2,505,585	88,874,354	91,379,939
Charge for the year	1,897,075	28,659,153	30,556,228
Adjustments	-	42,895,552	42,895,552
At 31.03.2012	4,402,660	74,637,955	79,040,615
Net Block			
At 31 March 2011	4,626,415	27,357,563	31,983,978
At 31 March 2012	4,265,037	17,799,410	22,064,447

12. Loans and Advances

	Non-current	Current	Non-Current	Current
	March 31, 2012		March 31, 2011	
	Rs.		Rs.	
Capital advances				
Unsecured, considered good	5,419,781	-	13,620,714	-
	(A) 5,419,781	-	13,620,714	-
Security deposits				
Unsecured, considered good	19,689,214	350,000	13,606,263	350,000
	(B) 19,689,214	350,000	13,606,263	350,000
Loan and advances to related parties (note 29)				
Unsecured, considered good	-	-	-	5,963,816
	(C) -	-	-	5,963,816
Advances recoverable in cash or in kind or for value to be received				
Unsecured, Considered good	-	17,671,916	-	14,269,181
Doubtful	-	22,453,993	-	22,453,993
	-	40,125,909	-	36,723,174
Less: Provision for doubtful advances	-	(22,453,993)	-	(22,453,993)
	(D) -	17,671,916	-	14,269,181

Other loans & advances**Unsecured, considered good**

Advance income tax/tax deducted at source (net of provision for taxation)	-	198,598,703	-	182,753,609
Pre-paid expenses	-	14,945,655	-	12,389,853
Advance against investment	-	20,000,000	-	-
Loan to employees/suppliers	8,787,971	9,004,134	7,306,917	8,028,643
Balance with statutory/government authorities	-	110,553,356	-	145,434,055
Other advances	-	-	-	124,024

Considered doubtful

Loan to employees/suppliers	-	28,045	-	28,045
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Less : Provision for doubtful advances

	8,787,971	353,129,893	7,306,917	348,758,229
		(28,045)		(28,045)

Total (A+B+C+D+E)

	(E) 8,787,971	353,101,848	7,306,917	348,730,184
	33,896,966	371,123,764	34,533,894	369,313,181

	Non-current	Current	Non-Current	Current
	March 31, 2012		March 31, 2011	
	Rs.		Rs.	

Loan and advances to related parties include	-	-	-	5,963,816
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Due from a Private Limited Company in which two directors of the Company are interested as directors

13. Trade receivables and other assets**13.1 Trade receivables**

	Non-current	Current	Non-Current	Current
	March 31, 2012		March 31, 2011	
	Rs.		Rs.	

Debts outstanding for a period exceeding six months from the date they are due for payment

Unsecured, considered good	-	1,156,121	-	1,113,837
Doubtful	-	3,420,067	-	3,506,071

Provision for doubtful receivables	-	4,576,188	-	4,619,908
	-	(3,420,067)	-	(3,506,071)

(A)	-	1,156,121	-	1,113,837
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Other receivables

Unsecured, considered good	-	1,758,519,254	-	1,428,815,134
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(B)	-	1,758,519,254	-	1,428,815,134
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Total (A+B)	-	1,759,675,375	-	1,429,928,971
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13.2 Other assets

	Non-current	Current	Non-Current	Current
	March 31, 2012		March 31, 2011	
	Rs.		Rs.	
Unsecured, considered good unless otherwise stated				
Non-current bank balances (note 16)	50,000	-	2,500,000	-
(A)	50,000	-	2,500,000	-
Unamortized expenditure				
Unamortized premium on forward contracts	-	357,710	-	2,620,522
Ancillary cost of arranging the borrowings (note 2.1(g))	1,811,827	3,623,652	5,435,479	3,623,652
(B)	1,811,827	3,981,362	5,435,479	6,244,174
Others				
Interest accrued but not due on deposit	-	3,092	324,495	-
Unbilled revenue	-	81,987,906	-	74,112,515
(C)	-	81,990,998	324,495	74,112,515
Total (A+B+C)	1,861,827	85,972,360	8,259,974	80,356,689

Unamortised premium on forward contracts

A sum of Rs. 357,710 (Previous year Rs. 2,620,522) on account of unamortized foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to the statement of profit and loss of subsequent period.

14. Current investments

	March 31, 2012	March 31, 2011
	Rs.	Rs.
Current investments (valued at lower of cost and fair value, unless stated otherwise)		
<i>Unquoted mutual funds</i>	30,000,000	-
17,052,635 (31 March 2011: Nil) units of Rs. 10 each fully paid-up of UTI Liquid Cash Plan Institutional-Growth Option	30,000,000	-
Aggregate amount of unquoted investments	30,000,000	-

15. Inventories (valued at lower of cost and net realizable value)

	March 31, 2012	March 31, 2011
	Rs.	Rs.
Raw materials and components [Including stock in transit Rs. 97,314,585 (Previous Year Rs. 83,777,015)] (refer note 19)	294,237,077	233,864,044
Work in progress (refer note 20)	87,925,592	53,150,105
Finished goods (refer note 20)	43,817,880	32,450,170
Stores and spares [Including stock in transit Rs. 3,826,328 (Previous year Rs. 2,092,974)]	64,199,076	46,677,270
Scrap	549,521	591,175
	490,729,146	366,732,764

16. Cash and bank balances

	Non-current March 31, 2012 Rs.	Current March 31, 2011 Rs.	Non-Current March 31, 2011 Rs.	Current March 31, 2011 Rs.
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	7,293,846	-	12,264,792
On cash credit accounts	-	30,590,498	-	9,970,131
On unpaid dividend accounts	-	3,555,551	-	3,142,146
Cheques on hand	-	5,150,158	-	4,570,746
Cash on hand	-	634,554	-	942,939
	-	47,224,607	-	30,890,754
Other bank balances:				
Deposits with original maturity for more than 12 months	50,000	-	-	-
Margin money deposit	-	-	2,500,000	-
	50,000	-	2,500,000	-
Amount disclosed under non-current assets (note 13.2)	(50,000)	-	(2,500,000)	-
	-	47,224,607	-	30,890,754

Margin money deposit pledged as security with bank

Fixed deposit of Rs. 50,000 has been pledged with VAT authorities. Fixed deposit of Rs. 2,500,000 in the previous year was held as margin money against issuance of bank guarantee of Rs. 50,000,000 provided in favour of Haryana State Pollution Control Board.

17. Revenue from operations

	March 31, 2012 Rs.	March 31, 2011 Rs.
Revenue from operations		
Sale of products:		
Finished goods	16,472,163,326	13,657,466,056
Other operating revenue:		
Scrap Sales	268,743,271	226,678,184
Revenue from operations (gross)	16,740,906,597	13,884,144,240
Less : Excise duty #	1,172,093,764	990,879,090
Revenue from operations (net)	15,568,812,833	12,893,265,150

#In accordance with explanations below Para 10 of Notified Accounting Standard 9 – Revenue Recognition, excise duty on sales amounting to Rs. 1,172,093,764 (Previous year Rs. 990,879,090) has been reduced from sales in the statement of profit and loss and excise duty on variation of opening and closing stock of finished goods and scrap amounting to Rs. 1,965,520 (Previous year Rs. 426,523) has been considered as expense in note 22 of the financial statements.

	March 31, 2012 Rs.	March 31, 2011 Rs.
Details of product sold		
Finished goods sold		
Shock absorbers	15,153,801,956	12,218,467,253
Struts	932,873,667	1,063,741,531
Window balancer	112,677,493	117,571,504
Other components	272,810,210	257,685,768
	16,472,163,326	13,657,466,056

18. Other Income

	March 31, 2012 Rs.	March 31, 2011 Rs.
Interest income on :		
Bank Deposits	49,112	199,491
Income-tax refunds	-	1,769,585
Loans to employees/others	1,977,422	1,334,860
Profit on sale of current non-trade investments	10,774,788	6,779,463
Profit on disposal of fixed assets (net)	-	10,495,091
Provision for doubtful debts written back	86,004	-
Miscellaneous Income	3,054,642	2,829,794
	15,941,968	23,408,284

19. Cost of raw materials and components consumed

	March 31, 2012 Rs.	March 31, 2011 Rs.
Inventory at the beginning of the year	233,864,044	173,440,002
Add : Purchases	11,696,702,673	9,758,848,299
	11,930,566,717	9,932,288,301
Less : Inventory at the end of the year	294,237,077	233,864,044
Cost of raw materials and components consumed	11,636,329,640	9,698,424,257

Details of raw material and components consumed

	March 31, 2012 Rs.	March 31, 2011 Rs.
Fork pipe	1,797,177,206	1,527,162,824
Bottom case	2,310,356,256	1,817,271,940
Main spring cushion	1,668,973,821	1,347,161,009
Oil seal	801,492,257	688,563,817
Dust seal	133,259,496	113,877,848
Other materials and components	4,925,070,604	4,204,386,819
	11,636,329,640	9,698,424,257

Details of inventory

	March 31, 2012 Rs.	March 31, 2011 Rs.
Raw materials and components		
Fork pipe	6,760,011	3,884,769
Bottom case	17,525,521	8,698,352
Main spring cushion	13,697,845	14,352,843
Oil seal	39,063,146	32,526,601
Dust seal	1,732,050	1,340,356
Other materials and components	215,458,504	173,061,123
	294,237,077	233,864,044

20. Increase / Decrease in inventories

	March 31, 2012 Rs.	March 31, 2011 Rs.	Increase/decrease Rs.
Inventories at the beginning of the year			
Work-in-Progress	53,150,105	65,535,180	12,385,075
Finished goods	32,450,170	25,889,888	(6,560,282)
Scrap	591,175	1,804,392	1,213,217
	86,191,450	93,229,460	7,038,010
Inventories at the end of the year			
Work-in-progress	87,925,592	53,150,105	(34,775,487)
Finished goods	43,817,880	32,450,170	(11,367,710)
Scrap	549,521	591,175	41,654
	132,292,993	86,191,450	(46,101,543)
	(46,101,543)	7,038,010	

Details of inventory

	March 31, 2012 Rs.	March 31, 2011 Rs.
Work-in-Progress		
Shock absorbers	82,863,717	48,859,595
Struts	4,701,324	3,406,120
Window balancer	360,551	884,390
	87,925,592	53,150,105
Finished goods		
Shock absorbers	35,124,966	27,930,552
Struts	8,372,937	4,388,746
Window balancer	319,977	130,872
	43,817,880	32,450,170

21. Employee benefits expense

	March 31, 2012 Rs.	March 31, 2011 Rs.
Salaries and wages	576,914,788	463,464,623
Contribution to provident fund	21,466,667	20,536,578
Gratuity expense (note 26)	4,112,399	14,292,213
Contribution to superannuation fund	2,808,147	2,555,513
Staff welfare expenses	60,168,612	46,271,651
	665,470,613	547,120,578

22. Other expenses

	March 31, 2012 Rs.	March 31, 2011 Rs.
Consumption of stores and spares	520,645,528	469,801,319
Sub-contracting expenses	235,661,904	190,403,203
Differential excise duty on opening and closing inventories	1,965,520	426,523
Power and fuel	541,005,289	460,611,021
Freight and forwarding charges	35,090,485	33,640,571
Rent	2,179,500	2,371,400
Hire charges	6,093,424	5,093,601
Rates and taxes*	15,917,851	4,126,148
Insurance	11,496,155	10,934,528

Repairs and maintenance:		
- Plant and machinery	126,233,629	123,089,722
- Buildings	13,065,844	6,888,470
- Others	20,868,692	16,183,678
Advertising and sales promotion	881,412	882,424
Cash discounts	40,160,677	23,481,966
Royalty	411,854,052	338,946,167
Technicians fee	1,788,604	2,140,724
Warranty expenses	13,887,183	13,186,692
Legal and professional fees	12,635,152	9,899,282
Travelling and conveyance	29,215,738	30,011,833
Communication costs	4,163,520	3,949,610
Printing and stationery	1,804,160	1,263,133
Directors' sitting fees	765,000	780,000
Payment to statutory auditor (Refer details below)	3,357,898	2,808,467
Donations and contributions to charitable institutions	493,027	300,569
Provision for doubtful debts and advances (net)	-	745,840
Exchange differences (net)	19,739,730	60,425,329
Loss on disposal of fixed assets (net)	581,643	-
Miscellaneous expenses	14,637,026	18,482,270
	2,086,188,643	1,830,874,490

Payment to statutory auditors

As auditor:

- Audit fee	1,700,000	1,575,000
- Tax audit fee	250,000	-
- Limited reviews	825,000	825,000
- Out-of-pocket expenses	272,898	303,467

In other manner

- Certification etc.	310,000	105,000
	3,357,898	2,808,467

*Including Rs. 7,727,524 relating to earlier year but settled during the year.

23. Depreciation and amortization expense

	March 31, 2012 Rs.	March 31, 2011 Rs.
Depreciation of tangible assets	241,731,443	230,017,313
Amortisation of intangible assets	30,556,228	32,449,494
	272,287,671	262,466,807

24. Finance costs

	March 31, 2012 Rs.	March 31, 2011 Rs.
Interest expenses (including interest on income tax of Rs. 1,100,000 (Previous year Rs. 600,000)*)	106,566,849	86,658,244
Bank charges	1,401,363	1,118,621
Amortization of borrowing costs	3,623,652	3,623,652
	111,591,864	91,400,517

*including Rs. 16,438,746 relating to earlier year but settled during the year

25. Earning per share (EPS)

	March 31, 2012 Rs.	March 31, 2011 Rs.
Net profit as per statement of profit and loss (Rs.)	671,289,043	340,190,792
Weighted average number of equity shares for calculating basic and diluted EPS	39,995,000	39,995,000
Basic and Diluted earnings per share (Rs.)	16.78	8.51
Nominal value per share (Rs.)	2.00	2.00

26. 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 or part thereof in excess of six months. 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 recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expense recognized in employee cost :

	March 31, 2012 Rs.	March 31, 2011 Rs.
Current service cost	4,288,730	3,824,029
Interest cost on benefit obligation	4,264,572	2,951,967
Expected return on plan assets	(2,457,318)	(2,288,090)
Net actuarial (gain) / loss recognized in the year	(1,983,585)	9,804,307
Net benefit expense	4,112,399	14,292,213
Actual return on plan assets	4,539,401	2,357,014

Balance Sheet

Benefit asset/liability

	March 31, 2012 Rs.	March 31, 2011 Rs.
Defined benefit obligation	60,685,370	53,307,149
Fair value of plan assets	58,157,751	30,716,476
	2,527,619	22,590,673
Less : Unrecognized past service cost	-	-
Plan (liability)	(2,527,619)	(22,590,673)

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

	March 31, 2012	March 31, 2011
	Rs.	Rs.
Opening defined benefit obligation	53,307,149	36,899,589
Interest Cost	4,264,572	2,951,967
Current Service Cost	4,288,730	3,824,029
Benefits paid	(1,273,579)	(241,667)
Actuarial losses on obligation	98,498	9,873,231
Closing defined benefit obligation	60,685,370	53,307,149

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

	March 31, 2012	March 31, 2011
	Rs.	Rs.
Opening fair value of plan assets	30,716,476	28,601,129
Expected return	2,457,318	2,288,090
Contributions by employer	24,175,453	-
Benefits paid	(1,273,579)	(241,667)
Actuarial gains	2,082,083	68,924
Closing fair value of plan assets	58,157,751	30,716,476

The Company expects to contribute Rs. 3,316,247 (Previous year Rs. 22,590,673) to gratuity fund in the year 2012-13

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

	March 31, 2012	March 31, 2011
	%	%
Investments with insurer	100	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 debt market scenario.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below :

	March 31, 2012	March 31, 2011
	%	%
Discount rate	8.00	8.00
Expected rate of return on assets	8.00	8.00
Increase in compensation cost	7.00	7.00
Employee turnover		
-upto 30 years	3.00	3.00
-above 30 years but upto 44 years	2.00	2.00
-above 44 years	1.00	1.00

Note :

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.

Amount for the current and previous four years are as follows :

	March 31, 12	March 31, 11	March 31, 10	March 31, 09	March 31, 08
	Rs.	Rs.	Rs.	Rs.	Rs.
Defined benefit obligation	60,685,370	53,307,149	36,899,589	31,742,477	28,472,612
Fair value of plan assets	58,157,751	30,716,476	28,601,129	22,608,621	18,744,432
Deficit	2,527,619	22,590,673	8,298,460	9,133,856	9,728,180
Experience adjustments on plan liabilities	(9,873,231)	(98,498)	(566,120)	(355,198)	-
Experience adjustments on plan assets	68,924	2,082,083	452,437	412,163	-

Defined Contribution Plan :

	March 31, 2012	March 31, 2011
Charged to Profit and Loss Account	22,516,300	20,860,780
Contribution to Provident Fund	19,708,153	18,305,267
Contribution to Superannuation Fund	2,808,147	2,555,513

27. Leases

Operating lease : Company as lessee

The Company has taken various residential properties under operating lease agreements. These are cancellable leases and are renewable by mutual consent on mutually agreed terms. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

	March 31, 2012	March 31, 2011
	Rs.	Rs.
Lease payments for the year	2,148,000	2,371,400

28. Segment 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 is having negligible export and operates mainly in India i.e. only one business and geographical segment and thus no further disclosures are required to be made as per Accounting Standard (AS-17).

29. Related party disclosures

Names of related parties and related party relationship

- (a) Key management personnel and their relatives
 - Mr. Brijmohan Lall Munjal – Chairman *
 - Mr. Yogesh Chander Munjal – Managing Director
 - Mr. Tetsuo Terada – Joint Managing Director (from 18th May, 2010)
 - Mrs. Nidhi Kapoor – Daughter of Mr. 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
 - Dayanand Munjal Investments Private Limited
 - Majestic Auto Limited
 - Rockman Industries Limited*
 - Hero MotoCorp Limited (Formerly Hero Honda Motors Limited)
 - Shivam Autotech Limited*
 - Sunbeam Auto Private Limited**/**
 - Hero Corporate Services Limited*

*Related party till last year

**Public limited company till 18th May, 2010.

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year :

	(Amount in Rs.)									
	Enterprises with significant influence over the Company		Key management personnel & their relatives		Enterprises over which Directors and their relatives have significant influence		Total			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Transactions for the year :										
Sale of goods										
Hero MotoCorp Limited	-	-	-	-	-	9,594,919,673	-	9,594,919,673	-	9,594,919,673
Majestic Auto Limited	-	-	-	-	401,356	190,024	401,356	190,024	-	190,024
Showa Corporation, Japan	708,825	437,016	-	-	-	-	708,825	437,016	-	437,016
	708,825	437,016	-	-	-	9,595,109,697	401,356	9,595,546,713	1,110,181	9,595,546,713
Purchase of goods										
Hero MotoCorp Limited	-	-	-	-	-	8,547	-	8,547	-	8,547
Sunbeam Auto Private Limited	-	-	-	-	-	1,934,627,942	-	1,934,627,942	-	1,934,627,942
Majestic Auto Limited	-	-	-	-	-	3,724,087	3,336,429	3,724,087	3,336,429	3,724,087
Rockman Industries Limited	-	-	-	-	-	577,381,889	-	577,381,889	-	577,381,889
Shivam Autotech Limited	-	-	-	-	-	14,000,547	46,602,190	14,000,547	46,602,190	14,000,547
Showa Corporation, Japan	532,587,480	599,258,037	-	-	-	-	532,587,480	599,258,037	-	599,258,037
	532,587,480	599,258,037	-	-	-	2,529,743,012	49,938,619	582,526,099	582,526,099	3,129,001,049
Services										
Legal and professional fees paid										
Hero Corporate Services Limited	-	-	-	-	-	2,650,000	-	2,650,000	-	2,650,000
	-	-	-	-	-	-	-	-	-	-
Sale of Tangible Fixed assets										
Mr. Yogesh Chander Munjal	-	-	-	-	32,500,009	-	-	32,500,009	-	32,500,009
	-	-	-	-	32,500,009	-	-	32,500,009	-	32,500,009
Purchase of Tangible fixed assets										
Showa Corporation, Japan	-	1,577,600	-	-	-	-	-	-	-	1,577,600
	-	1,577,600	-	-	-	-	-	-	-	1,577,600
Royalty paid										
Showa Corporation, Japan	411,854,052	338,946,167	-	-	-	-	-	411,854,052	-	338,946,167
	411,854,052	338,946,167	-	-	-	-	-	411,854,052	-	338,946,167
Purchase of intangible assets										
Design & drawing fees										
Showa Corporation, Japan	19,101,000	44,486,115	-	-	-	-	-	19,101,000	-	44,486,115
	19,101,000	44,486,115	-	-	-	-	-	19,101,000	-	44,486,115
Technician fee paid										
Showa Corporation, Japan	1,788,604	2,140,724	-	-	-	-	-	1,788,604	-	2,140,724
	1,788,604	2,140,724	-	-	-	-	-	1,788,604	-	2,140,724
Interest expense										
Showa Corporation, Japan	2,389,048	1,957,564	-	-	-	-	-	2,389,048	-	1,957,564
	2,389,048	1,957,564	-	-	-	-	-	2,389,048	-	1,957,564
Travelling and conveyance expense										
Showa Corporation, Japan	496,664	1,106,666	-	-	-	-	-	496,664	-	1,106,666
	496,664	1,106,666	-	-	-	-	-	496,664	-	1,106,666
Reimbursement of expenses given										
Showa Corporation, Japan	-	632,270	-	-	-	-	-	-	-	632,270
	-	632,270	-	-	-	-	-	-	-	632,270

	Enterprises with significant influence over the Company		Key management personnel & their relatives		Enterprises over which Directors and their relatives have significant influence		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Dividend Paid								
Showa Corporation, Japan	26,000,000	20,800,000	-	-	-	-	26,000,000	20,800,000
Dayanand Munjal Investment Pvt. Ltd.	-	-	-	-	39,000,000	31,200,000	39,000,000	31,200,000
Mrs. Nidhi Kapoor	-	-	10,000	-	-	-	10,000	-
Mr. Yogesh Chander Munjal	-	-	-	8,000	-	-	-	8,000
	26,000,000	20,800,000	10,000	8,000	39,000,000	31,200,000	65,010,000	52,008,000
Employee Benefits for Key Management Personnel (Salary, Commission and contributions to Provident Fund and Superannuation fund)								
Mr. Yogesh Chander Munjal	-	-	26,065,960	16,853,064	-	-	26,065,960	16,853,064
Mr. Teisuo Terada	-	-	18,068,688	11,729,856	-	-	18,068,688	11,729,856
	-	-	44,134,648	28,582,920	-	-	44,134,648	28,582,920
Balances at the year end:								
Trade payables								
Hero Corporate Services Limited	-	-	-	-	-	657,664	-	657,664
Majestic Auto Limited	-	-	-	-	559,168	578,961	559,168	578,961
Sunbeam Auto Private Limited	-	-	-	-	-	183,009,190	-	183,009,190
Rockman Industries Limited	-	-	-	-	-	63,824,039	-	63,824,039
Shivam Autotech Ltd.	-	-	-	-	9,517,844	4,449,034	9,517,844	4,449,034
Showa Corporation, Japan	391,278,043	486,653,588	-	-	-	-	391,278,043	486,653,588
Mr. Yogesh Chander Munjal	-	-	9,707,389	4,847,997	-	-	9,707,389	4,847,997
Mr. Teisuo Terada	-	-	9,538,389	4,210,452	-	-	9,538,389	4,210,452
	391,278,043	486,653,588	19,245,778	9,058,449	10,077,012	252,518,888	420,600,833	748,230,925
Loan and advances to related parties								
Sunbeam Auto Private Limited	-	-	-	-	-	5,963,816	-	5,963,816
	-	-	-	-	-	5,963,816	-	5,963,816
Trade Receivables								
Hero Moto Corp Limited	-	-	-	-	-	1,211,413,656	-	1,211,413,656
Showa Corporation, Japan	141,621	65,938	-	-	-	-	141,621	65,938
	141,621	65,938	-	-	-	1,211,413,656	141,621	1,211,479,594
Other Current assets								
Hero Moto Corp Limited	-	-	-	-	-	54,593,613	-	54,593,613
	-	-	-	-	-	54,593,613	-	54,593,613
Sureties given to government departments								
Sunbeam Auto Private Limited	-	-	-	-	-	126,100,000	-	126,100,000
Hero Cycles Limited	-	-	-	-	-	100,000	-	100,000
	-	-	-	-	-	126,200,000	-	126,200,000
Sureties obtained								
Sunbeam Auto Private Limited	-	-	-	-	-	1,100,000	-	1,100,000
	-	-	-	-	-	1,100,000	-	1,100,000
	1,386,345,337	1,498,061,685	63,390,426	70,149,378	99,416,987	13,810,492,682	1,549,152,750	15,378,703,746

Notes:
 (i) The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.
 (ii) No amount has been written off or written back in the year in respect of debts due from/to above related parties.

30. Capital and other commitments

- (a) At 31st March 2012, the estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 24,949,953, (Previous year Rs. 28,509,546).
- (b) For commitments relating to lease arrangements, please refer note 27.

31. Contingent Liabilities

	March 31,2012 Rs.	March 31,2011 Rs.
Demands raised by Income Tax Authorities, being disputed by the Company	310,327,530	217,314,420
Show cause notices / demands issued by Excise Authorities, being disputed by the Company	227,506,616	177,506,951
Demand raised by Employees State Insurance Recovery Officer, being disputed by the Company	4,365,036	4,365,036
Pending cases with Income Tax Appellate Authorities / High Court where Income Tax Department has preferred appeals	Liability not ascertainable	Liability not ascertainable

a) Demands raised by the Income Tax Authorities comprise of:

- (i) In respect of Assessment Years 1993-94 and 1996-97, allowability of certain expenses like foreign technician expenses, design and drawing fees were pending under appeal with ITAT. ITAT has decided in favour of Company. The Income tax department has appealed against the Company before the High Court wherein the High Court has ordered in favour of the Company which is pending for appeal effect. The total amount involved is Rs. 1,494,076 (Previous year Rs. 1,494,076).
- (ii) In respect of Assessment Years 1998-99 and 1999-00, allowability of certain expenses like foreign technician expenses, design and drawing fees were pending under appeal with ITAT. The issue has been set aside by the Tribunal to the file of the assessing officer to follow the order of earlier years. The Company has obtained legal opinion as per which the Company has possibility of success. The total amount involved is Rs. 373,287 (Previous year Rs. 373,287).
- (iii) In respect of Assessment Years 2002-03, 2003-04 and 2004-05 issues relating to allowability some percentage of expenses like royalty, technician fee, design and drawing, prior period (2004-05) is pending with ITAT. The Company has obtained legal opinion as per which the Company has possibility of success. The amount involved is Rs. 22,649,734 (Previous year Rs. 22,649,734).
- (iv) In respect of Assessment Year 2005-06, certain adjustments were made to the transaction values by the tax authorities based on arm's length price of international transactions entered with associated enterprises. The issue is pending with CIT (Appeals), based on which demand was raised. The Company has obtained legal opinion as per which the Company has possibility of success. The amount involved is Rs. 115,302,063 (Previous year Rs. 115,302,063).
- (v) In respect of Assessment Year 2006-07, certain adjustments were made to the transaction values by the tax authorities based on arm's length price of international transactions entered with associated enterprises and on disallowance of royalty and technical fee. The matter is pending with ITAT. The Company has obtained legal opinion as per which there is a possibility of success. The amount involved is Rs.77,495,260 (Previous year Rs.77,495,260).
- (vi) In respect of Assessment Year 2007-08, certain adjustments were made to the transaction values by the tax authorities based on arm's length price of international transactions entered with associated enterprises and on disallowance of royalty and technical fee. The matter is pending with ITAT. The Company has obtained legal opinion as per which there is a possibility of success. The amount involved is Rs.93,013,110 including interest.
- (vii) In respect of Assessment Year 2008-09, certain adjustments were made to the transaction values by the tax authorities based on arm's length price of international transactions entered with associated enterprises and on disallowance of royalty and technical fee. The Company has preferred filing the objection against the draft assessment order and is pending before Dispute Resolution Panel ('DRP') for disposal. The Company has obtained legal opinion as per which there is a possibility of success. The amount of disallowances is Rs.197,888,932, on which income tax amounts to Rs 67,262,448 (excluding interest, penalty etc).

b) Show cause/demand notices issued by Excise Authorities comprise of:

- (i) The Excise authorities had issued Show Cause Notices (SCN's) on the Company proposing to levy Service tax on royalty payments amounting to Rs. 157,284,357 (Previous year Rs. 157,284,357) as recipient of services under reverse charge mechanism on the royalty paid for such import of services during the period from September 10, 2004 to March 31, 2010. In an order passed by the Commissioner (Adjudication), Service Tax during the year, against the above show cause notices, service tax demand of Rs. 87,561,221 has been confirmed and balance demand has been dropped. In addition, interest and penalty have also been levied. The Company has paid Rs. 63,406,462 against the above demand as per its computation alongwith interest under protest and has filed appeal with CESTAT which is pending for disposal.
- (ii) The Excise authorities have issued show cause/ demand notices (SCN's) on the Company for wrong availment of service tax and cenvat aggregating to Rs. 20,275,476 (Previous year Rs 20,222,594). The Company has filed reply against the above show cause/ demand notices and has protested the same. The Company has obtained legal opinion as per which there is a possibility of success.

c) Demands raised by Employee State Insurance Recovery Officer:

Contingent liabilities in respect of demands raised by the Employee State Insurance Recovery Officer represent 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. The demand has been stayed by Hon'ble Judge, Employee Insurance Court, Gurgaon.

32. Derivative Instruments and unhedged foreign currency exposure

(a) Foreign Exchange Option and Forward Contracts Outstanding as at reporting date

Particulars	March 31, 2011	Purpose
March 31, 2012	March 31, 2011	
(i) Foreign Exchange Option		
Loans	Loans	
Nil	JPY 21,980,000 (Notional amount)	Hedge against borrowing in JPY
EUR 110,841 (Notional amount)	EUR 332,522 (Notional amount)	Hedge against borrowing in EURO
USD 232,500 (Notional amount)	USD 310,000 (Notional amount)	Hedge against borrowing in USD
JPY 159,471,947 (Notional amount)	JPY 318,944,060 (Notional amount)	Hedge against borrowing in JPY
JPY 476,205,882 (Notional amount)	JPY 748,323,529 (Notional amount)	Hedge against borrowing in JPY
(ii) Forward Contracts		
Loans	Loans	
JPY 68,029,412 (Notional amount)	JPY 68,029,412 (Notional amount)	Hedge against borrowing in JPY
Interest on Loan		
JPY 2,332,796 (Notional amount)		Hedge against interest payable on borrowing in JPY
Trade Payables	Trade Payables	
JPY 92,474,139	JPY 164,150,000	Forward Contract against Trade payables
USD 1,180,406	USD 2,250,000	Forward Contract against Trade payables

(b) Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	March 31, 2012		March 31, 2011	
	Amount in Rs.	Foreign currency	Amount in Rs.	Foreign currency
Trade receivables				
USD	2,061,333	40,514	3,344,560	75,007
JPY	141,621	230,428	65,938	123,180
Advances				
USD	90,261	1,774	-	-
EUR	1,566,742	23,075	-	-
THB	-	-	275,245	405,491
GBP	-	-	60,506	847
SGD	25,659	634	-	-
Trade payables				
USD	11,701,870	229,990	-	-
JPY	141,535,257	230,288,410	239,796,398	447,548,335
GBP	-	-	6,051	85
EURO	7,205,402	106,119	2,417,444	38,295
THB	28,633,928	17,350,741	3,630,616	2,464,442

33. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	March 31, 2012 Rs.	March 31, 2011 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	269,000,451	218,670,248
Interest due on above	-	-
	269,000,451	218,670,248
The amount of interest paid by the buyer in terms of Section 16 of the MSMED 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 the MSMED Act 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
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 MSMED Act 2006.	-	-

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

	March 31, 2012 Rs.	March 31, 2011 Rs.
Capital goods	-	30,496,100
Raw materials and components	671,285,261	605,899,674
Stores and spares	60,205,367	39,085,250
	731,490,628	675,481,024

35. Expenditure in foreign currency (on accrual basis)

	March 31, 2012 Rs.	March 31, 2011 Rs.
Technician fee	1,788,604	2,140,724
Royalty	411,854,052	338,946,167
Travelling and conveyance	2,565,892	3,642,379
Interest expense	19,384,102	10,337,787
Design and drawings (considered as intangible asset)	19,101,000	44,486,115
Miscellaneous expenses	-	632,070
	454,693,650	400,185,242

36. Imported and indigenous raw materials, stores and spares consumed

	% of total consumption		Value in Rs.	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Raw materials and components				
Imported	6%	7%	710,380,075	658,377,955
Indigenously obtained	94%	93%	10,925,949,565	9,040,046,302
	100%	100%	11,636,329,640	9,698,424,257
Stores and spares				
Imported	11%	9%	59,702,806	44,360,645
Indigenously obtained	89%	91%	460,942,722	425,440,674
	100%	100%	520,645,528	469,801,319

37. Net dividend remitted in foreign exchange

Year of remittance (ending on)	March 31, 2012	March 31, 2011
Period to which it relates	2010-11	2009-10
Number of non-resident shareholders	1	1
Number of equity shares held on which dividend was due	10,400,000	10,400,000
Amount remitted (in Rs.)	26,000,000	20,800,000

38. Earnings in foreign currency (on accrual basis)

	March 31, 2012 Rs.	March 31, 2011 Rs.
Exports at F.O.B. value	14,093,986	16,847,071
	14,093,986	16,847,071

39. Previous year figures

Till the year ended 31 March 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has re-classified previous year's figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosure made in the financial statements, particularly presentation of balance sheet.

As per our report of even date

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

Firm's Registration No. 301003E

Chartered Accountants

For and on behalf of the Board of Directors of Munjal Showa Ltd.

per **Anil Gupta**
Partner

Membership No. 87921

Place: Gurgaon

Date: May 23, 2012

Brijmohan Lall Munjal
Chairman

Mahesh Taneja
VP- Finance and IT

Yogesh Chander Munjal
Managing Director

Pankaj Gupta
GM (F&A) & Company Secretary

Vinod Kumar Agrawal
Director

SECRETARIAL AUDIT REPORT

The Shareholders

M/s. Munjal Showa Limited
9-11, Maruti Industrial Area,
Gurgaon-122015

We have examined the registers, records and documents of Munjal Showa Limited (the Company) for the financial year ended 31st March 2012 in the light of the provisions contained in-

- The Companies Act, 1956 and the Rules made thereunder.
- The Depositories Act, 1996 and the Rules made thereunder and the bye-laws of the Depositories who have been given the requisite Certificates of Registration under the Securities and Exchange Board of India Act, 1992
- The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.
- The Securities and Exchange Board of India Act, 1992 and the Rules, Guidelines and Regulations made thereunder including:
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - The Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 and
 - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999
- The listing agreement with the National Stock Exchange and with the Bombay Stock Exchange

A. Based on our examination and verification of the records made available to us and according to the clarifications and explanations given to us by the Company, we report that the Company has, in our opinion, complied with the applicable provisions of the Companies Act, 1956 and the rules made thereunder, listing agreement and of the Memorandum and Articles of Association of the Company, with regard to:

1. Maintenance of various statutory and non-statutory registers and documents and making necessary changes therein as and when the occasion demands.
2. Filing with the Registrar of Companies the Forms, returns and resolutions.
3. Service of the requisite documents by the Company on its members, Registrar and Stock Exchanges.
4. Composition of the Board, appointment, retirement and resignation of directors.
5. Remuneration of executive and independent directors.
6. Service of notice and agenda of Board Meetings and Meetings of the committee of directors.
7. Meetings of the Board and its committees.
8. Holding Annual General Meeting and production of the various registers thereat.
9. Recording the minutes of proceedings of board meetings, committee meetings and General Meetings.
10. Appointment and remuneration of Auditors.
11. Registration of transfer of shares held in physical mode.
12. Dematerialisation and rematerialisation of shares.
13. Execution of contracts, affixation of common seal, registered office and the name of the Company.
14. The Company has declared dividend and paid to the eligible shareholders in compliance with the provisions of section 205 of the Act during the year.
15. The Company has transferred the unclaimed/unpaid dividend to Investor Education and Protection Fund in compliance with the provisions of section 205C of the Act during the year.
16. Requirement of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011.
17. Requirement of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992
18. Requirements set out in the listing agreement with the aforementioned stock exchanges.

B. We further report that-

- (i) The Company has complied with various requirements relating to disclosures, declarations made by the Directors with respect to directorships, memberships of committees of the Board of Companies of which they are directors, their shareholding and interest of concern in the contracts entered into by the Company in the pursuing its normal business and
- (ii) There was no prosecution initiated against or show cause notice received by the Company and no fine or penalties were imposed on the company under the aforementioned Acts, Rules, Regulations and guidelines made thereunder or on its directors and officers, other than suo moto compounding offence under section 297 of the Companies Act, 1956 compounded by the Regional Director.

New Delhi
 12th May, 2012

For Chandrasekaran Associates
 Company Secretaries

Dr. S Chandrasekaran
 Senior Partner
 FCS: 1644, CP : 715

MUNJAL SHOWA LIMITED

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

ATTENDANCE SLIP

I, hereby record my presence at the 27th ANNUAL GENERAL MEETING of the Company held on Thursday the 09th day of August' 2012 at Company's registered office at 9-11, Sector-18, Maruti Ind. Area, Gurgaon-122 015, Haryana at 11.00 A.M.

Folio No.
DP ID & Client ID NO.

NO. OF SHARES HELD:

Name
Address

Signature of the member

Signature of the Proxy

ENTRY PASS FOR 27TH ANNUAL GENERAL MEETING

(To be retained throughout the Meeting)

Folio No.
DP ID & Client ID NO.

NO. OF SHARES HELD:

Name
Address

Note:

- Members/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.
- There will be separate entrance for AGM at the registered office. Members are therefore requested to cooperate and use only the AGM entrance and not any other entrance.
- There will be no parking facility available inside the registered office.
- This attendance slip is valid only in case shares are held on the date of the meeting.

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 27th Annual General Meeting of the Company to be held on Thursday the 09th day of August' 2012 at 11.00 A.M. and at any adjournment thereof.

Signed this _____ day of _____ 2012

Folio No.
DP ID & Client ID NO.

Affix a
Fifteen paise
Reveue
Stamp

FOR OFFICE USE ONLY:

DATE & TIME OF RECEIPT:

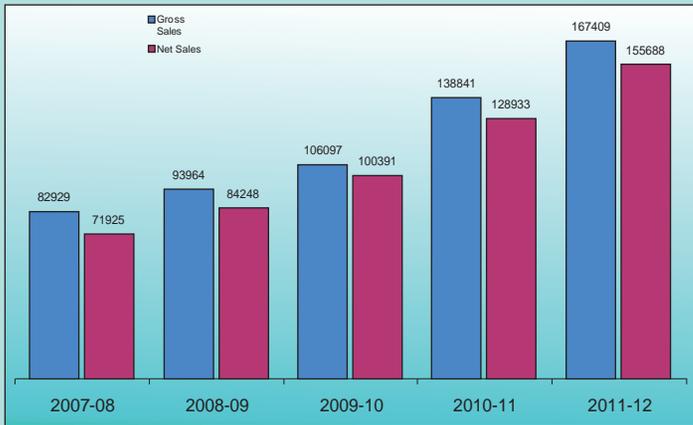
Signature _____

PROXY NO:

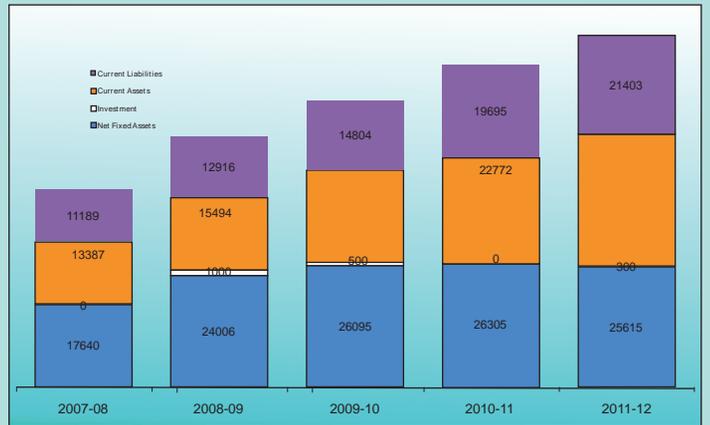
Note: The proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time of the meeting.

(*) 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.

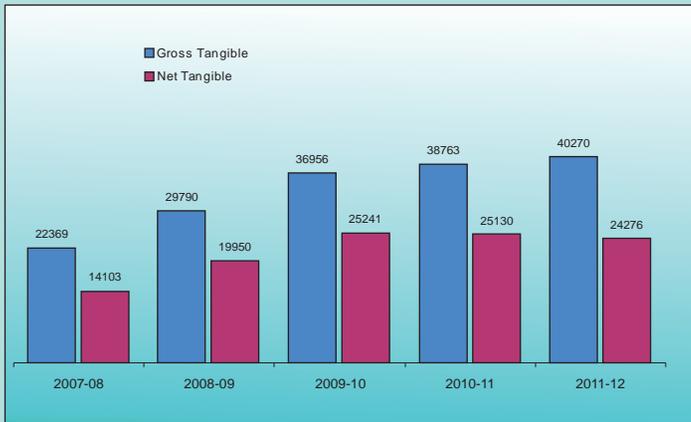
MUNJAL SHOWA LIMITED
Sales (Rs. In Lacs)



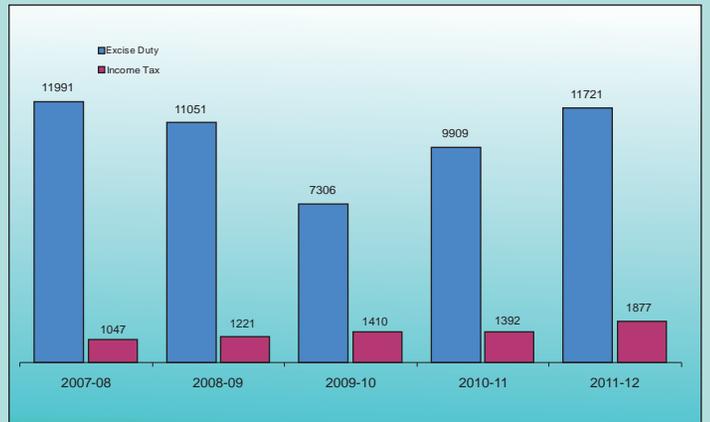
MUNJAL SHOWA LIMITED
Application of Funds (Rs. In Lacs)



MUNJAL SHOWA LIMITED
Tangible Fixed Assets (Rs. In Lacs)



MUNJAL SHOWA LIMITED
Contribution to Exchequer (Rs. In Lacs)



MUNJAL SHOWA LIMITED
Borrowings & Net Worth (Rs. In Lacs)

