

**MUNJAL  
SHOWA**

# 20 YEARS OF EXCELLENCE



20<sup>th</sup> Annual Report  
2004-05

## CONTENTS

	Page Nos.
Board of Directors & Other Information .....	1
Financial Highlights .....	2
Notice .....	4
Explanatory Statement .....	8
Directors' Report .....	13
Corporate Governance Report .....	17
Auditors' Report .....	28
Balance Sheet, Profit and Loss Account & Cash Flow Statement .....	31
Notes to the Accounts .....	43
Additional Information .....	53
Information to the Members .....	55

**BOARD OF DIRECTORS**

**Brijmohan Lall Munjal**  
(Chairman)

**Yogesh Munjal**  
(Managing Director)

**Seiji Konoue**  
(Joint Managing Director)  
(Upto 31.07.2005)

**Kazuhiro Nishioka**  
(Joint Managing Director)  
(w.e.f. 01.08.2005)

**Kiyoshi Nagashima**  
(Upto 31.07.2005)

**Hiroshi Ijima**  
(w.e.f. 01.08.2005)

**Dr. K. C. Sethi**

**S. D. Khosla**

**K. N. Malhotra**

**Vinod K. Agrawal**  
(w.e.f. 29.07.2005)

**Ashok Munjal**

**Pankaj Munjal**

Pankaj Gupta

**COMPANY SECRETARY****COST AUDITORS**

M/s Ramanath Iyer & Co.  
Cost Accountants  
Delhi

**BANKERS**

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

**TECHNICAL & FINANCIAL COLLABORATOR**

Showa Corporation  
1-14-1, Fujiwara –Cho  
Gyoda- shi Saitama Ken, Japan

**REGISTERED OFFICE & WORKS**

9-11, Maruti Industrial Area,  
Gurgaon-122015  
Plot No. 26 E & F, Sector 3,  
IMT Manesar, Gurgaon- 122 050

**SHARE TRANSFER AGENTS**

MCS Limited  
Shri Venkatesh Bhavan, W-40,  
Okhla Industrial Area, Phase II,  
New Delhi- 110 020  
Tel: 26384909; Fax; 26384907  
Email: mcsdel@vsnl.com

## YEARLY FINANCIAL RESULTS AT A GLANCE

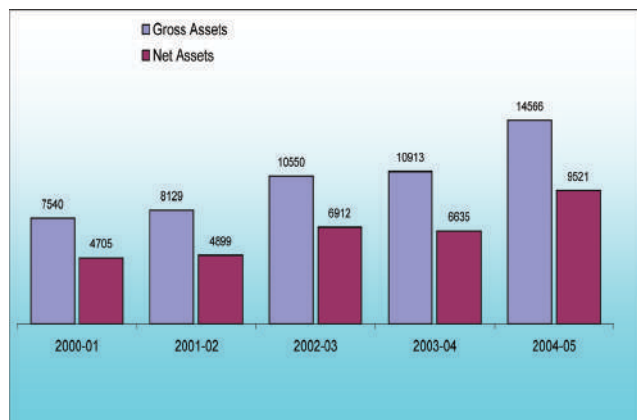
	(Rs.in lacs)				
	March' 05	March'04	March'03	March '02	March '01
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserves & Surplus	10827.18	10729.81	9289.78	7827.18	6662.31
Total Shareholder's Funds	11627.10	11529.73	10089.70	8627.10	7462.23
Unsecured Loans	-	226.34	552.13	742.83	865.72
Secured Loans	24.79	182.90	463.57	219.86	190.59
Total Term Liability	24.79	409.24	1015.70	962.69	1056.31
Total Assets	12230.72	12553.81	11860.07	9589.80	8518.55
Net Sales	52147.96	40427.70	35668.84	31603.66	24336.03
(% Increase over Previous year)	28.99%	13.34%	12.86%	29.86%	20.59%
Profit Before Interest Depn. & Tax (PBDIT)	#2031.11	4047.29	4059.29	4510.67	2471.31
Interest	51.09	54.15	51.39	78.70	91.83
Depreciation	823.07	747.73	629.86	546.96	401.19
Profit Before Tax (PBT)	1156.95	3245.42	3378.04	3885.01	1978.29
Profit After Tax (PAT)	782.97	2116.82	2139.38	2507.45	1281.53
Earnings per Share (EPS) (Rs.)	9.79	26.46	26.75	31.35	16.02
Book Value per Share (Rs.)	145.34	144.12	126.12	107.84	93.28
Dividend %	## 75.00%	75.00%	75.00%	75.00%	35.00%

# after exceptional loss of Rs. 1072.32 Lacs

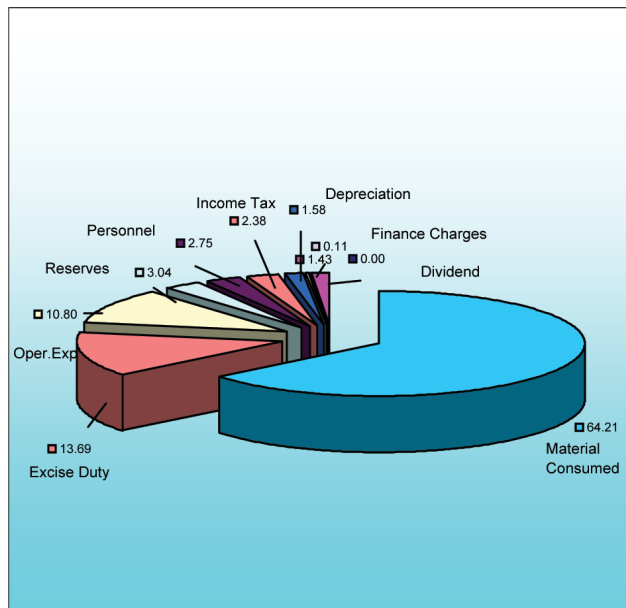
## Recommended by Board of Directors



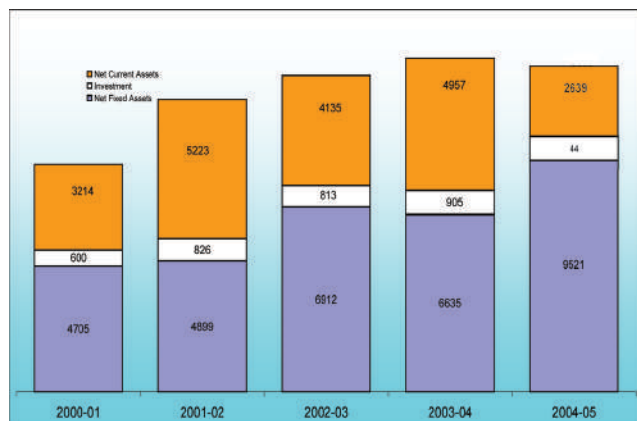
**MUNJAL SHOWA LIMITED**  
Fixed Assets (Rs. in lacs)



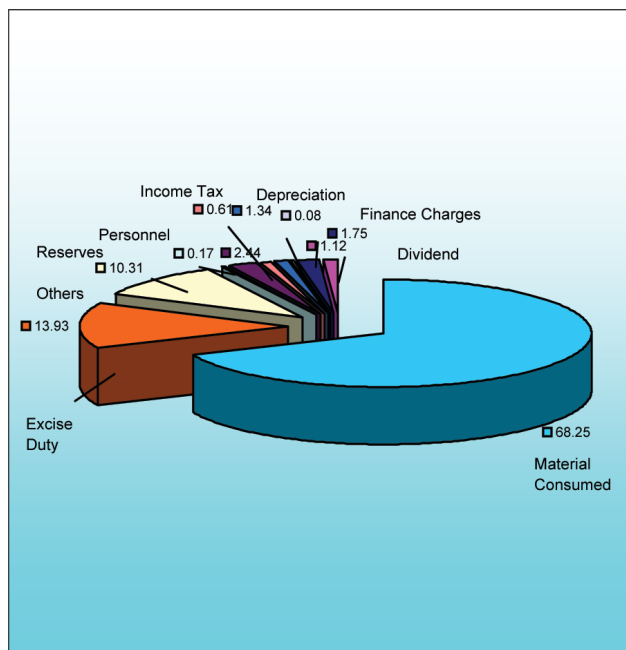
**MUNJAL SHOWA LIMITED**  
Distribution of Revenue (2003-2004)



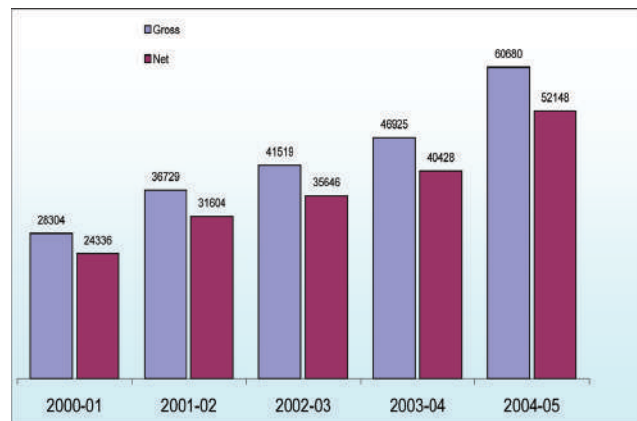
**MUNJAL SHOWA LIMITED**  
Application of Funds (Rs. in lacs)



**MUNJAL SHOWA LIMITED**  
Distribution of Revenue (2004-2005)



**MUNJAL SHOWA LIMITED**  
Sales (Rs. in lacs)



## **NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON TUESDAY THE 30<sup>TH</sup> DAY OF AUGUST, 2005 AT 11:00 A.M. AT THE COMPANY'S NEW PLANT SITUATED AT 26E & F, IMT MANESAR, GURGAON, HARYANA TO TRANSACT THE FOLLOWING BUSINESS: -**

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2005 and Profit and Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Pankaj Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K N Malhotra who retires by rotation and though being eligible for re-appointment, has requested to be relieved from this responsibility.
5. To appoint M/s S. R. Batliboi & Co., Chartered Accountants, New Delhi the retiring Auditors of the Company as Auditors, who shall hold 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 :-**

**6. Appointment and Remuneration of Mr. Kazuhiro Nishioka as Joint Managing Director of the Company**

"RESOLVED THAT Mr. Kazuhiro Nishioka who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 1<sup>st</sup> August, 2005 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.

RESOLVED FURTHER THAT pursuant to the recommendation by the Remuneration Committee of the Company and Sections 269, 309, 198 and Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act and subject to the approval of the Central Government, if required, Mr. Kazuhiro Nishioka be and is hereby appointed as the Joint Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> August, 2005, on such terms and conditions and remuneration as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER THAT in terms of Article 116 of the Articles of Association of the Company, so long as Mr. Kazuhiro Nishioka continues to act as Joint Managing Director, he shall not be liable to retire by rotation."

**7. Appointment of Mr. Vinod K. Agrawal as a Director of the Company**

"RESOLVED THAT Mr. Vinod K. Agrawal who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 29<sup>th</sup> July, 2005 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. Appointment of Mr. Hiroshi Ijima as a Director of the Company**

“RESOLVED THAT Mr. Hiroshi Ijima who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 1<sup>st</sup> August, 2005 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.”

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

“RESOLVED THAT pursuant to the recommendation of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Nineteenth Annual General Meeting held on 24<sup>th</sup> August, 2004, the consent of the Company be and is hereby accorded under Sections 198, 269 and 309 read with Schedule- XIII and other applicable provisions, if any, of the Companies Act, 1956 that the Basic Salary payable to Mr. Yogesh Munjal- Managing Director be increased to Rs. 1,25,000/- per month from Rs. 95,000/- per month with effect from 01.10.2004 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 Section 198 and 309 read with Schedule XIII of the Companies Act, 1956.”

**10. Variation in the Terms of Appointment of Mr. Seiji Konoue – Joint Managing Director**

“RESOLVED THAT pursuant to the recommendation of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Nineteenth Annual General Meeting held on 24<sup>th</sup> August, 2004, 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. Seiji Konoue - Joint Managing Director be increased to Rs. 1,25,000/- per month from Rs. 95,000/- per month with effect from 01.10.2004 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 Section 198 and 309 read with Schedule XIII of the Companies Act, 1956.”

**As Special Resolution:-****11. Amendment in Articles of Association**

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner set out below:

(a) In Article No. 30, in opening paragraph, after the words “Section 111” and before the words “of the Companies Act, 1956”, the words “and 111A” shall be inserted.

(b) In Article No. 95, in Clause (iii), for the word ‘twenty’, the word ‘fifteen’ shall be substituted.”

Place : New Delhi  
Dated : July 29, 2005

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

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

**PANKAJ GUPTA**  
**COMPANY SECRETARY**

## NOTES:-

- 01) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 6 to 11 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of person seeking re-appointment under Item No. 3, as required by clause 49 of the listing agreement with the Stock Exchanges are also annexed.
- 03) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 13<sup>th</sup> August, 2005 to Tuesday, 30<sup>th</sup> August, 2005 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twentieth Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 30, 2005. In respect of the shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
- 05) Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends for the period(s) up to 31<sup>st</sup> March, 1994 have already been transferred to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No. II to the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi 110 003 by quoting the **Company's Registration No.05-20934**.
- 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 for claiming unpaid Dividend
31.03.1998	26.08.1998	01.09.2005
31.03.1999	20.08.1999	26.08.2006
31.03.2000	29.08.2000	04.09.2007
31.03.2001	21.08.2001	27.08.2008
31.03.2002	19.08.2002	25.08.2009
31.03.2003	26.08.2003	01.09.2010
31.03.2004	24.08.2004	30.08.2011

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

- 07) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1997-98 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, 1995-96 and 1996-97 remaining unpaid/unclaimed have already been transferred to the Investor Education and Protection Fund.

08) Members are requested to notify immediately any change of address

- i) To their Depository Participants (DPs) in respect of their electronic share accounts, and
- ii) To the Company's Registrar, MCS Limited, Shri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi- 110 020 in respect of their physical share folios, if any, quoting their folio number.

09) Electronic Clearing Service (ECS) Facility

The Company has provided a facility to the Members for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in the physical form who wish to avail ECS facility may authorize the Company with their ECS mandate in the prescribed Form which can be obtained from the Company upon request.

10) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.**

11) Shareholders are requested to bring their copy of the Annual Report and Attendance Slip duly filled in to the Annual General Meeting.

## **ANNEXURE TO THE NOTICE**

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

#### **Item No. 6**

Mr. Kazuhiro Nishioka has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to the Board of the Company in place of Mr. Seiji Konoue. In pursuance of the above, the Board of Directors in its meeting held on 29<sup>th</sup> July, 2005 appointed Mr. Kazuhiro Nishioka as an Additional Director as per the provisions contained under Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company with effect from 1<sup>st</sup> August, 2005.

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

Pursuant to the recommendation of Remuneration Committee in their meeting held on 24<sup>th</sup> July, 2005 the Board of Directors in its meeting held on 29<sup>th</sup> July, 2005 appointed Mr. Kazuhiro Nishioka as Joint Managing Director of the Company also, subject to the approval of the share holders in the ensuing general meeting and Central Government, if required, for a period of five years with effect from 1<sup>st</sup> August, 2005.

Mr. Kazuhiro Nishioka aged 41 years, holds a B.E. Degree in Transport Mechanical Engineering from Kurume Institute of Technology, Japan. He started his career as an Engineer in 1987 in Production Department, Nagoya Plant, Showa Corporation, Japan. In 2003, he was promoted to the post of Production Manager. He has wide knowledge and experience of around 18 years in Transport Engineering.

Mr. Kazuhiro Nishioka does not hold any directorship/committee membership in any other Company.

He does not hold any share in the Company.

Having regard to his wide knowledge and professional competence, the Board considers that the appointment of Mr. Kazuhiro Nishioka as Joint Managing Director shall be in the best interest of the Company.

The appointment and remuneration payable to Mr. Kazuhiro Nishioka with effect from 1<sup>st</sup> August, 2005 is subject to approval of the Central Government, pursuant to Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956. His remuneration is stated hereunder:-

**1. Basic Salary:** Rs. 1,25,000/- ( Rs. One lakh twenty five thousand only ) p.m. subject to an increase of Rs. 15,000/- ( Rs. Fifteen thousand only ) p.m. every year w.e.f. first day of each financial year starting from April 1, 2006.

**2. Commission:** He shall also be allowed commission in addition to Basic Salary, perquisites and any other allowances, benefits, or amenities subject to the condition that the amount of commission shall not exceed 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956.

**3. Perquisites and Allowances:** In addition to the above Basic Salary and Commission, he shall be entitled to the following perquisites and allowances:

**Residential Accommodation:** Rent-free furnished residential accommodation with free use of all the facilities and amenities shall be provided by the Company;

**Medical Reimbursement:** Reimbursement of actual medical expenses incurred by him and his family, in addition he will also be entitled to have a mediclaim insurance policy, premium for which should not exceed Rs.12000/- per annum;

**Children's Education Allowance:** In case of children studying in India, actual expenses incurred, shall be admissible;

**Leave Travel Concession:** For him and his family once in a year incurred in accordance with the Rules specified by the Company;

**Club Fees:** Actual fees of clubs will be reimbursed;

**Gas, Electricity & Water:** Actual Expenses on Gas, Electricity and Water will be paid by the Company;

**Personal Accident Insurance:** Actual premium to be paid by the Company;

**Insurance of Household goods:** Actual premium to be paid by the Company;

**Car:** Facility of car with driver;

**Telephone:** Free telephone facility at residence including mobile phone facility;

**Provision for servants at residence:** The Company shall provide the services of servants not exceeding three in numbers at the residence of appointee.

**Leave:** One month's leave with full salary for every 11 months of service subject to the condition that the leave accumulated but not availed will not be encashed;

**Reimbursement of shifting expenses:** Reimbursement of expenses incurred for joining duty and returning to home country after completion of tenure; Actual expenses incurred on travel and packing, forwarding, loading/unloading as well as freight, insurance, custom duty, clearing expenses, local transportation and installation expenses in connection with the moving of personal effects for self and family for joining duty in India. On completion of the tenure, all the expenses referred to herein above for travel and forwarding the personal effects to Japan shall also be allowable to the appointee on his finally leaving the employment of Company. If however, they join another branch of the same/ related multinational Company, the branch to which they are transferred shall bear these expenses,

**Reimbursement of other expenses:** Reimbursement of entertainment, traveling, hotel and other expenses actually and properly incurred for the business of the Company;

#### **4. Minimum Remuneration**

In case of any loss or inadequacy of profits during any financial year, the remuneration payable to Mr. Kazuhiro Nishioka shall not exceed the limits as prescribed under Part-II of Schedule XIII of the Companies Act, 1956. Provided that the aggregate amount of remuneration payable to him in a particular financial year will be subject to the overall ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.

However, he shall not be entitled to any sitting fee for attending meetings of the Board or Committee thereof.

Explanation: For the aforesaid purposes "Family" means the spouse and the dependent children.

The terms of appointment and remuneration including minimum remuneration as detailed in the resolution read with Explanatory Statement may be regarded as an abstract of the terms of Appointment and Memorandum of Interest under section 302 of the Companies Act, 1956

Mr. Kazuhiro Nishioka may be deemed to be interested/concerned in the Resolution under Item no. 6.

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

**Item No. 7**

Mr. Vinod K. Agrawal was appointed as an additional director in the meeting of the Board of Director held on 29<sup>th</sup> July, 2005 pursuant to section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company to hold that office upto the date of 20<sup>th</sup> Annual General Meeting 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. Vinod K Agrawal for the office of director of the Company.

Mr. Vinod K Agrawal aged 62 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.

None of the directors except Mr. Vinod K Agrawal himself is interested / concerned in the above Resolution under Item No. 7.

The Board recommends the resolution for approval by the members.

**Item No. 8**

Mr. Hiroshi Ijima has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Kiyoshi Nagashima. In pursuance of the above, Mr. Hiroshi Ijima was appointed as an additional director with effect from 1<sup>st</sup> August 2005, 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. Hiroshi Ijima for the office of the Director of the Company.

Mr. Hiroshi Ijima aged 56 years, holds a Bachelor Degree in Business Studies from Kyoto Sangyo University, Japan. He started his career in 1971 in Administration Department, Asaba Plant, Showa Corporation, Japan. He worked for about 15 years as a Manager in different departments like Material, Maintenance, Planning, Production, etc. of M/s Showa Corporation. In June, 1995, he was promoted to Plant Manager of Nagoya Plant, Showa Corporation, Japan and presently holds the position of Senior Managing Director of M/s Showa Corporation, Japan.

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

Mr. Hiroshi Ijima does not hold any share in the Company.

None of the directors except Mr. Hiroshi Ijima himself is concerned or interested in the above Resolution under Item No. 8.

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

**Item No. 9**

The Members had approved increase in basic salary of Mr. Yogesh Munjal- Managing Director from Rs. 85,000/- to Rs. 95,000 in the Nineteenth Annual General Meeting held on 24<sup>th</sup> August, 2004. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and establishment of a new unit of the Company 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 30<sup>th</sup> October, 2004, revised the basic salary of Managing Director to Rs. 1,25,000/- per month from Rs. 95,000/- per month with effect from 1<sup>st</sup> October, 2004 for the remaining period of his tenure. All other terms and conditions of his appointment will remain the same.

None of the directors except Mr. Yogesh Munjal himself is concerned or interested in the above Resolution under Item No. 9.

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

**Item No. 10**

The Members had approved increase in basic salary of Mr. Seiji Konoue- Joint Managing Director from Rs. 85,000/- to Rs. 95,000 in the Nineteenth Annual General Meeting held on 24<sup>th</sup> August, 2004. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and establishment of a new unit of the Company 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 30<sup>th</sup> October, 2004, revised the basic salary of Joint Managing Director to Rs. 1,25,000/- per month from Rs. 95,000/- per month with effect from 1<sup>st</sup> October, 2004 for the remaining period of his tenure. All other terms and conditions of his appointment will remain the same.

Except Mr. Seiji Konoue, no other director is interested/concerned in the Resolution under Item no. 10.

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

**Item No. 11**

In order to bring the Articles of Association of the Company in conformity with the amended provisions of the Companies Act 1956 and Listing Agreement and also for the smooth operations of the day to day business, Articles No. 30 and 95 (iii) needs to be reworded in the manner set out in the said resolution, subject to approval of the members in the Annual General Meeting.

- (a) The Companies Act, 1956 was amended by inserting a new sub-section (14) in section 111 thereby making this section applicable only to a private company or a section 43A company and introducing a new section 111A after section 111 applicable to companies other than those referred to in sub-section (14) of section 111. Introduction of section 111A made the shares, debentures or other interest of a member in a public company freely transferable but subject to provisions of this section. In view of such amendment, Article No. 30 of the Articles of Association of the Company needs to be reworded.
- (b) The Companies (Amendment) Act, 2000 limited the number of directorship held by directors to fifteen in place of twenty by amending sections 276 & 277 of the Companies Act, 1956. In view of this, Article No. 95(iii) of the Articles of Association of the Company needs to be reworded.

None of the Directors of the Company is interested/concerned in the Special Resolution under Item No. 11 of the Notice.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolution.



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

Mr. Pankaj Munjal is a young industrialist of 42 years and belongs to Munjal Family, the founders and promoters of Hero Group. Mr. Munjal graduated in Science and then underwent specialized training in Automotive Manufacturing at General Motors Institute, Flint in USA. Thereafter, he attended the executive program in Strategic Marketing Management at Harvard Business School, Boston. Mr. Munjal takes an active interest in the promotion of business domestically and globally. He is currently the Chairman of Europe Committee in PHD Chamber of Commerce and Industry and Executive Committee member of SIAM- the Apex body of the Automotive Industry. He does not hold any share in the Company.

Directorships/Chairmanship and membership held by Mr. Pankaj Munjal in other Companies are:

**Name of Company****Nature of Office**

Hero Cycles Limited  
Hero Motors Limited

Managing Director  
Managing Director,  
Member Audit Committee  
Member Shareholders Grievance Committee

Satyam Auto Components Limited  
Hero Global Design Limited

Director  
Director  
Chairman Audit Committee  
Chairman Remuneration Committee

Hero Associates Limited  
Hero Financial Services Limited  
Sunbeam Auto Limited  
Anadi Investment Private Limited  
Thakurdevi Investment Private Limited  
Bhagyodaya Investment Private Limited  
Munjal Investment Private Limited  
Munjal Brothers Private Limited

Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director

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

**Inspection**

A copy of the Articles of Association of the Company together with proposed alterations, will be available for inspection at the Registered Office of the Company between 11:00 A.M. and 1:00 P.M. on any working day of the Company and shall also be available at the meeting.

**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 : July 29, 2005

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

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

**PANKAJ GUPTA  
COMPANY SECRETARY**

## DIRECTOR'S REPORT

Dear Members,

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Report together with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2005.

## 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 31.03.05	(Rs. In Lacs) Year Ended 31.03.04
Sales and other Income	61265.91	47441.94
Profit before Depreciation & Tax & Exceptional Item	3052.35	3993.15
Depreciation	823.07	747.73
Exceptional Item	1072.32	—
Profit before Tax	1156.95	3245.42
Provision for Taxation	373.98	1128.60
Profit after Tax	782.97	2116.82
Net Profit brought forward	1101.96	1161.93
Profit available for appropriation	1884.93	3278.75
Dividend (Recommended)	599.92	599.92
Dividend Tax	85.68	76.87
Transfer to General Reserve	80.00	1500.00
Surplus carried to Balance Sheet	1119.33	1101.96

## OPERATIONS

The Company has achieved a sales turnover of Rs. 61,265.91 lacs registering a growth of 29.14 % vis-à-vis Rs. 47,441.94 lacs in the previous year. The profit after tax in the current year was lower at Rs. 782.97 lacs compared to Rs. 2116.82 lacs in the previous year. Despite, an increase in production and sales, the Company was faced with an unexpected increase in the cost of raw material and fuel. Apart from this, as per the General Purchase Agreement clauses so entered into with one of our customer and as a matter of goodwill, the Company had to recall 26406 number of struts from the market at a considerable cost, which action resulted into an extraordinary expenditure of Rs. 1072.32 lacs.

## FUTURE PROSPECTS

The Company had successfully developed Front Fork and Rear Cushion for Super Splendor and CDN-II models of Hero Honda Motors Limited. The Company also developed hi-tech Front Fork and Rear Cushion for Honda Motorcycle and Scooters India Private Limited's Unicorn. During 2005-06 four new models of motorcycle have been lined up for development and delivery. We are simultaneously developing shock absorbers for proposed new ventures. The Company has also received enquiries from new customers in four-wheel segment. Your Company has undertaken

development and other necessary activities so as to maintain the confidence level of new customers. It is expected that four-wheel sales in coming years will increase significantly. Two-wheeler sales are increasing steadily and we are also expecting a new customer in our fold very soon.

New Plant at Manesar became operational on auspicious day of Baishaki in April 2005. It will undoubtedly strengthen our position in the industry and reduce cycle time for development of new models. It will also help us to carry out various tests to be conducted at Showa Corporation, Japan. The Company also plans to install some R & D facility at Manesar Plant, which is considered extremely necessary for the overall growth and prosperity of the Company. With the commissioning of Manesar Plant, the Company's position has been consolidated as largest manufacturers in the Shock-Absorbers Industry in organized sector.

Your Company continued to supply 100% export requirement of Maruti Udyog Limited and Honda Motorcycles and Scooter India Private Limited. Our Struts and Shock Absorbers are fitted in all the vehicles for export market in Europe and neighboring countries. Maruti Udyog Limited had registered an export of 47646 vehicles, all fitted with Company's Struts and Window Balancers. Similarly, Honda Motorcycles and Scooters India Private Limited had exported 35,944 scooters fitted with Company's Shock Absorbers.

## **DIVIDEND**

The Board is pleased to recommend a dividend of 75% (i.e. Rs. 7.50 Per equity share of Rs. 10/- each) for the year ended March 31, 2005 amounting to Rs. 599.92 lacs in aggregate maintaining the last year's rate. The dividend, if approved, at the Annual General Meeting shall be payable to the shareholders registered in the books of the Company and the names of beneficial owners furnished by the depositories, determined with reference to the book closure from August 13, 2005 to August 30, 2005 (both days inclusive).

## **DIRECTORS**

Mr. Pankaj Munjal and Mr. K. N. Malhotra, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Pankaj Munjal being eligible has offered himself for re-appointment.

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

However, Mr. K N Malhotra though eligible for re-appointment, has requested to be relieved from the responsibility. Mr. Malhotra has been associated with the Company since 1986. We take this opportunity to record our deep appreciation for the immense contribution made by him. His knowledge and rich experience were very useful in laying strong foundation for the Company.

We wish him good health and happiness.

Besides the above, Mr. Kazuhiro Nishioka, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima have been appointed additional directors under section 260 of the Companies Act, 1956 read with Article 89 of the Articles of Association of the Company.

A brief resume of Mr. Pankaj Munjal, Mr. Kazuhiro Nishioka, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima have been given in the Annexure to the Notice of the Annual General Meeting.

## **CORPORATE GOVERNANCE**

Corporate Governance and Management Discussion and Analysis Reports along with Certificate of the Auditors of your Company pursuant to clause 49 of the Listing Agreement with the Stock Exchanges have been included in this Report as **Annexure-A**. Your Company has been practicing the principles of good Corporate Governance

over the years. The Company has also endeavored to comply with the requirements of the clause 49 as recently amended by SEBI's Circular dated 29.10.2004. Accordingly, the Board of Directors have laid down a Code of Conduct to be followed by all the Directors and members of Senior Management of your Company. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board also lays strong emphasis on transparency, accountability and integrity.

## **AUDITORS**

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

## **AUDITORS REPORT**

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

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- a) that the applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures;
- b) that such accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at 31<sup>st</sup> March' 2005 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;
- d) that the annual accounts have been prepared on a going concern basis;

## **FIXED DEPOSIT**

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

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

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

## **ENVIRONMENT COMPLIANCE**

Sound environmental health and safety management is an integral part of the Company's business practices. For all manufacturing facilities, which require environmental consents such as air, water and hazardous waste, proper authorizations from respective Pollution Control Boards have been obtained and are in compliance with the present Environmental Legislation. The Company initiated many programmes to improve the health and safety of

employees by way of Internal Environment Management Programme. These initiatives and the improvements arising out of these initiatives are monitored and reviewed through structured audits and management reviews.

During the year 2002-03, the Company took the membership of Haryana Environment Management Society. Government of Haryana has identified and notified a site in District Faridabad for use of disposal facility for hazardous waste. The society has also entered into an arrangement with SENES, a non-profit organization of Canada which has specialized in disposal of effluent waste and is acting in co-ordination with the society for bring up this facility.

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

### **ISO, QS AND TS ACCREDITATION**

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

### **TPM**

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

### **LISTING**

The shares of your Company are listed at National Stock Exchange of India Limited and The Stock Exchange, Mumbai, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2005-2006 has been paid to them well before the due date i.e. April 30, 2005. The Company has also paid the annual custodian fees in respect of Shares held in dematerialized mode to NSDL & CDSL for the year 2005-06 before the due date i.e. April 30, 2005. The Shares of your Company have been voluntarily de-listed from Delhi, Ahmedabad and Ludhiana Stock Exchanges. The Company has already applied to Calcutta Stock Exchange for de-listing of shares, the formal approval of which is yet to be received.

### **PARTICULARS OF EMPLOYEES**

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

### **HUMAN RESOURCES**

Your Company believes that employees form the fulcrum of growth and differentiation for the organization. The Company recognizes that people are its principal assets and that its continued growth is dependent



upon the Company's ability to attract and retain quality people. The total headcount increased to 1326 at the end of the year as compared to 1162 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**

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

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

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

For and on behalf of the Board

Place: New Delhi  
Dated: July 29, 2005

**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 31<sup>st</sup> March, 2005.

### **Company's Philosophy on Corporate Governance**

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

## **I. BOARD OF DIRECTORS**

### **A. Composition of Board**

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

The composition of the Board of Directors as at 31<sup>st</sup> March, 2005 is as follows:

Name	Designation	Executive / Non-executive / Independent
Mr. Brijmohan Lall Munjal	Chairman	Non-Executive
Mr. Yogesh Munjal	Managing Director	Executive
Mr. Seiji Konoue	Joint Managing Director	Executive
Mr. Kiyoshi Nagashima*	Director	Non-executive
Mr. Pankaj Munjal	Director	Non-executive
Mr. Ashok Munjal	Director	Non-executive
Mr. S. D. Khosla	Director	Non-executive –Independent
Mr. K. N. Malhotra	Director	Non-executive- Independent
Dr. K. C. Sethi	Director	Non-executive- Independent

\* Representative of Showa Corporation, Japan based at Japan.

## B. Meetings held in financial year 2004-05 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 2004-05 on 08<sup>th</sup> May, 2004, 29<sup>th</sup> July, 2004, 30<sup>th</sup> October, 2004 and 29<sup>th</sup> January, 2005. All the relevant information needed for taking decisions by the Board is made available to the directors at the meetings.

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 as per the Listing Agreement. No Director is a member of more than of 10 Committees or Chairman of more than of 5 Committees across all companies in which they are directors. The details are given as under:

S. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM	Number of outside Directorship(s) (*)	Total Number of Membership(s) in other Board Committees	Number of Chairmanship(s) in other Board Committees(**)
1	Mr. Brijmohan Lall Munjal	4	Yes	7	Nil	Nil
2	Mr. Yogesh Munjal	4	Yes	5	4	Nil
3	Mr. Seiji Konoue	4	Yes	Nil	NIL	Nil
4	Mr. S. D. Khosla	4	Yes	3	2	3
5	Mr. Kiyoshi Nagashima #	Nil	No	Nil	Nil	Nil
6	Mr. Pankaj Munjal	3	Yes	7	2	2
7	Mr. Ashok Munjal	4	Yes	8	2	Nil
8	Mr. K. N. Malhotra	2	Yes	3	1	Nil
9	Dr. K. C. Sethi	3	Yes	Nil	Nil	Nil

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

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

# Representative of Showa Corporation, Japan, based at Japan.

## **C. Code of Conduct**

The Company has a Code of Conduct for the members of the Board of Directors and of the Senior Management.

## **II AUDIT COMMITTEE**

The Audit Committee consists of three Directors namely Dr. K. C. Sethi, Mr. Ashok Munjal and Mr. K. N. Malhotra, being Non- Executive Directors, to review various areas of audit and accounts. Mr. K. N. Malhotra is the Chairman of the Committee. All the members are financially literate. All these Directors have good knowledge of Corporate & Project Finance, Accounts and Company Law. Mr. K. N. Malhotra and Mr. Ashok Munjal 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 would assure to the Board adherence of adequate internal control and financial disclosure and other acts conforming to the requirements of Listing Agreement with the Stock Exchanges. The Quarterly Financial Statements of the Company are reviewed by the Committee before submission to the Board for approval.

The terms of References of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. The Audit Committee regularly review 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 2004-05, the Audit Committee met five times, on 08<sup>th</sup> May, 2004, 17<sup>th</sup> June, 2004, 29<sup>th</sup> July, 2004, 30<sup>th</sup> October, 2004 and 29<sup>th</sup> January, 2005.

Attendance of Members at the meetings of the Audit Committee held during 2004-05 was as under:

<b>Members</b>	<b>No. of Meetings attended</b>
Mr. K. N. Malhotra, Chairman	5
Mr. Ashok Munjal, Member	4
Dr. K. C. Sethi, Member	4

## **III. REMUNERATION COMMITTEE**

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

Dr. K C Sethi-Chairman

Mr. S D Khosla- Member

Mr. K N Malhotra- Member.

The meeting of the Remuneration Committee was held on 30<sup>th</sup> October, 2004 under the Chairmanship of Dr. K C Sethi, which was attended by all its members. The said meeting of the Remuneration Committee was held to consider and recommend increase in the remuneration payable to Mr. Yogesh Munjal- Managing Director and Mr. Seiji Konoue- Joint Managing Director.

## **IV. REMUNERATION OF DIRECTORS**

Remuneration of Managing Director and Joint Managing Director is determined by the Remuneration Committee comprising of Non-Executive and Independent Directors. The Recommendations of the Remuneration Committee are considered and approved by the Board subject to the approval of shareholders and Central Government, if required. The remuneration structure of Executive Directors comprises of basic salary, commission, perquisites

and other allowances. The Chairman and Non-executive Directors do not draw any remuneration from the Company except Sitting Fee for attending the meetings of Board of Directors and Committees thereof as may be determined by the Board of Directors from time to time and be approved by the shareholders. The details of the remuneration paid to Directors for the financial year 2004-05 are as under:

<b>Name</b>	<b>Salary, Allowances and Perquisites *</b>	<b>Commission**</b>	<b>Sitting Fee***</b>	<b>Total</b>
Mr. Brijmohan Lall Munjal	Nil	Nil	60000	60000
Mr. Yogesh Munjal	2633467	1304562	Nil	3938029
Mr. Seiji Konoue	2310464	1304562	Nil	3615026
Mr. S. D. Khosla	Nil	Nil	150000	150000
Mr. Pankaj Munjal	Nil	Nil	45000	45000
Mr. Ashok Munjal	Nil	Nil	165000	165000
Mr. K. N. Malhotra	Nil	Nil	120000	120000
Dr. K. C. Sethi	Nil	Nil	120000	120000

\* Gross Salary includes basic salary, Company's contribution to Provident Fund, Medical Reimbursement, Monetary value of perquisites and value of rent-free accommodation.

\*\* Commission is calculated @ 1% of the net profit calculated in accordance with Section 198 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 directors of the Company and this does not form a part of their contract with 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. S. D. Khosla and Mr. Ashok Munjal. The Chairman is a non-executive independent director.

During the year, the Company received 104 requests/complaints from the shareholders. All the requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. The Company endeavors to reply to all complaints received from the shareholders within a period of ten days. As on date no complaints are pending except those, which are under litigation, dispute or court orders. There was no other pending share transfer case as on March 31, 2005.

List of requests/complaints received from shareholders during the financial year 2004-2005 is as under:

<b>Sr. No.</b>	<b>Nature of request/complaint received</b>	<b>Received</b>	<b>Solved</b>	<b>Pending</b>
1.	Change of address	17	17	Nil
2.	ECS mandate	06	06	Nil
3.	Non- receipts of dividend warrants / Revalidation of dividend warrants	33	33	Nil
4.	Loss of shares / Duplicate issue of shares	12	12	Nil
5.	Miscellaneous	36	36	Nil
<b>TOTAL</b>		<b>104</b>	<b>104</b>	<b>Nil</b>

## **VI SHARE TRANSFER SYSTEM**

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

## **VII. GENERAL BODY MEETINGS**

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

<b>For the Year</b>	<b>Location</b>	<b>Day and Date</b>	<b>Time</b>	<b>No. of Special Resolutions passed</b>
2003-2004	Notting Hills, Opp. Pasco Automobiles, Old Delhi Road, Gurgaon- 122 015	Tuesday, 24 <sup>th</sup> August, 2004	10:30 A.M.	Nil
2002-2003	Notting Hills, Opp. Pasco Automobiles, Old Delhi Road, Gurgaon- 122 015	Monday, 26 <sup>th</sup> August, 2003	10:30 A.M.	02
2001-2002	Notting Hills, Opp. Pasco Automobiles, Old Delhi Road, Gurgaon- 122 015	Monday, 19 <sup>th</sup> August, 2002	10:30 A.M.	01

No resolution has been passed by the Company's shareholders through postal ballot during the Financial Year 2004-05 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 transaction with related parties in the ordinary course of business is placed periodically before the Audit Committee. There were no materially significant related party transactions during the year having potential conflict with the interest of the Company. The transactions with related parties are disclosed in Note No. 4 of schedule 24 notes to accounts in the Annual Report.
- The Company has complied with all the requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties or strictures have been imposed by SEBI, Stock Exchanges or any statutory authorities on matters relating to the capital markets during the last three years.
- In the preparation of financial statement, all the prescribed Accounting Standards have been followed.
- Company is consulting foreign exchange experts on day-to-day basis for hedging/ booking the import bill to manage the foreign exchange risks.

## **IX. MEANS OF COMMUNICATION**

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



## **X. MANAGEMENT**

### **A) Management Discussion and Analysis Report**

#### **• Industry Structure and Development**

The Automobile Industry's performance continues to be encouraging for all segments. The Industry registered robust growth of around 16% approximately when compared with previous financial year 2003-04. The growth remained unaffected in the face of steep rise in the prices of essential inputs like oil, steel, sheet metal etc. The passenger car segment recorded smart growth of 18 % in the year 2004-05 and vibrant Two-wheeler segment by over 15 % during the period under consideration. Munjal Showa Limited continued to dominate OEM business in organized sector. All customers are on phenomenal growth, where your Company is supplying as a single source for suspension part. Company's range and overall variety has expanded significantly with the introduction of new models. Development of Front Fork and single rear cushion for Unicorn was a milestone achievement. Our collaborator, M/s Showa Corporation, Japan have played a vital role in terms of over all guidance, support and development of products for new generation vehicles. It has helped us maintain supremacy in the market. The Company inaugurated state of art new plant at Manesar in April 2005 to fulfill increasing demand of our valued customers.

#### **• Opportunities and Threats**

Auto component industry is on a fast track, where quality manufacturers continue to enjoy opportunities for new business. Two-wheeler manufacturers specially deserve special mentioned as they are continuously recording healthy growth. During the period under review a total sale of Two-wheeler was 6.58 million, out of which Motorcycle accounted for 5.24 Million. Hero Honda Motors Limited's market share has increased to 50.00 % from 47.57% in the motorcycle segment, where your Company is a single source supplier. Likewise, in scooter segment, the Company enjoys market share of around 45% and 52% in Motorcycle segment on all India basis. This share is further likely to increase with the introduction of new models and new customers.

Company continues to be a leader in Shock Absorber Industry with unmatched quantity and quality level in OEM segment. As all our customers are on growth path, the Company can confidently look forward to an overall growth of approximately 17%.

#### **• Product-wise performance**

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

#### **• Outlook**

The overall outlook for the financial year 2005-06 appears to be promising as all indications are favorable with respect to our valued customer and overall health of Indian Economy. It is expected that with timely monsoon, the economic activity will further accelerate and will immensely benefit the Auto Industry. Growth of your Company, being manufacturer of auto component, largely depends upon the growth of two-wheeler industry. As per current market trends and available indicators, buoyant growth is expected in the two-wheelers sales. Your Company is exploring opportunities to develop and widen its customer base. The Company's consistent focus has always been to understand the requirement of its customers. The Auto industry welcomed the extension of incentives for R & D through weighted deduction for a further period of 2 years and reduction in custom duty on inputs and raw materials from 20% to 15%. To meet the expected growth in the demand of customers, the Company has established a new plant at IMT Manesar Gurgaon (HR) with an Outlay of Rs. 36 crores. At Manesar plant, our collaborators have accepted our request to install some R&D equipments and robotech welding machine. It will undoubtedly help us improve quality and have edge over our competitors.

#### **• Risk and Concerns**

During the year 2005-06, raw-materials and components formed approx 80.50% of the total sales. For the past

over two years, steel prices have been extremely volatile and trend is likely to persist. The Company has been partly countering such increases through long term contracts, identification of alternative sources, through cost reduction and VA/VE activities, and indigenization of certain imported components. However, if these input costs continue to increase, and thus remain unabated, it will undoubtedly affect overall margin and operating results. It may also lead to partial decline in demand.

The profitability of the Company may further be affected by changes in Government Policies regarding Excise Duty, Import Duty, Income Tax, VAT and any other Central / State levy etc. The growing cut-throat competition in the two-wheeler industry being price sensitive may squeeze the margins further in future. The import content in the product constitutes around 24% of the raw material cost. Though, the rupee is getting stronger and stable, any sudden change due to rupee depreciation may affect adversely the profitability of the Company.

• **Internal Control System and their adequacy**

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

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

• **Discussion on financial performance with respect to operational performance**

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

The turnover of the Company for the year under review has been increased to Rs. 612.66 crores as against the corresponding previous year Rs. 474.42 crores. However, profit before tax has decreased to Rs. 11.57 crores as against the corresponding previous year of Rs. 32.79 crores. As per the terms of contractual obligation and goodwill the Company had to recall 26406 number of struts from the market at considerable cost. Action resulted into an extraordinary expenditure of Rs. 10.72 crore. It undoubtedly affected the overall health of the Company. The material cost as a percentage of sales for the year under review showed an increase over the previous year mainly due to the shift in the product mix of economy models and steep increase in steel prices.

• **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 during the year through our various program on naturopathy

The Company had 1326 employees, as on 31<sup>st</sup> March, 2005. 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.

**B) Disclosures**

- a) The Company has not entered into any transactions of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.  
The transactions with related parties are disclosed in Note No. 4 of schedule 24 notes to accounts in the Annual Report.
- b) The Company has complied with the 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 on matters relating to the capital markets during the last three years.
- c) The profile of directors retiring by rotation and other directors eligible for appointment / reappointment has been given in annexure to the notice.

**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, 2005, 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 state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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

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

**per PANKAJ CHADHA**  
Partner  
Membership No.: 91813

Place: New Delhi  
Date: May 10, 2005

## **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 2004-05 and their impact**

<b>Measure taken</b>	<b>Impact</b>
Using of C.F.L. lights	Reduction in power consumption
Using of seasonal timers for controlling street lights	Reduction in power consumption
Installing TIC for cooling towers	Reduction in power consumption
Auto cut of machines when not in use	Reduction in power consumption

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

<b>Measure taken</b>	<b>Impact</b>
Additional transformers/ D.G. Set	Reduction in power generation cost
Energy efficient lighting to motors	Reduction in power consumption
Prevention of air leakage to reduce air compressor running	Reduction in power consumption
Optimum loading of genset with respect to daily load	Reduction in power generation cost
To use waste heat from thermopac/ genset to heat water in paint shop	Reduction in power consumption

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

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

#### **B. TECHNOLOGY ABSORPTION**

##### **(I) RESEARCH AND DEVELOPMENT (R & D)**

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

New product Technology absorption  
Indigenization of CKD Parts

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

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

##### **Future plan of action**

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

**Expenditure on R & D**

Capital	NIL
Recurring	2,31,650
Total	2,31,650
Total expenditure as a percentage of total turnover	.004%

**(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 collaborator on quality issues. The cost reduction was possible because of material reduction, standardisation, application engineering, product engineering and manufacturing and reduction in manufacturing cycle time.

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

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

The Company is not doing directly any export, however, Company is catering the 100% requirement of Shock Absorbers, Struts and Window Balancers for export models of Hero Honda Motors Limited, Honda Sael Cars India Limited, Maruti Udyog Limited and Honda Motorcycles and Scooter India Limited.

**Total Foreign Exchange used and earned**

The foreign exchange earnings during the year were Rs. 2,98,612/- and foreign exchange outgo during the year was Rs. 1,03,55,15,700/-

For and on behalf of the Board

**BRIJMOHAN LALL MUNJAL**  
Chairman

Place: New Delhi  
Dated: 29.07.2005



# 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 31ST MARCH, 2005

Sl. No	Name	Age (Years)	Designation	Nature of duties	Qualification	Experience (Years)	Date of Commencement of Employment	Gross Remuneration (Rs.)	Particulars of last employment, designation	%age / Nos. of Equity Share as per Clause(a) (iii) of Section 217(2A)
Employed for whole of the Year										
1	Yogesh Munjal	65	Managing Director	Overall management of the affairs of the Company	B. Arch.	41	01.09.1986	39,38,029	Chief Executive Rockman Cycle Inds. Ltd.	(0.01%) 800
2	Seiji Konoue	49	Joint Managing Director	Overall management Of the affairs of the Company	Graduate Engineer	27	07.06.2002	36,15,026	Manager Showa Corporation, Japan	NIL

## NOTES

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

For and on behalf of the Board

Place: New Delhi  
Date: 29.07.2005

**BRIJMOHAN LALL MUNJAL**  
Chairman

## **AUDITORS' REPORT**

### **To The Members of Munjal Showa Limited**

1. We have audited the attached balance sheet of Munjal Showa Limited ('the Company') as at March 31, 2005 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i). We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii). In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii). The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv). In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v). On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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, 2005;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S.R. Batliboi & Co.**  
Chartered Accountants

Place: New Delhi  
Date: May 10, 2005

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

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE****Re: Munjal Showa Limited**

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

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues outstanding of sales tax, income tax, custom tax, wealth tax, excise duty and cess on account of any dispute, other than the following:

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

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

**For S.R. Batliboi & Co.**  
Chartered Accountants

Place: New Delhi  
Date: May 10, 2005

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

**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at March 31, 2005 Rs.	As at March 31, 2004 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	79,992,500	79,992,500
Reserves and surplus	2	1,082,717,813	1,072,980,946
		<u>1,162,710,313</u>	<u>1,152,973,446</u>
<b>Loan Funds</b>			
Secured loans	3	2,479,177	18,289,618
Unsecured loans	4	-	22,634,232
		<u>2,479,177</u>	<u>40,923,850</u>
<b>Deferred tax liabilities (net)</b>	5	<u>57,882,241</u>	<u>61,483,960</u>
<b>TOTAL</b>		<u>1,223,071,731</u>	<u>1,255,381,256</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	6	1,208,458,141	1,077,908,046
Less : Depreciation		<u>504,519,387</u>	<u>427,772,661</u>
Net block		<u>703,938,754</u>	<u>650,135,385</u>
Capital work-in-progress including capital advances		<u>248,171,752</u>	<u>13,347,292</u>
		<u>952,110,506</u>	<u>663,482,677</u>
<b>Intangible Assets</b>	7	2,643,137	5,713,237
<b>Investments</b>	8	4,400,303	90,514,627
<b>Current Assets, Loans and Advances</b>			
Inventories	9	253,974,800	218,846,851
Sundry debtors	10	646,144,052	708,309,260
Cash and bank balances	11	75,904,761	14,043,265
Other current assets	12	-	1,110,829
Loans and advances	13	419,026,124	388,604,693
		<u>1,395,049,737</u>	<u>1,330,914,898</u>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	14	855,971,824	607,732,319
Provisions	15	275,160,128	227,511,864
		<u>1,131,131,952</u>	<u>835,244,183</u>
<b>Net Current Assets</b>		<u>263,917,785</u>	<u>495,670,715</u>
<b>TOTAL</b>		<u>1,223,071,731</u>	<u>1,255,381,256</u>
<b>Notes to accounts</b>	24		

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

For S.R.BATLIBOI & CO.  
Chartered Accountants

per PANKAJ CHADHA  
Partner  
Membership No. 91813

Place : New Delhi  
Date: May 10, 2005

YOGESH MUNJAL  
Managing Director  
PANKAJ MUNJAL  
Director  
S.D. KHOSLA  
Director

For and on behalf of the Board of Directors  
BRIJMOHAN LALL MUNJAL

Chairman  
SEIJI KONOUE  
Managing Director  
ASHOK MUNJAL  
Director  
SHAILESH AGARWAL  
DGM- Finance

DR K.C. SETHI  
Director  
K.N. MALHOTRA  
Director  
PANKAJ GUPTA  
Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 Rs.	For the year ended March 31, 2004 Rs.
<b>INCOME</b>			
Turnover (Gross)		6,068,012,534	4,692,474,956
Less : Excise duty		<u>853,216,292</u>	<u>649,547,267</u>
Turnover (Net)		5,214,796,242	4,042,927,689
Other income	16	<u>58,578,228</u>	<u>51,719,012</u>
<b>TOTAL</b>		<u><u>5,273,374,470</u></u>	<u><u>4,094,646,701</u></u>
<b>EXPENDITURE</b>			
Raw materials and components consumed	17	4,199,683,794	3,045,817,735
Personnel expenses	18	149,616,828	130,705,105
Operating and other expenses	19	631,708,764	512,890,533
Decrease/(increase) in inventories	20	(18,359,510)	611,119
Depreciation and amortisation	6 and 7	82,307,189	74,772,842
Increase of excise duty on finished goods		380,987	157,288
Financial expenses	21	<u>5,108,959</u>	<u>5,414,726</u>
<b>TOTAL</b>		<u><u>5,050,447,011</u></u>	<u><u>3,770,369,348</u></u>
<b>Profit before tax &amp; exceptional item</b>		222,927,459	324,277,353
Exceptional item	22	<u>107,232,133</u>	<u>-</u>
<b>Profit after exceptional item but before tax</b>		115,695,326	324,277,353
Provision for tax (net of Rs Nil, Previous year Rs 3,422,777 written back as excess provision created in an earlier year no longer required)		41,000,000	126,577,223
Deferred -tax		<u>(3,601,719)</u>	<u>(13,982,280)</u>
Total tax expense		<u>37,398,281</u>	<u>112,594,943</u>
<b>Profit after tax and exceptional item</b>		78,297,045	211,682,410
Balance brought forward from previous year		<u>110,196,346</u>	<u>116,192,975</u>
<b>Profit available for appropriation</b>		<u>188,493,391</u>	<u>327,875,386</u>
<b>APPROPRIATIONS:</b>			
Proposed final dividend		59,992,500	59,992,500
Tax and cess on dividend		8,567,679	7,686,540
Transfer to general reserve		<u>8,000,000</u>	<u>150,000,000</u>
<b>Surplus carried to balance sheet</b>		<u><u>111,933,212</u></u>	<u><u>110,196,346</u></u>
<b>Earnings per share</b>	23		
Basic and diluted [Nominal value of shares Rs 10 (Previous year Rs 10)]		9.79	26.46
Notes to Accounts	24		

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

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

per **PANKAJ CHADHA**  
Partner  
Membership No. 91813

Place : New Delhi  
Date: May 10, 2005

**YOGESH MUNJAL**  
Managing Director  
**PANKAJ MUNJAL**  
Director  
**S.D. KHOSLA**  
Director

For and on behalf of the Board of Directors

**BRIJMOHAN LALL MUNJAL**

Chairman

**SEJI KONOUE**  
Managing Director

**ASHOK MUNJAL**  
Director

**SHAILESH AGARWAL**  
DGM- Finance

**DR K.C. SETHI**  
Director  
**K.N. MALHOTRA**  
Director  
**PANKAJ GUPTA**  
Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	For the year ended March 31, 2005 <u>Rs.</u>	For the year ended March 31, 2004 <u>Rs.</u>
<b>A. Cash flow from operating activities</b>		
<b>Profit after exceptional item but before tax</b>	<b>115,695,326</b>	<b>324,541,630</b>
Adjustments for:		
Depreciation and amortisation	82,307,189	74,772,842
Profit on sale of fixed assets	(1,347)	6,708,191
Loss on sale of investments	16,822	(11,823,162)
Unrealised foreign exchange loss	3,314,718	483,173
Provision for doubtful advances	500,000	-
Interest income	(6,008,491)	(3,101,904)
Dividend income	(3,213,711)	(2,199,376)
Interest expense	1,589,535	2,626,733
<b>Operating profit before working capital changes</b>	<b>194,200,041</b>	<b>392,008,127</b>
Movements in working capital :		
Decrease / (Increase) in sundry debtors	62,165,208	(201,868,204)
Decrease / (Increase) in inventories	(35,127,949)	(27,870,393)
Decrease / (Increase) loans and advances	35,936,566	(34,255,744)
Increase / (Decrease) in current liabilities	251,771,644	182,818,410
Cash generated from operations	508,945,510	310,832,196
Direct taxes paid (net of refunds)	(66,497,824)	(119,217,989)
Interest on income-tax refund	6,313,972	1,710,141
Cash flow before extraordinary items	448,761,658	193,324,348
Extraordinary item	-	-
<b>Net cash from operating activities</b>	<b>448,761,658</b>	<b>193,324,348</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(365,391,362)	(50,778,112)
Proceeds from sale of fixed assets	2,192	951,591
Purchase of intangible assets	(2,474,400)	(9,645,600)
Movement in Loans	(373,986)	78,979
Purchase of investments	(3,412,313,710)	(1,356,882,566)
Sale / maturity of investments	3,498,411,212	1,359,465,387
Interest received	805,348	280,934
Dividend received	3,213,711	2,199,376
<b>Net cash from investing activities</b>	<b>(278,120,995)</b>	<b>(54,330,011)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	-
Repayment of borrowings	(38,444,673)	(60,647,009)
Interest paid	(2,789,535)	(1,426,733)
Dividend paid	(59,704,688)	(59,888,741)
Tax on dividend paid	(7,840,271)	(7,686,540)
<b>Net cash used in financing activities</b>	<b>(108,779,167)</b>	<b>(129,649,023)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>61,861,496</b>	<b>9,345,314</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>14,043,265</b>	<b>4,697,951</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>75,904,761</b>	<b>14,043,265</b>

Components of cash and cash equivalents as at	March 31, 2005 Rs.	March 31, 2004 Rs.
Cash and cheques on hand	82,372	73,929
With banks - on current account	345,163	314,560
- on unclaimed dividend account	1,394,263	1,108,236
- cash credit / overdraft	74,082,963	12,546,540
	<u>75,904,761</u>	<u>14,043,265</u>

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

For and on behalf of the Board of Directors  
**BRIJMOHAN LALL MUNJAL**  
Chairman

**per PANKAJ CHADHA**  
Partner  
Membership No. 91813

**YOGESH MUNJAL**  
Managing Director

**SEIJI KONOUE**  
Managing Director

**DR K.C. SETHI**  
Director

**PANKAJ MUNJAL**  
Director

**ASHOK MUNJAL**  
Director

**K.N. MALHOTRA**  
Director

Place : New Delhi  
Date: May 10, 2005

**S.D. KHOSLA**  
Director

**SHAILESH AGARWAL**  
DGM- Finance

**PANKAJ GUPTA**  
Company Secretary

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2005 Rs.	As at March 31, 2004 Rs.
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
15,000,000 equity shares of Rs 10 each	<u>150,000,000</u>	<u>150,000,000</u>
<b>Issued</b>		
7,999,500 equity shares of Rs 10 each	<u>79,995,000</u>	<u>79,995,000</u>
<b>Subscribed</b>		
7,999,000 equity shares of Rs 10 each fully paid	<u>79,990,000</u>	<u>79,990,000</u>
Add : Share forfeited	<u>2,500</u>	<u>2,500</u>
	<u>79,992,500</u>	<u>79,992,500</u>
Of the above, 3,999,500 equity shares were allotted as fully paid bonus shares by capitalisation of general reserve in an earlier year.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>General reserve</b>		
Balance as per last account	<u>962,784,601</u>	<u>812,784,601</u>
Add: Transfer from profit and loss account	<u>8,000,000</u>	<u>150,000,000</u>
	<u>970,784,601</u>	<u>962,784,601</u>
<b>Profit and loss account</b>		
	<u>111,933,212</u>	<u>110,196,345</u>
	<u>1,082,717,813</u>	<u>1,072,980,946</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Cash credit facilities - overdraft from a bank (Secured by hypothecation of stocks and book debts, both present and future and further secured by pari- passu first charge over the Company's fixed assets)	<u>2,479,177</u>	<u>18,289,618</u>
	<u>2,479,177</u>	<u>18,289,618</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Sales tax deferment loans (interest free)	<u>-</u>	<u>22,634,232</u>
	<u>-</u>	<u>22,634,232</u>
<b>SCHEDULE 5 : DEFERRED TAX LIABILITIES (NET) :</b>		
<b>Deferred tax liabilities</b>		
Differences in depreciation in block of fixed assets as per tax books and financial books.	<u>81,195,957</u>	<u>83,191,892</u>
<b>Gross deferred tax liabilities</b>	<u>81,195,957</u>	<u>83,191,892</u>

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2005 Rs.	As at March 31, 2004 Rs.
<b>Deferred tax assets</b>		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	11,833,793	10,384,200
Provision for doubtful debts and advances	8,540,786	8,923,438
Provision for inventory obsolescence	2,939,137	2,400,294
<b>Gross deferred tax assets</b>	<b>23,313,716</b>	<b>21,707,932</b>
<b>Net deferred tax liabilities</b>	<b>57,882,241</b>	<b>61,483,960</b>

### SCHEDULE 6 : FIXED ASSETS

(Amount in Rs.)

	Land - Freehold	Buildings	Plant and machinery	Office Equipment, Furniture & Fittings	Vehicles	Total	Previous Year
<b>Gross block</b>							
At 01.04.2004	147,002,923	63,761,932	817,147,084	34,544,616	15,451,491	1,077,908,046	921,022,499
Additions	-	236,501	127,162,627	2,584,561	583,214	130,566,903	171,391,299
Deductions	-	-	-	-	16,808	16,808	14,505,752
<b>At 31.03.2005</b>	<b>147,002,923</b>	<b>63,998,433</b>	<b>944,309,711</b>	<b>37,129,177</b>	<b>16,017,897</b>	<b>1,208,458,141</b>	<b>,077,908,046</b>
<b>Depreciation</b>							
At 01.04.2004	-	20,707,645	384,309,353	18,199,223	4,556,440	427,772,661	363,778,152
For the year	-	1,954,802	70,495,058	2,809,621	1,503,208	76,762,689	70,840,479
Deletions / adjustments	-	-	-	-	15,963	15,963	6,845,970
<b>At 31.03.2005</b>	<b>-</b>	<b>22,662,447</b>	<b>454,804,411</b>	<b>21,008,844</b>	<b>6,043,685</b>	<b>504,519,387</b>	<b>427,772,661</b>
For previous year	-	1,945,163	64,481,592	2,959,937	1,453,787	70,840,479	
<b>Net block</b>							
<b>At 31.03.2005</b>	<b>147,002,923</b>	<b>41,335,986</b>	<b>489,505,300</b>	<b>16,120,333</b>	<b>9,974,212</b>	<b>703,938,754</b>	<b>650,135,385</b>
At 31.03.2004	147,002,923	43,054,287	432,837,731	16,345,393	10,895,051	650,135,385	
Capital work-in-progress including capital advances						248,171,752	13,347,292

i) Additions include foreign exchange capitalised Rs 67,201 (Previous year Rs 351,429).

### SCHEDULE 7: INTANGIBLE ASSETS

(Amount in Rs.)

	Designs and drawings	Total	Previous year
<b>Gross block</b>			
At 01.04.2004	9,645,600	9,645,600	-
Additions	2,474,400	2,474,400	9,645,600
<b>At 31.03.2005</b>	<b>12,120,000</b>	<b>12,120,000</b>	<b>9,645,600</b>
<b>Amortisation</b>			
At 01.04.2004	3,932,363	3,932,363	-
For the year	5,544,500	5,544,500	3,932,363
<b>At 31.03.2005</b>	<b>9,476,863</b>	<b>9,476,863</b>	<b>3,932,363</b>
For previous year	3,932,363	3,932,363	-
<b>Net Block</b>			
<b>At 31.03.2005</b>	<b>2,643,137</b>	<b>2,643,137</b>	<b>5,713,237</b>
At 31.03.2004	5,713,237	5,713,237	-

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2005 Rs.	As at March 31, 2004 Rs.
<b>SCHEDULE 8 : INVESTMENTS</b>		
<b>Long term investments (At cost)</b>		
<b>A. Non trade (Unquoted)</b>		
Nil (Previous year 1,591,119) Units of Standard Chartered Mutual Fund under GSSD GSSIF Investment Plan (Growth Option) of face value of Rs 10 each	-	23,704,009
Nil (Previous year 1,624,990) Units of Templeton Mutual Fund under Income Builder Account Plan B (Growth Option) of face value of Rs 10 each.	-	36,065,832
Nil (Previous year 438,540) Units of Templeton Mutual Fund under FT India Monthly Income Plan A (Monthly Dividend Reinvestment Option) of face value of Rs. 10 each.	-	5,171,700
Nil (Previous year 486,419) Units of HSBC Mutual Fund under HSBC Income Fund- Investment Plan ( Dividend Reinvestment Option) of face value of Rs. 10 each.	-	5,042,749
Nil (Previous year 876,181) Units of Tata Mutual Fund under Tata Monthly Income Fund ( Dividend Reinvestment Option) of face value of Rs. 10 each.	-	10,240,177
Nil (Previous year 454,735) Units of Birla Sun Life Mutual Fund under Birla MIP Plan A (Monthly Dividend Reinvestment Option) of face value of Rs. 10 each.	-	5,142,940
Nil (Previous year 470,613) Units of HDFC Mutual Fund under HDFC Income Fund (Dividend Reinvestment Option) of face value of Rs. 10 each.	-	5,147,220
<b>Current investments (at lower of cost and market value)</b>		
437,832 (Previous year Nil) Units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan Dividend Reinvestment of face value of Rs. 10 each	4,400,303	-
	<u>4,400,303</u>	<u>90,514,627</u>

### NOTES

- Repurchase price of non trade unquoted investments in Mutual Funds amounts to Rs.4,400,303/-(Previous Year Rs. 93,438,160/-)
- 196,211,532 units of Standard Chartered Mutual Fund GCFD Grindlays Cash Fund- Daily Dividend option, 172,075 units of Templeton Mutual Fund TI Treasury Management Account-Daily Dividend option, 10,062 units of Templeton Mutual Fund Monthly Income Plan option, 2104 units of HSBC Mutual Fund-Income Plan-Dividend Option, 21,453 units of Tata Mutual Fund-Monthly Income Plan-Dividend Option, 5,416 units of HDFC Mutual Fund Income Plan-Dividend Option, 12,544 units of Birla Sun Life Mutual Fund under Birla MIP Plan A (Monthly Dividend Reinvestment Option), 29,45,331 units of Deutsche Mutual Fund- Deutsche Short Maturity period-Weekly dividend reinvestment option and 111,921,135 units of Birla Sun Life Mutual Fund under Birla Cash Plus Sweep Plan Dividend Reinvestment were purchased and sold during the year.
- 1,591,119 units of Standard Chartered Mutual Fund under GSSD GSSIF Investment Plan (Growth Option), 1,624,990 units of Templeton Mutual Fund Income Builder Account Plan B (Growth Option), 438,540 units of Templeton Mutual Fund under FT India Monthly Income Plan A (Monthly Dividend Reinvestment Option), 486,419 units of HSBC Mutual Fund under HSBC Income Fund- Investment Plan ( Dividend Reinvestment Option), 876,181 units of Tata Mutual Fund under Tata Monthly Income Fund ( Dividend Reinvestment Option), 454,735 Units of Birla Sun Life Mutual Fund under Birla MIP Plan A (Monthly Dividend Reinvestment Option), 470,613 units of HDFC Mutual Fund under HDFC Income Fund (Dividend Reinvestment Option) were sold during the year.

## SCHEDULES TO THE ACCOUNTS

	As at <u>March 31, 2005</u> Rs.	As at <u>March 31, 2004</u> Rs.
<b>SCHEDULE 9: INVENTORIES</b>		
Raw materials and components [Including material lying with outside parties Rs 3,267,583 (Previous year Rs 1,543,130) and materials in transit Rs 86,970,867 (Previous year Rs 65,283,658) net of provisions of Rs 8,731,716 (Previous year Rs 6,690,716)]	<b>196,662,937</b>	181,633,135
Stores and spares (Including materials in transit Rs 235,068 , previous year Rs 994,540)	<b>19,369,586</b>	17,630,949
Work-in-progress (including materials lying with outside parties Rs 2,066,766 , previous year Rs 964,539)	<b>30,565,894</b>	13,742,158
Finished goods	<b>7,222,571</b>	5,428,114
Scrap	<u><b>153,812</b></u> <b>253,974,800</b>	<u>412,495</u> <u>218,846,851</u>
<b>SCHEDULE 10: SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	<b>7,708,146</b>	1,183,778
Unsecured, considered doubtful	<b>1,191,658</b>	1,191,658
<b>Other debts</b>		
Unsecured, considered good	<u><b>638,435,906</b></u> <b>647,335,710</b>	<u>707,125,482</u> 709,500,918
Less : Provision for doubtful debts	<u><b>1,191,658</b></u> <b>646,144,052</b>	<u>1,191,658</u> <u>708,309,260</u>
<b>SCHEDULE 11: CASH AND BANK BALANCES</b>		
Cash on hand	<b>82,372</b>	73,929
Balances with scheduled banks:		
On current accounts	<b>345,163</b>	314,560
On cash credit accounts	<b>74,082,963</b>	12,546,540
On unpaid dividend accounts	<u><b>1,394,263</b></u> <b>75,904,761</b>	<u>1,108,236</u> <u>14,043,265</u>
<b>SCHEDULE 12: OTHER CURRENT ASSETS</b>		
Interest receivable on income-tax refund	-	1,110,829
	<u>-</u>	<u>1,110,829</u>



## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2005 Rs.	As at March 31, 2004 Rs.
--	--------------------------------	--------------------------------

### SCHEDULE 13: LOANS AND ADVANCES

Unsecured considered good, except where stated otherwise

Advances recoverable in cash or kind or for value to be received (including Rs 22,453,992, previous year Rs 22,453,992 being considered doubtful)	49,167,534	46,264,663
Loans to employees (including Rs 28,045, previous year Rs 28,045 being considered doubtful)	3,865,813	3,491,827
Balances with customs, excise, etc. (including Rs 1,700,000, previous year Rs 1,200,000, being considered doubtful)	167,238,172	205,962,609
Deposits – others	3,768,310	3,883,310
Advance income tax/ tax deducted at source	219,168,332	152,684,321
	443,208,161	412,286,730
Less: Provision for doubtful advances	24,182,037	23,682,037
	419,026,124	388,604,693

### SCHEDULE 14: CURRENT LIABILITIES

Acceptances	275,545,121	144,625,762
Sundry creditors		
- Small scale industries *	34,413,985	23,321,042
- Others	496,648,902	420,057,018
Accrued liability on forward contracts	20,871,693	-
Other liabilities	27,124,904	18,649,090
Investor Education and Protection Fund shall be credited by following amount:		
- Unpaid dividend	1,367,219	1,079,407
	855,971,824	607,732,319

\* Represents amounts due to small scale industries, to the extent such parties have been identified from available documents/information. Refer note 7 under schedule 24 for names of SSI which are outstanding for 30 days or more.

### SCHEDULE 15: PROVISIONS

Provision for taxation	176,000,000	135,000,000
Provision for wealth tax	250,464	264,277
Provision for leave encashment	5,201,632	3,589,992
Provision for gratuity	3,203,516	2,636,671
Provision for warranties*	22,098,068	18,341,884
Proposed dividend	59,992,500	59,992,500
Tax on proposed dividend	8,413,948	7,686,540
	275,160,128	227,511,864
* Movement in provision for warranties		
Additions during the year	3,756,184	-

## SCHEDULES TO THE ACCOUNTS

For the year ended  
March 31, 2005  
Rs.

For the year ended  
March 31, 2004  
Rs.

### SCHEDULE 16: OTHER INCOME

Interest:		
Bank deposits (Tax deducted at source Rs Nil, previous year Nil)	-	2,084
Interest on income-tax refund	5,203,143	2,820,970
Others (Tax deducted at source Rs 139,498, previous year Nil)	805,348	278,850
Profit on sale of long term non trade investments	1,589,493	11,646,701
Profit on sale of short term non trade investments	-	176,461
Dividend on long term/ Short term non trade investments	3,213,711	2,199,376
Gain on cancellation of foreign exchange contracts (net)	15,259,693	552,450
Unspent liabilities/ sundry balances written back	-	833,227
Sale of scrap	31,889,007	18,809,021
Insurance claim received	-	14,254,659
Profit on sale of fixed assets (net)	1,347	-
Miscellaneous income	616,486	145,213
	<u>58,578,228</u>	<u>51,719,012</u>

### SCHEDULE 17: RAW MATERIALS AND COMPONENTS CONSUMED

Inventories - Opening	181,633,135	151,772,558
Add: Purchases	4,214,713,596	3,075,678,312
	<u>4,396,346,731</u>	<u>3,227,450,870</u>
Less: Inventories - Closing	196,662,937	181,633,135
	<u>4,199,683,794</u>	<u>3,045,817,735</u>

### SCHEDULE 18: PERSONNEL EXPENSES

Salaries, wages and bonus	126,005,034	114,279,480
Contribution to provident fund	5,160,392	3,804,501
Contribution to gratuity	1,761,333	1,263,325
Contribution to superannuation fund	663,259	625,408
Workmen and staff welfare expenses	16,026,810	10,732,391
	<u>149,616,828</u>	<u>130,705,105</u>

## SCHEDULES TO THE ACCOUNTS

	For the year ended March 31, 2005 Rs.	For the year ended March 31, 2004 Rs.
<b>SCHEDULE 19: OPERATING AND OTHER EXPENSES</b>		
Consumption of stores and spares	176,975,360	126,202,341
Sub-contracting expenses	63,332,777	29,474,232
Power and fuel	134,244,929	113,430,642
Freight and forwarding charges	9,330,310	7,002,853
Rent	1,680,000	1,680,000
Rates and taxes		
- Others	429,786	429,422
Insurance	8,328,263	13,023,894
Repairs and maintenance		
- Plant and machinery	31,925,458	24,190,393
- Buildings	3,185,768	5,861,109
- Others	12,989,720	9,265,576
Advertising and sales promotion	546,413	539,702
Cash discounts	4,016,485	2,353,521
Royalty	115,393,229	91,766,306
Technicians fee	940,810	1,700,679
Warranty expenses	20,211,587	21,561,027
Legal and professional expenses	4,938,494	4,368,620
Travelling and conveyance	15,940,111	13,736,090
Communication costs	2,230,185	1,822,991
Printing and stationery	1,977,477	1,352,769
Directors' sitting fees	660,000	250,000
Auditor's remuneration		
- Audit fee	545,000	588,600
- For certification and others matters	457,700	383,400
- Out-of-pocket expenses	79,500	57,000
	<u>1,082,200</u>	<u>1,029,000</u>
Donations and contributions *	1,378,667	804,475
Provision for doubtful debts and advances	500,000	23,235,762
Loss on sale of short term non trade investments	1,606,315	-
Foreign exchange rate difference (net)	10,644,396	5,955,064
Loss on sale / discard of fixed assets (net)	-	6,708,191
Miscellaneous expenses	7,220,024	5,145,874
	<u>631,708,764</u>	<u>512,890,533</u>

\* (Includes Rs 1,254,063 donated to Prime Ministers' National Relief Fund for Tsunami Relief)

## SCHEDULES TO THE ACCOUNTS

For the year ended  
March 31, 2005  
Rs.

For the year ended  
March 31, 2004  
Rs.

### SCHEDULE 20 : DECREASE/(INCREASE) IN INVENTORIES

Inventories - Opening

- Work-in-progress	13,742,158	14,782,591
- Scrap	412,495	163,684
- Finished goods	5,428,114	5,247,611
	<u>19,582,767</u>	<u>20,193,886</u>

Inventories - closing

- Work-in-progress	30,565,894	13,742,158
- Scrap	153,812	412,495
- Finished goods	7,222,571	5,428,114
	<u>37,942,277</u>	<u>19,582,767</u>
	<u>(18,359,510)</u>	<u>611,119</u>

### SCHEDULE 21: FINANCIAL EXPENSES

Interest

- to banks	401,171	1,426,733
- others	1,188,364	1,200,000
Bank charges	3,519,424	2,787,993
	<u>5,108,959</u>	<u>5,414,726</u>

### SCHEDULE 22: EXCEPTIONAL ITEM

Product recall expenses (refer note 10 under schedule 24)	107,232,133	-
	<u>107,232,133</u>	<u>-</u>

### SCHEDULE 23: EARNINGS PER SHARE (EPS)

Net profit as per profit and loss account	78,297,045	211,682,410
Weighted average number of equity shares in calculating basic and diluting EPS	7,999,000	7,999,000
EPS	9.79	26.46

---

## **SCHEDULE 24 : NOTES TO ACCOUNTS**

### **1. Nature of operations**

Munjal Showa Limited 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.

### **2. Statement of significant accounting policies**

#### **a) Basis of preparation**

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

#### **b) Tangible assets and depreciation**

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

#### **c) Impairment**

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

#### **d) Intangible assets**

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

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

#### **e) Leases**

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

**f) Investments**

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

**g) Inventories**

Inventories are valued as follows:

Raw materials, components, stores and spares	Lower of cost and net realisable value. Cost is determined on a weighted average basis.
--	---

Work-in-progress and finished goods	Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads, including depreciation, based on normal capacity. Cost of finished goods includes excise duty.
-------------------------------------	---

Scrap	At net realizable value
-------	-------------------------

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs, of completion.

**h) Revenue recognition**

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

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sale of goods is inclusive of excise duty but exclusive of sales tax.

*Interest*

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

*Dividends*

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

**i) Warranty costs**

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

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

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

**(ii) Conversion**

Foreign currency monetary items are reported using the closing rate.



(iii) Exchange differences

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

(iv) Forward exchange contracts

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

**k) Retirement and other employee benefits**

(i) Retirement benefits in the form of provident fund contributions and superannuation fund which is as per the scheme of Life Insurance Corporation are charged to the profit and loss account of the year when the contributions to the respective funds are due.

(ii) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided on the basis of an actuarial valuation made at the end of each financial year.

The Company does not have any other obligation other than contribution payable to the fund.

**l) Income taxes**

Tax expense comprises both current and deferred taxes.

Provision is made for current income-tax liability estimated to arise on the results for the year at the current rate of tax in accordance with Income Tax Act, 1961.

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

**m) Provisions**

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

**n) Earnings per share**

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

### 3. Segmental information

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

### 4. Related party disclosure

During the year, the Company has entered into transactions with related parties. Those transactions along with related balances as at March 31, 2005 are presented in the following table:

(i) Names of related parties

(a) Key management personnel and their relatives

- Mr Brijmohan Lall Munjal- Chairman
- Mr Yogesh Munjal – Managing Director
- Mr Seiji Konoue- Joint Managing Director
- Mr Suresh Munjal- Relative of Yogesh Munjal

(b) Enterprise with significant influence over the Company

- Showa Corporation, Japan

(c) Enterprises owned or significantly influenced by key management personnel and their relatives

- Hero Honda Motors Limited
- Sunbeam Auto Limited
- Hero Cycles Limited
- Hero Motors Limited
- Hero Corporate Services Limited
- Highway Cycles Industries Limited
- Majestic Auto Limited
- Dayanand Munjal Investments Private Limited
- Thakurdevi Investments Private Limited

(ii) No amount has been provided as doubtful debts or advances/ written off or written back in the year in respect of debts due from / to above related parties.

(iii) The remuneration paid to directors is disclosed elsewhere in the notes to the accounts.

(Amount in Rs.)

	Enterprises having significant influence over the company				Key management personnel and their relatives				Enterprises owned or significantly influenced by key management personnel and their relatives							
	Showa Corporation	Total	Previous Year	Suresh Munjal	Others	Total	Previous Year	Hero Honda Motors Limited	Sunbeam Auto Limited	Hero Corporate Services	Hero Cycle Ltd	Thakurdevi Investment	Dayanand Munjal Trust	Others	Total	Previous Year
Transaction during the year																
Sale of goods	298,612	298,612	112,304					5,018,838,214						11,113,728	5,029,951,942	4,057,413,75
Purchase of raw materials, intermedial and finished goods	844,544,331	844,544,531	624,513,007						949,328,746					966,630	950,295,376	692,970,138
Service charges paid										2,434,303					2,434,303	2,052,827
Purchase of assets																669,696
Royalty	110,997,296	110,997,296	91,932,571													
Design and drawing fee paid	2,380,167	2,380,167	9,645,600													
Technician fee	5,618,823	5,618,823	1,416,335													
Interest paid	687,266	687,266	648,595													
Dividend paid	15,600,000	15,600,000	15,600,000	4,500,00	10,500	4,510,500	4,510,500				9,900,000	4,500,000	4,500,000		18,900,000	18,900,000
Sureties given to govt. deptt.								565,033,377	28,700,000					100,000	583,833,377	583,833,377
Sureties obtained								1,886,800	1,100,000						2,986,800	39,334,290
Trade payable	407,754,928	407,754,928	211,445,146						105,093,810					2,056,091	107,149,901	77,835,357
Trade receivable	75,869	75,869	35,643					540,844,944						7,227,449	548,072,393	654,370,605

	<u>As at March 31, 2005 (Rs.)</u>	<u>As at March 31, 2004 (Rs.)</u>
<b>5. Capital commitments</b>	<b>248,312,937</b>	<b>24,489,314</b>
Estimated amount of contracts remaining to be executed on capital account and not provided for		
<b>6. Contingent liabilities (not provided for) in respect of:</b>		
a) Sureties given to sales tax authorities on behalf of bodies corporate	<b>578,528,127</b>	580,678,127
b) Surety given to custom authority on behalf of a body corporate	<b>28,600,000</b>	28,600,000
c) Surety given to Haryana Vidyut Parsaran Nigam Limited on behalf of a body corporate	<b>100,000</b>	100,000
d) Demand raised by Income Tax Authorities, being disputed by the Company	<b>15,260,137</b>	11,015,487
e) Interest claims by customs authorities, not acknowledged by the Company	<b>356,047</b>	356,047

Contingent liabilities in respect of demands raised by the Income Tax Authorities comprise of the following:

- i) In respect of Assessment Year 1990-91, based on decision of ITAT in relation to assessments upto Assessment Year 1989-90, the Company continued to provide depreciation on written down value method basis, while continuing to provide depreciation on straight line method basis in accounts. Further, the Company had moved additional ground before the Tribunal that it should be allowed to set off lower of unabsorbed loss or unabsorbed depreciation. The Company has obtained legal opinion as per which the Company has good chances of success. The amount involved is Rs 5,802,578.
- ii) In respect of Assessment Years 1993-94, 1996-97, 1998-99 and 1999-00, allowability of certain expenses like foreign technician expenses, design and drawing fees are pending under appeal with ITAT. The Company has obtained legal opinion as per which the Company has good chances of success. The total amount involved is Rs 1,867,363.
- iii) In respect of Assessment Year 2002-03 issues relating to some percentage of expenses like royalty, technician fee, design and drawing is pending with CIT (Appeals). The Company has obtained legal opinion as per which the Company has good chances of success. The amount involved is Rs 7,590,196.

- 7.** The Small Scale Undertakings (SSIs) to whom the Company owes sums, which are outstanding for more than 30 days are Abhi Enterprises, Albatross Fine Chem Limited, Ancil Autotech Private Limited, Associated Engineers, Citizen Press Components, Delite Enterprises, Divya Engineers, Fastener World, Goa Sintered Products Limited, Gowell Rubber Industries, Jai Raj Ancillaries Pvt. Ltd., Jyoti Rubber Industries, Kamal Rubplast Industries, Krishna Industries, M.V. Engineering Industries, Merit Packaging Corporation, Nice Steel Industries, Rikki Plastic, Rubberways, Shree Durga Udyog, Shriram Engineers and Tekniktrad International.

	For the year ended March 31, 2005 (Rs.)	For the year ended March 31, 2004 (Rs.)
<b>8. Supplementary statutory information</b>		
<b>8.1 Directors' remuneration (excluding sitting fees)</b>		
Salaries and allowances	2,640,000	2,160,000
Commission to whole time directors	2,609,123	7,447,926
Perquisites	2,013,531	1,642,026
Contribution to provident and superannuation funds	290,400	237,600
	<b>*7,553,054</b>	<b>11,487,552</b>
* Increase in the remuneration of Directors by Rs 403,200 (previous year Rs 133,200) is subject to approval of the shareholders.		
The gratuity payable to the directors has not been disclosed since it is not possible to ascertain the same on an individual level.		
<b>8.2 Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Managing Director and Joint Managing Director</b>		
Profit as per profit and loss account	115,695,326	324,277,353
Add :Directors' remuneration	7,553,054	11,487,552
Provision for doubtful advances	500,000	23,235,762
Provision for warranty	3,756,184	5,721,632
Provision for inventory obsolescence	2,041,123	6,690,716
Provision for wealth tax	250,464	264,278
Provision for labour compensation	-	795,004
Directors sitting fee	660,000	250,000
Less:		
Debtors written off against provisions	-	(305,976)
Bad debts recovered against provisions	-	(20,000)
Net profit as per Section 349 of the Companies Act, 1956	<b>130,456,151</b>	<b>372,396,321</b>
Commission to Managing Director and Joint Managing Director @ 1% of the net profits for each of them	2,609,123	7,447,926
<b>8.3 Earnings in foreign currency (on accrual basis)</b>		
Exports at F.O.B. value	298,612	285,238

	For the year ended March 31, 2005 (Rs.)	For the year ended March 31, 2004 (Rs.)
<b>8.4 Expenditure in foreign currency (on accrual basis)</b>		
Technician fees (including that under product recall expenses)	5,618,823	1,700,679
Royalty	110,997,296	91,766,306
Traveling	1,500,351	1,587,026
Interest	687,266	648,595
Design and drawings (considered as intangible asset)	2,380,167	9,645,600
Others	-	1,151,273
	<u>121,183,903</u>	<u>106,499,479</u>
<b>8.5 Value of imports calculated on CIF basis (excluding material in transit)</b>		
Capital goods	12,772,462	13,401,892
Raw materials, components, stores, spares, tools, etc.	885,959,335	641,409,432
	<u>898,731,797</u>	<u>654,811,324</u>
<b>8.6 Dividend remitted in foreign exchange</b>		
Year to which the dividend pertains	2003-2004	2002-2003
Number of non-resident shareholders (to whom dividend remitted in foreign currency)	1	1
Number of equity shares held on which dividend was due	2,080,000	2,080,000
Amount of dividend remitted – net (in Rs)	<u>15,600,000</u>	<u>15,600,000</u>

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

**9.1 Licensed Capacity, Installed Capacity and Actual Production**

Class of Goods *	Unit	Installed Capacity **		Actual Production	
		Current year	Previous year	Current year	Previous year
Shock absorbers	Nos.	12,905,300	10,485,600	12,274,902	9,454,006
Struts	Nos.	969,000	969,000	705,719	497,297
Window balancer	Nos.	1,006,500	1,006,500	532,210	447,156
* Licenses are not applicable since 1993-94.					
** As certified by the management and relied upon by the auditors being a technical matter.					

**9.2 Sales**

	Unit	Quantity		Value (Rs.)	
		Current year	Previous year	Current year	Previous year
Shock absorbers	Nos.	12,276,482	9,452,015	5,322,753,599	4,177,477,256
Struts	Nos.	704,510	493,570	602,312,856	421,046,175
Window balancer	Nos.	529,022	447,479	67,562,229	55,524,667
Components, etc.				75,383,850	38,426,858
				<u>6,068,012,534</u>	<u>4,692,474,956</u>



### 9.3 Consumption of raw materials and components

	Unit	Quantity		Value (Rs.)	
		Current year	Previous year	Current year	Previous year
Fork pipe	Nos.	6,066,360	4,495,038	599,713,202	449,723,680
Bottom case	Nos.	5,541,854	4,186,813	699,743,599	507,767,975
Main spring cushion	Nos.	12,899,746	9,933,811	519,568,712	352,070,259
Oil seal	Nos.	13,158,849	9,899,728	617,201,923	497,970,826
Dust seal	Nos.	5,876,488	4,515,307	69,803,105	142,383,135
Other materials and components *				1,693,653,253	1,095,901,860
				4,199,683,794	3,045,817,735

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

### 9.4 Imported and indigenous raw materials, components and stores, spares consumed

	Percentage of total consumption		Value (Rs.)	
	Current	Previous year	Current	Previous year
Raw materials and components				
Imported	25	25	1,044,491,244	764,041,178
Indigenously procured	75	75	3,155,192,550	2,281,776,557
	100	100	4,199,683,794	3,045,817,735
Stores and spares				
Imported	12	18	21,324,459	23,198,149
Indigenously procured	88	82	155,650,901	103,004,192
	100	100	176,975,360	126,202,341

### 9.5 Details of Finished Goods

	Quantity		Value (Rs.)	
	Current year	Previous year	Current year	Previous year
Opening Stock				
Shock absorbers	16,051	14,060	2,557,828	4,058,410
Struts	5,025	1,298	2,739,100	979,230
Window balancer	1,643	1,966	131,186	209,971
			5,428,114	5,247,611
Closing Stock				
Shock absorbers	14,471	16,051	2,868,805	2,557,828
Struts	6,234	5,025	4,087,933	2,739,100
Window balancer	4,831	1,643	265,833	131,186
			7,222,571	5,428,114

- 10.** During the year, the Company recalled 26,406 struts sold to one of the principal customer, due to certain defect in the Company's welding process. Pursuant to a Memorandum of understanding entered with the said customer, the company has assessed/incurred expenditure to the tune of Rs 107,232,133 representing cost of manufacture of the said struts and the other incidental costs related thereto and any further claims.
- 11.** The rates used for computation of deferred tax are as per the Finance Act, 2005.

## **12. Previous year comparatives**

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

As per our report of even date

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

per **PANKAJ CHADHA**  
Partner  
Membership No. 91813

Place : New Delhi  
Date: May 10, 2005

**YOGESH MUNJAL**  
Managing Director

**PANKAJ MUNJAL**  
Director

**S.D. KHOSLA**  
Director

For and on behalf of the Board of Directors  
**BRIJMOHAN LALL MUNJAL**  
Chairman

**SEIJI KONOUE**  
Managing Director

**ASHOK MUNJAL**  
Director

**SHAILESH AGARWAL**  
DGM- Finance

**DR K.C. SETHI**  
Director

**K.N. MALHOTRA**  
Director

**PANKAJ GUPTA**  
Company Secretary

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

## Balance Sheet Abstract and Company's General Business Profile.

### I Registration Details.

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

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

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

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

Total Liabilities	Total Assets																		
1	2	2	3	0	7	1	7	3	1	1	2	2	3	0	7	1	7	3	1

#### Sources of Funds

Paid - up Capital	Reserves and Surplus																
7	9	9	9	2	5	0	0	1	0	8	2	7	1	7	8	1	3
Secured Loans	Unsecured Loans																
2	4	7	9	1	7	7	N I L										

#### Application of Funds

Net Fixed Assets	Investments														
9	5	4	7	5	3	6	4	3	4	4	0	0	3	0	3
Net Current assets	Misc. Expenditure														
2	6	3	9	1	7	7	8	5	N I L						
Accumulated Losses	Deferred Tax Liabilities (Net)														
N I L	5	7	8	8	2	2	4	1							

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

Turnover (including other income)

6 1 2 6 5 9 0 7 6 2

Total Expenditure

6 0 1 0 8 9 5 4 3 6

Profit / Loss before Tax

1 1 5 6 9 5 3 2 6

Profit / Loss after Tax

7 8 2 9 7 0 4 5

Earning per Share in Rs.

9 . 7 9

Dividend rate%

7 5

#### V Generic Names of Three Principal Products / Services of Company ( As per monetary terms )

Item Code No.  
( ITC Code )

8 7 1 4 9 9 . 0 0

Product  
Description

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

Item Code No.  
( ITC Code )

8 7 0 8 8 0 . 0 0

Product  
Description

S T R U T S

Item Code No.  
( ITC Code )

8 7 0 8 8 0 . 0 0

Product  
Description

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

For and on behalf of the Board of Directors

**BRIJMOHAN LALL MUNJAL**

Chairman

**YOGESH MUNJAL**  
Managing Director

**SEIJI KONOUE**  
Managing Director

**DR K.C. SETHI**  
Director

**PANKAJ MUNJAL**  
Director

**ASHOK MUNJAL**  
Director

**K.N. MALHOTRA**  
Director

Place : New Delhi  
Date : May 10, 2005

**S.D. KHOSLA**  
Director

**SHAILESH AGARWAL**  
DGM- Finance

**PANKAJ GUPTA**  
Company Secretary

**XI. GENERAL SHAREHOLDER INFORMATION:**

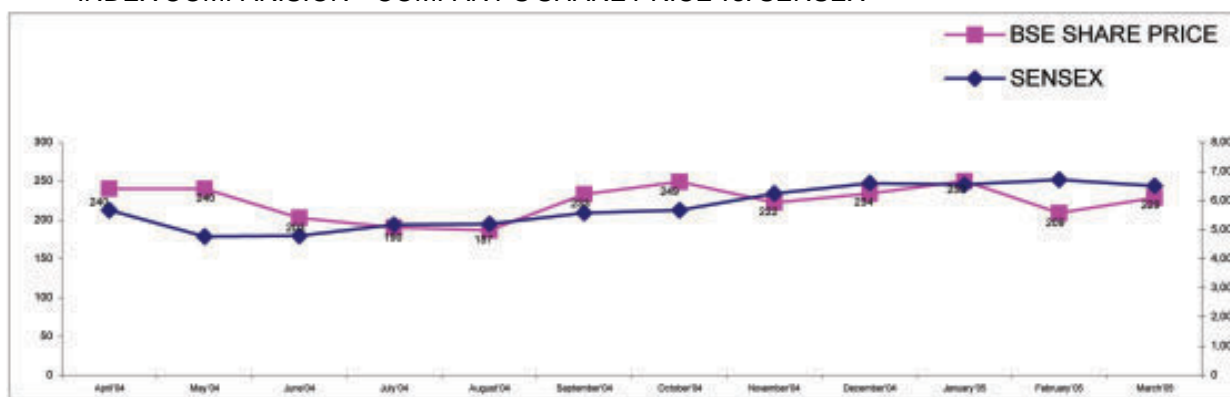
- 1) Annual General Meeting**
  - Day, Date and Time : Tuesday, 30<sup>th</sup> August, 2005, 11:00 A.M.
  - Venue : 26 E & F, Sector-3, IMT  
Manesar, Gurgaon- Haryana
- 2) Financial Calendar**
  - (a) Financial Year 2005-2006 : April to March
  - (b) Financial reporting for the quarter ending June'2005 : End July' 2005
  - (c) Financial reporting for the half year ending Sept'2005 : End October'2005
  - (d) Financial reporting for the quarter ending December'2005 : End January'2006
  - (e) Financial reporting for the year ending March'2006. : End May' 2006
  - (f) Annual General Meeting for the year ending March 31,2006 : End September'2006
- 3) Face Value of the Equity Share** : Rs. 10 per share
- 4) Date of Book Closure** : 13<sup>th</sup> August' 2005 to 30<sup>th</sup> August'2005  
(both days inclusive)
- 5) Dividend Payment Date** : 30 days from the date of AGM
- 6) Listing on Stock Exchanges** : **The Stock Exchange, Mumbai**  
Phiroze Jeejeebhoy Towers, Dalal  
Street, Mumbai-400 001  
  
**National Stock Exchange of India  
Limited**  
"Exchange Plaza", Bandra- Kurla  
Complex, Bandra(E), Mumbai- 400 051  
  
**The Calcutta Stock Exchange  
Association Limited**  
7, Lyons Range  
Kolkata-700 001 (Applied for De-listing)
- 7) Stock Code**
  - The Stock Exchange, Mumbai : 520043
  - National Stock Exchange : munjalshow
  - International Securities Identification number (ISIN) for NSDL & CDSL : INE577A01019

**8) Monthly Highs, Lows and Volume for the year 2004-2005 on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).**

YEAR – 2004-05	Bombay Stock Exchange			National Stock Exchange		
	High (Rs)	Low (Rs)	Volume (Nos.)	High (Rs)	Low (Rs)	Volume (Nos.)
April'04	240	204	66603	238	198	46311
May'04	240	174	20081	234	180	20536
June'04	203	151	29623	201	156	73009
July'04	190	165	25939	189	150	42541
August'04	187	168	33000	186	170	75140
September'04	233	188	76154	243	185	163477
October'04	249	210	62373	250	211	118104
November'04	222	206	96968	230	207	107143
December'04	234	203	115160	235	203	140918
January'05	250	197	399612	250	175	130977
February'05	209	185	67798	212	190	79945
March'05	229	165	207324	249	180	148132

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

INDEX COMPARISON – COMPANY'S SHARE PRICE vs. SENSEX



- 10) Registrar and Share Transfer Agents :** MCS Limited  
Shri Venkatesh Bhavan  
W-40, Okhla Industrial Area  
Phase-II, New Delhi-110 020  
Tel: 26384909 Fax: 26384907  
E-mail: mcsdel@vsnl.com

**11) Share Transfer System:**

The Company's shares being in compulsory demat list are transferable through the depository system. Shares in physical form are processed by MCS Limited, Registrar and Transfer Agents of the Company every fortnight.

The total number of shares transferred in physical form during the year under review was 5620 shares.



**12) A. Distribution of Shareholding as on March 31, 2005:**

Slab	No. of Shareholders		No. of Shares	
	Numbers	% to Shareholders	Numbers	% to Shareholding
Upto 5000	5018	90.89	809015	10.11
5001-10000	329	5.95	255394	3.20
10001-20000	75	1.36	112180	1.40
20001-30000	29	0.53	74354	0.93
30001-40000	13	0.24	46338	0.58
40001-50000	20	0.36	92124	1.15
50001-100000	14	0.25	111324	1.39
100001 and above	23	0.42	6498271	81.24
<b>Total</b>	<b>5521</b>	<b>100</b>	<b>7999000</b>	<b>100.00</b>

**B. Shareholding pattern as on March 31, 2005**

Category Code	Category	No. of Shares held	Percentage of Shareholding	No of Holders
01/D1/D2	Promoter's holding			
<b>02/D3/D4</b>	<b>Indian Promoters</b>	<b>3120000</b>	<b>39.00</b>	<b>4</b>
	HERO CYCLES LIMITED	1320000	16.50	
	DAYANAND MUNJAL INV (P) LIMITED	600000	7.50	
	THAKURDEVI INVESTMENTS (P) LTD	600000	7.50	
	SURESH CHAND MUNJAL	600000	7.50	
<b>03/D5/D6</b>	<b>Foreign Promoters</b>	<b>2080000</b>	<b>26.00</b>	<b>1</b>
	SHOWA CORPORATION	2080000	26.00	
04/D7/D8	Person acting in concert	1400	0.02	3
<b>05/D9/D10</b>	<b>Sub total</b>	<b>5201400</b>	<b>65.03</b>	<b>8</b>
06/D11/D12	Non Promoters holding			
07/D13/D14	Institutional investors			
<b>08/D15/D16</b>	<b>Mutual funds and UTI</b>	<b>407779</b>	<b>5.10</b>	<b>7</b>
	UNIT TRUST OF INDIA	406679	5.08	
<b>09/D17/D18</b>	<b>Bank, Financial Institutions, Insurance Companies</b>	<b>85876</b>	<b>1.07</b>	<b>4</b>
	NEW INDIA ASSURANCE COMPANY LIMITED	85476	1.07	
<b>10/D19/D20</b>	<b>FIs</b>	<b>13686</b>	<b>0.17</b>	<b>5</b>
11/D21/D22	<b>Sub total</b>	<b>507341</b>	<b>6.34</b>	<b>16</b>
12/D23/D24	Others			
<b>13/D25/D26</b>	<b>Private Corporate Bodies</b>	<b>806568</b>	<b>10.08</b>	<b>251</b>
	ENAM SECURITIES PRIVATE LIMITED	567400	7.09	
<b>14/D27/D28</b>	<b>Indian Public</b>	<b>1472567</b>	<b>18.41</b>	<b>5211</b>
<b>15/D29/D30</b>	<b>NRIs / OCBs</b>	<b>11124</b>	<b>0.14</b>	<b>35</b>
16/D31/D32	Any other(Please Specify)	0	0.00	0
<b>17/D33/D34</b>	<b>Sub total</b>	<b>2290259</b>	<b>28.63</b>	<b>5497</b>
<b>18/D35/D36</b>	<b>Grand Total</b>	<b>7999000</b>	<b>100.00</b>	<b>5521</b>

**13) Nomination Facility :**

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

**14) Dematerialization of shares and liquidity** : As on March 31, 2005 a total of 24, 95,099 equity shares of the Company, which forms 31.19 % of share capital of the Company have been dematerialized. The Trading in Company's share is permitted compulsorily in dematerialized form from 28<sup>th</sup> August' 2000 as per notification issued by SEBI.

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

**16) Plant Locations** : **(1)** 9—11, Maruti Industrial Area, Gurgaon-122 015, Haryana  
**(2)** 26 E & F, Sector –3, IMT Manesar, Gurgaon, Haryana

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

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

Share Transfer Agent and Registrar M/s MCS Limited, New Delhi may be contracted for any query related to Share Transfer and other matters.

## MUNJAL SHOWA LIMITED

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

### ATTENDANCE SLIP

I,hereby record my presence at the 20<sup>th</sup> Annual General Meeting of the Company held on Tuesday the 30<sup>th</sup> day of August 2005 at 26E & F,Sector-3,IMT,Manesar,Gurgaon-122050,Haryana at 11.00 A.M

Folio No.
DP ID / Client ID
Name
Address

NO. OF SHARES HELD :

.....  
Signature of the member

.....  
Full name of the Proxy (in block letters)

.....  
Signature of the Proxy

### ENTRY PASS

(To be retained throughout the Meeting)

Folio No.
DP ID / Client ID
Name
Address

NO. OF SHARES HELD :

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.
- Members are informed, in case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

## MUNJAL SHOWA LIMITED

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

NO. OF SHARES HELD :

### PROXY FORM

I/We, \_\_\_\_\_ of \_\_\_\_\_  
being a Member/Member's 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 20<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday the 30<sup>th</sup> day of August, 2005 at 11.00 A.M.  
and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Folio No.
DP ID No.
Client ID No.

Signature\_\_\_\_\_

Affix  
15 Paise  
Revenue  
Stamp

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

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

- (\*) Every person holding equity share capital of the company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be member of the company.



Munjal Showa Plant at Gurgaon ( Haryana )



Munjal Showa Plant at IMT Manesar ( Gurgaon )

## **MUNJAL SHOWA LTD.**

9-11, Maruti Industrial Area, Gurgaon - 122015 (HARYANA)

Phones : 0124-2341001, 2341102, 2341003

Fax : 0124-2341346, 2341359

E-mail : msl1@vsnl.com