

**MUNIAL  
SHOWA**



# 19th

## Annual Report 2003-04

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**BOARD OF DIRECTORS**

**Brijmohan Lall Munjal**  
(Chairman)

**Yogesh Munjal**  
(Managing Director)

**Seiji Konoue**  
(Joint Managing Director)

**Kiyoshi Nagashima**

**Dr. K. C. Sethi**

**S.D. Khosla**

**K.N. Malhotra**

**Ashok Munjal**

**Pankaj Munjal**

**COMPANY SECRETARY**

Pankaj Gupta

**AUDITORS**

M/s S. R. Batliboi & Company  
Chartered Accountants  
New Delhi

**COST AUDITORS**

M/s Ramanath Iyer & Co.  
Cost Accountants  
Delhi

**BANKERS**

The Bank of Tokyo-Mitsubishi Ltd.  
Canara Bank  
Standard Chartered Bank

**TECHNICAL & FINANCIAL  
COLLABORATOR**

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

**REGISTERED OFFICE & WORKS**

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

**SHARE TRANSFER AGENTS**

MCS Limited  
Shri Venkatesh Bhavan, W-40,  
Okhla Industrial Area, Phase II,  
New Delhi-110020  
Tel: 26384909 ; Fax: 26384907  
Email: mcsdel@vsnl.com

## YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs.in lacs)

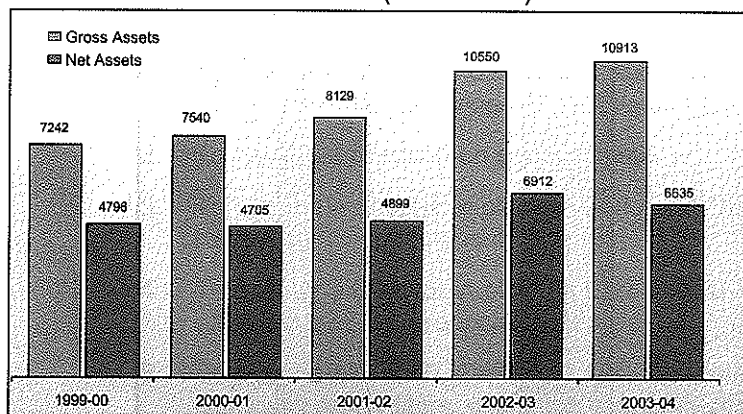
	March '04	March '03	March '02	March'01	March'00
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	10729.81	9289.78	7827.18	6662.31	5689.31
Total Shareholder's Funds	11529.73	10089.70	8627.10	7462.23	6489.23
Unsecured Loans	226.34	552.13	742.83	865.72	976.32
Secured Loan	182.90	463.57	219.86	190.59	39.95
Total Term Liability	409.24	1015.70	962.69	1056.31	1016.27
Total Assets	12553.81	11860.07	9589.80	8518.55	7505.50
Net Sales	40427.70	35668.84	31603.66	24336.03	20180.72
(% Increase over Previous year)	13.34%	12.86%	29.86%	20.59%	29.67%
Profit Before Interest Deprn. & Tax (PBDIT)	4047.29	4059.29	4510.67	2471.31	2246.81
Interest	54.15	51.39	78.70	91.83	72.07
Depreciation	747.73	629.86	546.96	401.19	375.14
Profit Before Tax (PBT)	3245.42	3378.04	3885.01	1978.29	1799.60
Profit After Tax (PAT)	2116.82	2139.38	2507.45	1281.53	1306.65
Earnings per Share (EPS)	26.46	26.75	31.35	16.02	16.33
Book Value per Share	144.12	126.12	107.84	93.28	81.12
Dividend %	# 75.00%	75.00%	75.00%	35.00%	35.00%

# Recommended by Board of Directors

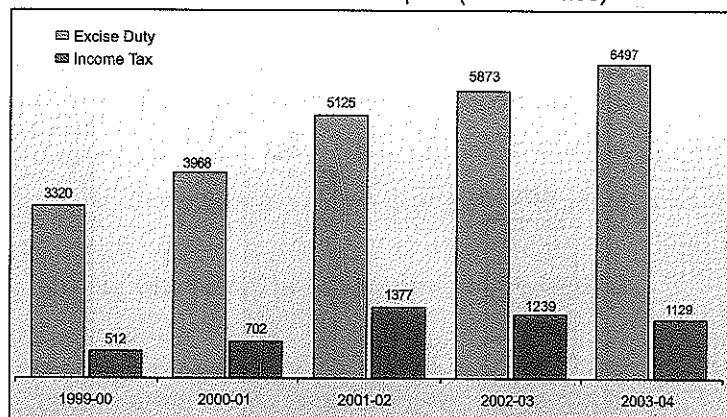
B/T: 12%  
A/T: 7.9% ] 25 crore

B/T: 2.2  
A/T: 1.5% ] 8 crore

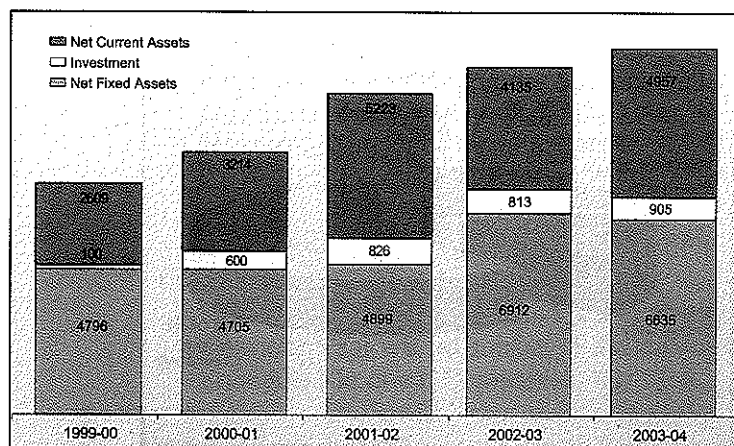
**MUNJAL SHOWA LIMITED**  
Fixed Assets (Rs. In Lacs)



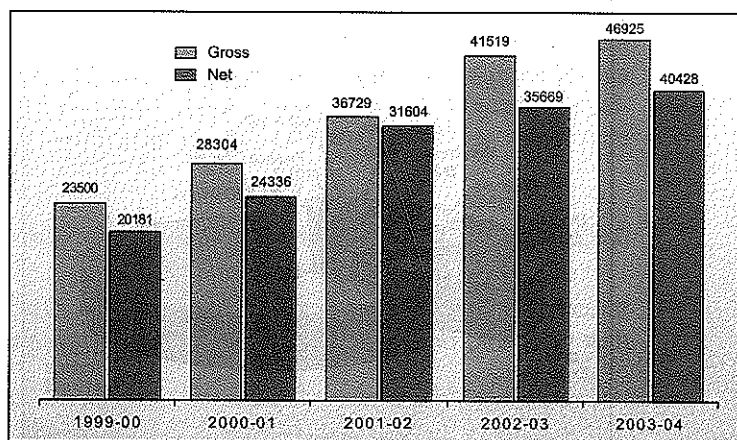
**MUNJAL SHOWA LIMITED**  
Contribution to Exchequer (Rs. In Lacs)



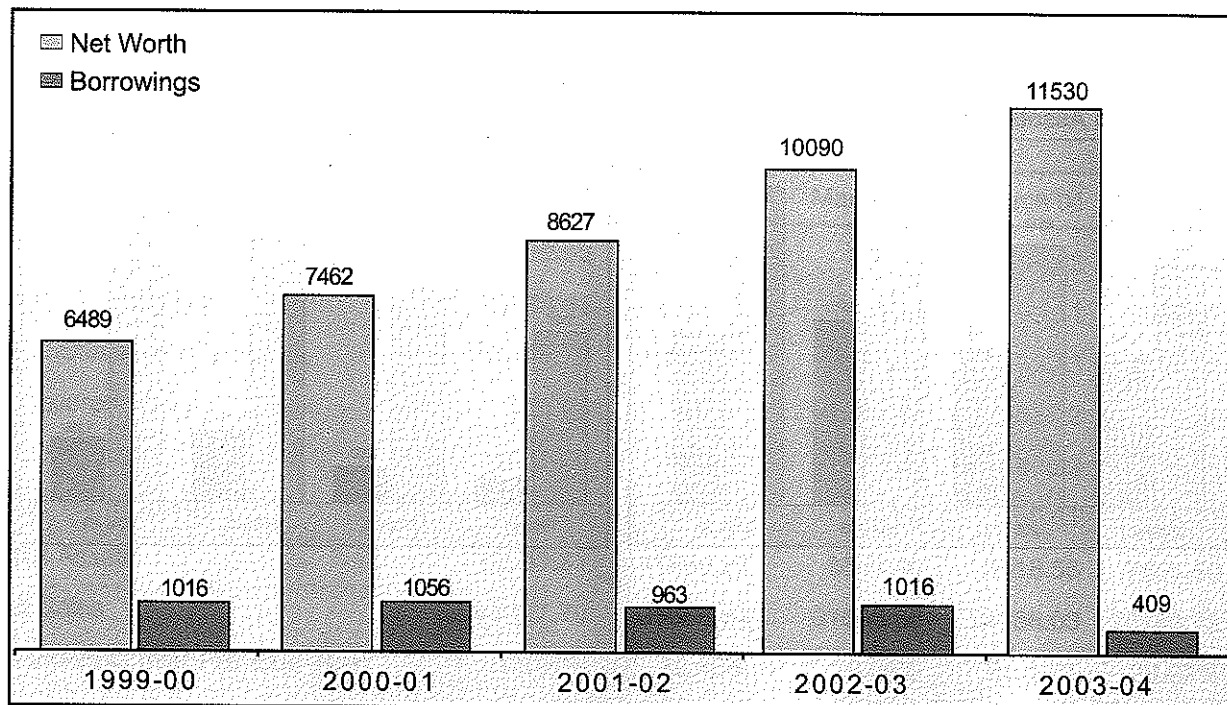
**MUNJAL SHOWA LIMITED**  
Application of Funds (Rs. In Lacs)



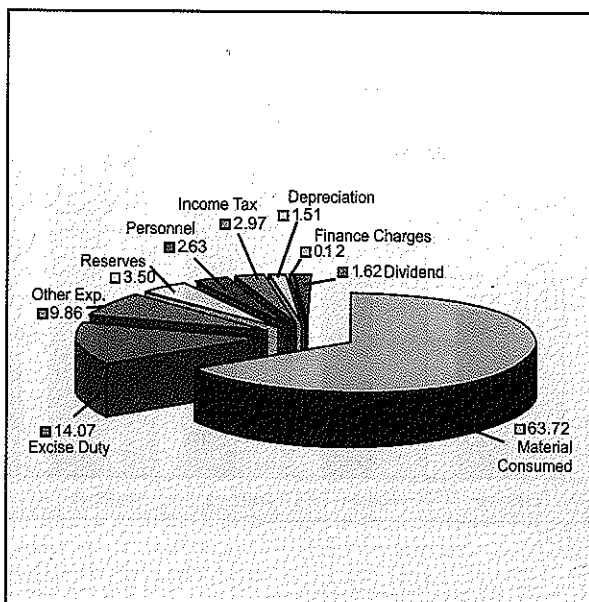
**MUNJAL SHOWA LIMITED**  
Sales (Rs. In Lacs)



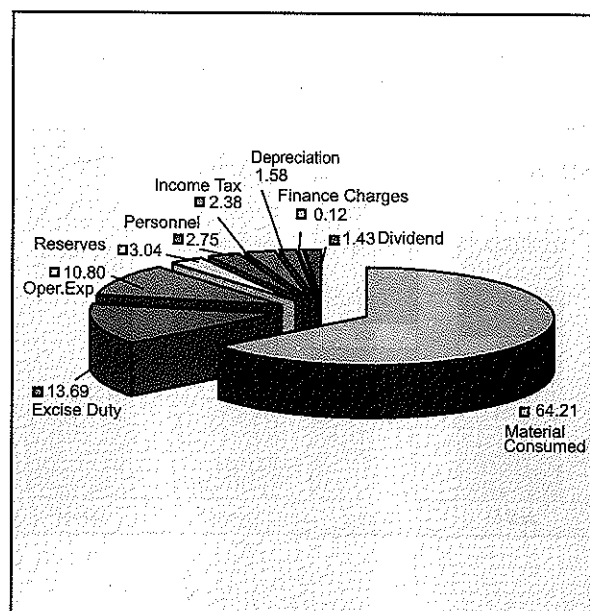
**MUNJAL SHOWA LIMITED**  
Borrowings & Net Worth (Rs. In Lacs)



**MUNJAL SHOWA LIMITED**  
Distribution of Revenue (2002-2003)



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



**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE NINETEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON TUESDAY THE 24<sup>TH</sup> DAY OF AUGUST, 2004 AT 10.30 A.M. AT NOTTING HILLS, OPP. PASCO AUTOMOBILES, OLD DELHI ROAD, GURGAON-122015, HARYANA TO TRANSACT THE FOLLOWING BUSINESS: -**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri Ashok Munjal , who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Kiyoshi Nagashima , who retires by rotation and, being eligible, offers himself for re-appointment.
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. Variation in the Terms of Appointment of Sh. Yogesh Munjal- Managing Director**

"RESOLVED that in partial modification of the earlier Resolutions passed in the Sixteenth Annual General Meeting held on 21<sup>st</sup> August, 2001, Seventeenth Annual General meeting held on 19<sup>th</sup> August 2002 and Eighteenth Annual General Meeting held on 26<sup>th</sup> August, 2003, 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 Sh. Yogesh Munjal- Managing Director be increased to Rs. 95,000/- per month from Rs. 85,000/- per month with effect from 01.10.2003 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.

**7. Variation in the Terms of Appointment of Sh. Seiji Konoue – Joint Managing Director**

"RESOLVED that in partial modification of the earlier Resolution passed in the Seventeenth Annual General Meeting held on 19<sup>th</sup> August, 2002 and Eighteenth Annual General Meeting held on 26<sup>th</sup> August, 2003, 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 Sh. Seiji Konoue - Joint Managing Director be increased to Rs. 95,000/- per month from Rs. 85,000/- per month with effect from 01.10.2003 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.

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

Place: New Delhi  
Dated: May 8, 2004

**PANKAJ GUPTA**  
Company Secretary

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



**NOTES:-**

- 1) 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.
- 2) The Explanatory Statement setting out the material facts concerning Special Business at Item No.6 & 7 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from 7<sup>th</sup> August' 2004 to 24<sup>th</sup> August' 2004 (both days inclusive).
- 4) The dividend as recommended by the Board of Directors, if sanctioned at the Nineteenth Annual General Meeting, will be paid to those members whose names appear on the Company's Register of Members on 24<sup>th</sup> August' 2004. 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.
- 5) 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**.
- 6) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1996-97 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 and 1995-96, remaining unpaid/unclaimed has been transferred to the Investor Education and Protection Fund.

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	Due date for transfer to IEP Fund
31.03.1997	25.09.1997	01.10.2004	31.10.2004
31.03.1998	26.08.1998	01.09.2005	01.10.2005
31.03.1999	20.08.1999	26.08.2006	25.09.2006
31.03.2000	29.08.2000	04.09.2007	04.10.2007
31.03.2001	21.08.2001	27.08.2008	26.09.2008
31.03.2002	19.08.2002	25.08.2009	24.09.2009
31.03.2003	26.08.2003	01.09.2010	01.10.2010

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 claims.**

- 7) 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 in respect of their physical share folios, if any, quoting their folio number.
- 8) 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.
- 9) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of bank Account.**
- 10) Shareholders are requested to bring their copy of the Annual Report and Attendance Slip duly filled in to the Annual General Meeting.

## **ANNEXURE TO THE NOTICE**

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

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

The Members in the Sixteenth Annual General Meeting held on 21.08.2001 had approved the remuneration of Sh. Yogesh Munjal, Managing Director of the Company and subsequently increased his basic salary from 65000/- to 75000/- with effect from 01.10.2001 in the Seventeenth Annual General Meeting held on 19.08.2002. In the Eighteenth Annual General Meeting held on 26.08.2003 members had approved increase in his basic salary from Rs. 75,000/- to 85,000/-. The job responsibilities have considerably increased in view of increase in the volume of business. Keeping in view the above and on the basis of recommendation of Remuneration Committee, your Board of Directors by passing a Resolution in their meeting held on 23.10.2003 have revised the basic salary of Managing Director from Rs. 85000/- to Rs. 95000/- (Rupees Ninety Five thousand only) per month w.e.f. 1<sup>st</sup> October, 2003 for the remaining period of his tenure. All other terms and conditions of his appointment will remain the same.

Sh. Yogesh Munjal, Sh. Brijmohan Lall Munjal, Sh. Ashok Munjal and Sh. Pankaj Munjal being related to each other may be deemed to be interested in the Resolution under Item no. 6.

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

#### **Item No. 7**

The Members in the Seventeenth Annual General Meeting held on 19.08.2002 had approved the remuneration of Sh. Seiji Konoue, Joint Managing Director of the Company and subsequently increased his basic salary from Rs. 75000/- to Rs. 85000/- per month w.e.f. 01.10.2002 in the Eighteenth Annual General Meeting held on 26.08.2003. The job responsibilities have considerably increased in view of increase in the volume of business. Keeping in view the above, Your Board of Directors by passing a Resolution in their meeting held

on 23.10.2003 have revised the basic salary of Joint Managing Director from Rs. 85000/- to Rs. 95000/- (Rupees Ninety Five thousand only) per month w.e.f. 1<sup>st</sup> October, 2003 for the remaining period of his tenure. All other terms and conditions of his appointment will remain the same.

Except Sh. Seiji Konoue, no other director is interested/concerned in the Resolution under Item no. 7

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

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.

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

Place: New Delhi  
Dated: May 8, 2004

**PANKAJ GUPTA**  
Company Secretary

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

**DIRECTOR'S REPORT**

Dear Members,

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2004.

**FINANCIAL RESULTS**

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

(Rs. in Lacs)

	Year Ended 31.03.04	Year Ended 31.03.03
Sales and other Income	47441.94	41724.50
Profit before Depreciation & Tax	3993.15	4007.90
Depreciation	747.73	629.86
Profit before Tax	3245.42	3378.04
Provision for Taxation	1128.60	1238.66
Profit after Tax	2116.82	2139.38
Net Profit brought forward	1161.93	1199.34
Profit available for appropriation	3278.75	3338.72
Dividend (Recommended)	599.92	599.92
Dividend Tax	76.87	76.87
Transfer to General Reserve	1500.00	1500.00
Surplus carried to Balance Sheet	1101.96	1161.93

**DIVIDEND**

The Board is pleased to recommend a dividend of 75 % i.e. Rs.7.50 per Equity Share of Rs. 10/- each. The dividend, if approved, 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 7<sup>th</sup> August, 2004 to 24<sup>th</sup> August 2004 (both days inclusive).

**OPERATIONS**

The Company has achieved a sales turnover of Rs. 47,441.94 lakhs registering a growth of 13.70% vis-à-vis Rs. 41,724.50 lakhs in the previous year. The profit after tax in the current year was marginally lower at Rs. 2116.82 lakhs compared to Rs. 2139.38 lakhs in the previous year. The Company has been able to maintain profitability at this level despite of robust increase in steel prices and change in product mix. The bottom line could be retained at this level on account of enhanced operating efficiencies, better working capital management, Company's serious efforts towards maintaining highest quality standard of its products, cost reduction, productivity improvement and customer satisfaction.

## **FUTURE PROSPECTS**

The Company had successfully developed Front Strut for 'Wagon R' with Automatic Breaking System (ABS) of Maruti Udyog Ltd during the year 2003-04. Hero Motors Limited has plans for launch of new bike 'HERO STING', for which Front Fork was developed and delivered the samples as per the schedule. Honda Motorcycle and Scooter India Private Limited approached us for development of Front fork and Rear Cushion for their proposed motorcycle project. MSL has successfully developed the same and delivered the samples as per the schedule.

Premier Automobiles Limited (PAL) in Collaboration with China Motor Corporation, Taiwan has developed Light Commercial Vehicle where MSL was selected for development of Front Struts. MSL has already supplied the samples. A special Gas Spring was developed for Krishna Maruti Limited, which will be used for sliding seats in various multiplex Cinema Halls. In brief, the name and fame of MSL is clinching the quality conscious buyers to enhance range of our products.

MSL continued to supply 100% export requirement of Maruti Udyog Limited and Honda Motorcycle 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 a record export of over 50000 vehicles, all fitted with MSL Struts and Window Balancers. Similarly, Honda Motorcycle and Scooter India Private Limited had exported more than 30000 scooters in twenty-two countries fitted with MSL Shock Absorbers.

The Company has plans for installation of new plant at IMT Manesar, Gurgaon (HR) in the year 2004-05 for which land has already been procured and the blue prints of the new plants are under finalization. The new plant will be able to cater to the growth in demand of the existing and new customers.

## **DIRECTORS**

Mr. Ashok Munjal and Mr. Kiyoshi Nagashima, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment as directors liable to retire by rotation.

## **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 has been included in this Report as Annexure-A. Your Company has been practicing the principles of good Corporate Governance over the years. The Board of directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board 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 of 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' 2004 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 or in any other years under Section 58A of the Companies Act, 1956 and the rules made there under.

**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 previous year, Company has taken 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 bringing 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.

**PARTICULARS OF EMPLOYEES**

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

**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 16949-1999 certification from reputed leading Indian and International Certification Institutions. During the year, the Company has obtained TS 16949 -2002 certification, the upgraded version of TS 16949-1999, in December 2003. This certification provides continuous improvements, emphasis on prevention of defects and reduce wastes and variation in supply chain. ISO 14001 has been re-certified for another three years in March 2004.

**TPM and TS16949**

Your Company has set December' 2004 as target date to achieve world-class Excellency Award of Total Productive Maintenance (TPM) from JIPM Japan. 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 which are incidental to the main objectives. Above all, the object of TPM is to increase profits of the Company through continuous training of personnel in order to create a pleasant working environment.

**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 2004-2005 has been paid to them well before the due date i.e. April 30, 2004. 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 and is expecting the final outcome.

**HUMAN RESOURCES**

During the year, the management continued with the strategy of imparting professional training to the executives and staff at various levels with a view to upgrading their competence and managerial qualities so that they function effectively in a more competitive and rapidly changing environment. The management also formed a number of internal task forces comprising employees to provide guidance and formulate appropriate policies. These include Cost-cutting measures; Improvement in Management Information System etc.

**ACKNOWLEDGEMENT**

The directors express their sincere gratitude to the Central Government and the State Government of Haryana for their kind co-operation and support. Your directors place on record the appreciation for the assistance and confidence reposed by the bankers, customers, suppliers and stakeholders during the period under review. The Board also places on record its appreciation for the contribution made by the employees at all levels.

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.

For and on behalf of the Board

Place: New Delhi

Dated: May 8, 2004

**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 2004.

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

Munjal Showa Limited (MSL), 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**

#### **1 Composition of Board**

The Board 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 active role in the meetings of the Board and are associated with the various Board Committees. The Non-Executive Directors 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 2004 is as follows:

<b>Name</b>	<b>Designation</b>	<b>Executive/ Non-executive / Independent</b>
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

#### **2 Meetings held in financial year 2003-04 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 2003-04 on 20<sup>th</sup> May 2003, 21<sup>st</sup> July 2003, 23<sup>rd</sup> October 2003 and 29<sup>th</sup> January 2004. 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 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 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	No	2	Nil	1
5	Mr. Kiyoshi Nagashima**	Nil	No	Nil	Nil	Nil
6	Mr. Pankaj Munjal	2	No	8	Nil	Nil
7	Mr. Ashok Munjal	4	Yes	8	4	Nil
8	Mr. K. N. Malhotra	4	Yes	3	1	Nil
9	Dr. K. C. Sethi	4	Yes	Nil	Nil	Nil

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

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

## 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. All these Directors have good knowledge of Corporate & Project Finance, Accounts and Company Law. 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 terms of reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. 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 of the Chairman. During the financial year 2003-04, the Audit Committee met four times, on 20<sup>th</sup> May 2003, 21<sup>st</sup> July 2003, 23<sup>rd</sup> October 2003 and 29<sup>th</sup> January 2004.

Attendance of Members at the meetings of the Audit Committee held during 2003-04 was as under:

Members	No. of Meetings attended
Mr. K. N. Malhotra, Chairman	4
Mr. Ashok Munjal	4
Dr. K. C. Sethi	4

### III REMUNERATION COMMITTEE

The Remuneration Committee was constituted on 21.07.2003. The said Committee has been empowered to consider and recommend to the Board the remuneration of Whole Time Director/Managing Director. The present Remuneration Committee constitutes of the following three non-executive & independent directors:

- 1) Dr. K C Sethi-Chairman
- 2) Mr. S D Khosla- Member
- 3) Mr. K N Malhotra- Member.

The first meeting of the Remuneration Committee was held on 23.10.2003 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 the increase in 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 only Non-Executive 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 interested Executive Directors do not participate or vote on this issue. The remuneration structure of whole-time 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. The details of the remuneration paid to Directors for the financial year 2003-04 are as under:

Name	Salary, Allowances and Perquisites *	Commission**	Sitting Fee***	Total
Mr. Brijmohan Lall Munjal	Nil	Nil	20,000	20,000
Mr. Yogesh Munjal	2,293,709	3,723,963	Nil	6,017,672
Mr. Seiji Konoue	1,745,917	3,723,963	Nil	5,469,880
Mr. S. D. Khosla	Nil	Nil	60,000	60,000
Mr. Pankaj Munjal	Nil	Nil	10,000	10,000
Mr. Ashok Munjal	Nil	Nil	70,000	70,000
Mr. K. N. Malhotra	Nil	Nil	45,000	45,000
Dr. K. C. Sethi	Nil	Nil	45,000	45,000

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

\*\* Commission is calculated @ 1% of the net profit calculated in accordance with Section 198 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 GRIEVANCE COMMITTEE**

The "Share Transfer and Investor Grievances Committee" has been looking into investor grievances and to suggest remedies and measures for improvement.

During the year, the Company received 163 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 31<sup>st</sup> March 2004.

List of requests/complaints received from shareholder during the financial year 2003-2004 is as under:

S.No.	Nature of request received	Received	Solved	Pending
1.	Change of address, ECS mandate, Bank details	56	56	Nil
2.	Non- receipts of dividend warrants / Revalidation of dividend warrants	61	61	Nil
3.	Loss of shares / Duplicate issue of shares	17	17	Nil
4.	Transfer /Transmission of shares	12	12	Nil
5.	Miscellaneous	17	17	Nil
<b>TOTAL</b>		<b>163</b>	<b>163</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. The Committee comprises of four directors, of whom two are Executive Directors. The Chairman is a non-executive independent director.

#### **VII GENERAL BODY MEETINGS**

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

For the Year	Location	Day and Date	Time	No. of Special Resolutions passed
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
2000-2001	9-11, Maruti Industrial Area, Gurgaon- 122 015	Tuesday, 21 <sup>st</sup> August, 2001	3:30 P.M.	02

No resolution has been passed by the Company's shareholders through postal ballot during the Financial Year 2003-04 and there is no resolution proposed to be passed through postal ballot in the ensuing Annual General Meeting.

## **VIII DISCLOSURES**

- a. 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 to the accounts in the Annual Report.
- b. There have been no non-compliance by the Company or penalty or stricture imposed on the Company by the Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.

## **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**

Indian Auto Sector registered a huge growth of above 16% in the year which has captured the attention of global market and export of two-wheeler has grown by more than 47%. Munjal Showa Limited (MSL) an offshoot of Hero Group continue to have the major share of shock absorbers in the country under organized sector. We consistently supply international quality products with the support of our Technical and Financial Collaborator, Showa Corporation, Japan - the pioneer and leader in the World of shock absorbers.

#### **• Opportunities and Threats**

Automobiles Industry continued to enjoy good health. Almost all the two-wheeler manufacturers are on growth path when compared with previous year performance. Motorcycle segment account for more than 77% of the total market share in two-wheeler segment. During the period under review, two-wheelers were sold to the tune of 5.63 million, out of which motorcycle segment account for 4.36 million vehicles. Hero Honda Motors Limited's market share has increased to 47.57 % from 43.66% in the motorcycle segment, where MSL is a single source supplier. Likewise, in scooter segment, MSL enjoys market share of around 40% by supplying to Honda Motorcycle and Scooter India Limited and Kinetic Motor Company Limited. Bulk of the Company's revenue continues to generate from two wheeler segment.

Company continues to be a leader in Shock Absorber Industry with unmatched quantity and quality level in OEM segment. As all our customers are on growth path, the Company can confidently look forward to an overall growth of approximately 10%.

#### **• 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 2004-05 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. To meet the expected growth in the demand of customers, the Company had acquired a land at IMT Manesar Gurgaon (HR) for an outlay of Rs 14 crores in order to bring another plant which will also take care the bottlenecks due to space constraint at the existing plant.

To protect operating margins being under pressure, there is a stringent focus on achieving Cost reduction, productivity and efficiency improvements in all areas of operations. All categories of employees are involved in various cost re-engineering projects.

- **Risk and Concerns**

During the year 2003-04, raw-materials and components formed approx. 76% of the total sales. Over the last eighteen months steel prices have been abnormally high and seem to continue this trend. The Company has been partly countering such increases through long term contracts, identification of alternative sources, through cost reduction in other areas and indegenisation of certain imported components. However, if these input costs continue to increase, margins and results of operation of the industry would be adversely affected and the demand for the end products would be impacted by any price increases that our customer would need to make.

The profitability of the Company may further be affected by change in Government Policy regarding excise duty, import duty, Income Tax and any other Central / State levy etc. and recession in the Automobile Industry. The growing throat cut competition in the two-wheeler industry being price sensitive may squeeze the margins further in future. The import content in the product constitute 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 reviews 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. 474.42 crores as against the corresponding previous year Rs. 417.24 crores. However, profit before tax has been slightly decreased to Rs.32.79 crores as against the corresponding previous year of Rs. 33.78 crores. 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 believes that quality and positive attitude of the people are the key 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 various programs.

The Company had 1162 employees, as on 31<sup>st</sup> March, 2004. 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 23 to the Accounts in the Annual Report.

- b) 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.

### **(C) The profile of Directors retiring by Rotation and other Directors eligible for appointment /re-appointment.**

#### **1 Mr. Ashok Munjal**

Mr. Ashok Munjal is a Graduate in commerce with Law. He joined Munjal Showa Limited in 1989 as Non-executive Director of the Company. He has wide experience of 23 years in the field of investment, finance and auto component. He is on the Board of the following Companies:

Sunbeam Auto Limited	Managing Director
Hero Auto Limited	Director
Hero Corporate Services Limited	Director
Krishna Toyo Limited	Director
Bhagyoday Investment Pvt. Ltd.	Director
Hero Honda Finance Limited	Director
Hero Financial Services Limited	Director
Easy Bills Limited	Director
Hero Management Services Ltd.	Director

**2 Mr. Kiyoshi Nagashima**

Mr. Kiyoshi Nagashima completed his graduation from Tokyo University, Tokyo. He has started his career with Honda Motor Company Limited, before joining Showa Corporation, Japan. He has served in various responsible positions in countries across the Globe. He has wide experience of 35 years in the field of Business Planning. He is on the Board of the following Companies:

Showa Corporation	Director
Guangzhou Showa Autoparts Co. Ltd	President
Sichuan Ningjiang Showa Shock Absorber Co. Ltd.	President
Summit Showa Manufacturing Co. Ltd	Director

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**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, 2004, 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.

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

per Pankaj Chadha  
Partner

Membership No.: 91813

Place : New Delhi  
Date : May 8, 2004



**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**

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.

The following are few energy saving proposals. are being carried out and few proposal have been already implemented to reduce the power cost

- Installation of HPS DG Set
- Installation of Solar Lamps
- Conversion of DG sets from HSD to LDO
- Providing power saving circuits in machines
- Replacement of conventional ballasts with electronic ballasts
- Installation of energy saving motors
- Use of smaller motors in place of big motors
- Conversion of star Delta
- Elimination of unwanted motors/pumps etc.
- Interlocking of inlet solenoid valve of machines saving circuits

**B. TECHNOLOGY ABSORPTION****i) Research and Development**

Company continued to give utmost importance to the R&D activities. The objective of the Company through continuous Research and Development activities is the introduction of cost effective, State-of-art-products with enhanced life and to increase the production capacity by further debottlenecking the machines.

During the year, the Company has developed samples for various customers for their new models of vehicles as per the specifications of customers and technical know-how provided by our collaborators M/s Showa Corporation, Japan.

**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 indegenisation of various components as an import substitution in order to fulfill the continuous demand of the customers for price reduction with the prior approval of our collaborators on quality issues.

The cost reduction was possible because of material reduction, standardisation, application engineering, product engineering and manufacturing and reduction in manufacturing cycle time.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The foreign exchange earnings during the year were Rs. 285,238/- and foreign exchange outgo during the year was Rs.776,910,803/-

For and on behalf of the Board

Place: New Delhi

Dated: May 8, 2004

**BRIJMOHAN LALL MUNJAL**

Chairman

## ANNEXURE-C TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004

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 per Clause (a) (iii) of Section 217(2A)
A. Employed for whole of the Year										
1	Yogesh Munjal	64	Managing Director	Overall control of the affairs of the Company	B. Arch.	40	01.09.1986	6,017,672	Chief Executive Rockman Cycle Inds. Ltd.	800*
2	Seiji Konoue	48	Joint Managing Director	Overall control of the affairs of the Company	Graduate Engineer	26	07.06.2002	5,469,880	Manager Showa Corporation, Japan	NIL

\* No. of Shares

### 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 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, Medical Reimbursement, Monetary Value of perquisites & value of Rent Free Accommodation in case of Managing Director.
- All appointments are on contractual basis.
- Mr. Yogesh Munjal is related to Mr. Brijmohan Lall Munjal, Mr. Ashok Munjal and Mr. Pankaj Munjal, Directors of the Company. The other employee is not related to any Director of the Company.

For and on behalf of the Board

**BRIJMOHAN LALL MUNJAL**  
Chairman

Place: New Delhi

Dated: May 8, 2004

**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, 2004 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 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, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 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, 2004;
    - 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.

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

per Pankaj Chadha  
Partner

Membership No.: 91813

Place : New Delhi  
Dated : May 8, 2004

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

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were 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.
3. As informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.  
(b) In our opinion and according to the information and explanation given to us the transactions with parties with whom transactions exceeding value of Rupees five lakhs have been entered into during the financial year, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. The Company has an adequate internal audit system 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) According to the records of the Company, it has generally been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.

- (b) 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

The above has been adequately disclosed under Contingent Liabilities under Note 7 of Schedule 23.

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 and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
14. In respect of Company's investments in 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. The mutual funds 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 any bank or financial institution.
16. The Company did not have any term loans outstanding during the year.
17. We have been informed by management that the funds raised on short-term basis have not been used for long-term investment. The Company has not raised any funds for long term during the year.
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. *The management, during the year, was informed by the customs authorities of the forged Duty Entitlement Pass Book ("DEPB") licenses of the value of Rs 218.29 lakhs used by it, as more fully described in note 11 under Schedule 23. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no other fraud on or by the Company has been noticed or reported during the course of our audit.*

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

Place : New Delhi  
Dated : May 8, 2004

per Pankaj Chadha  
Partner  
Membership No.: 91813

**BALANCE SHEET AS AT MARCH 31, 2004**

	Schedule	As at March 31, 2004 Rs	As at March 31, 2003 Rs
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share capital	1	79,992,500	79,992,500
Reserves and surplus	2	1,072,980,946	928,977,576
		<u>1,152,973,446</u>	<u>1,008,970,076</u>
Loan funds			
Secured loans	3	18,289,618	46,357,485
Unsecured loans	4	22,634,232	55,213,374
		<u>40,923,850</u>	<u>101,570,859</u>
Deferred tax liabilities (net)	5	61,483,960	75,466,240
<b>TOTAL</b>		<u>1,255,381,256</u>	<u>1,186,007,175</u>
<b>APPLICATION OF FUNDS</b>			
Fixed assets	6		
Gross block		1,077,908,046	921,022,499
Less : Depreciation		427,772,661	363,778,152
Net block		<u>650,135,385</u>	<u>557,244,347</u>
Capital work-in-progress including capital advances		13,347,292	133,960,479
		<u>663,482,677</u>	<u>691,204,826</u>
Intangible assets	7	5,713,237	-
Investments	8	90,514,627	81,274,286
Current Assets, Loans and Advances			
Inventories	9	218,846,851	190,976,458
Sundry debtors	10	708,309,260	506,441,056
Cash and bank balances	11	14,043,265	4,697,951
Other current assets	12	1,110,829	5,986,250
Loans and advances	13	388,604,693	481,115,199
Less: Current Liabilities and Provisions			
Liabilities	14	607,732,319	432,297,842
Provisions	15	227,511,864	343,391,009
		<u>835,244,183</u>	<u>775,688,851</u>
Net current assets		<u>495,670,715</u>	<u>413,528,063</u>
<b>TOTAL</b>		<u>1,255,381,256</u>	<u>1,186,007,175</u>
Notes to accounts	23		

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

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

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

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

**YOGESH MUNJAL**  
Managing Director

**PANKAJ MUNJAL**  
Director

Place : New Delhi  
Dated : May 8, 2004

**S.D.KHOSLA**  
Director

**SEIJI KONOUE**  
Jt. Managing Director

**ASHOK MUNJAL**  
Director

**MAHESH TANEJA**  
DGM- Finance

**DR K.C SETHI**  
Director

**K.N.MALHOTRA**  
Director

**PANKAJ GUPTA**  
Company Secretary

# **CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

	For the year Ended March 31,2004 Rs.	For the Year Ended March 31,2003 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation, and extraordinary items	324,541,630	337,804,009
Adjustments for:		
Depreciation & amortisation	74,772,842	62,985,760
Loss on sale of fixed assets	6,708,191	4,388,167
Profit on sale of investments	(11,823,162)	(879,103)
Foreign exchange loss	483,173	932,568
Interest income	(3,101,904)	(1,820,426)
Dividend income	(2,199,376)	(676,816)
Interest expense	2,626,733	2,366,547
Operating profit before working capital changes	392,008,127	405,100,706
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(201,868,204)	(96,876,991)
Decrease / (Increase) in inventories	(27,870,393)	4,401,356
Decrease / (Increase) loans and advances	(34,255,744)	(34,259,702)
Increase / (Decrease) in current liabilities	182,818,410	84,011,194
Cash generated from operations	310,832,196	362,376,563
Direct taxes paid (net of refunds)	(119,217,989)	(141,156,755)
Interest on income-tax refund	1,710,141	198,912
Cash flow before extraordinary items	193,324,348	221,418,720
Extraordinary item	-	-
Net cash from operating activities	193,324,348	221,418,720
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(50,778,112)	(268,840,228)
Proceeds from sale of fixed assets	951,591	183,256
Purchase of intangible assets	(9,645,600)	-
Movement in Loans	78,979	(421,875)
Purchase of investments	(1,356,882,566)	(127,637,204)
Deposits with other companies	-	-
Sale / maturity of investments	1,359,465,387	129,876,525
Interest received	280,934	6,613,123
Dividends received	2,199,376	823,229
Net cash from investing activities	(54,330,011)	(259,403,174)
<b>C. Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	24,371,571
Repayment of long-term borrowings	(60,647,009)	(19,070,082)
Interest paid	(1,426,733)	(2,366,547)
Dividends paid	(59,888,741)	(59,697,224)
Tax on dividend paid	(7,686,540)	-
Net cash used in financing activities	(129,649,023)	(56,762,282)
Net increase in cash and cash equivalents (A + B + C)	9,345,314	(94,746,736)
Cash and cash equivalents at the beginning of the year	4,697,951	99,444,687
Cash and cash equivalents at the end of the year	14,043,265	4,697,951

Components of cash and cash equivalents as at	March 31, 2004 Rs.	March 31, 2003 Rs.
Cash and cheques on hand	73,929	40,469
With banks :		
- on current account	314,560	485,867
- on unclaimed dividend account	1,108,236	1,006,824
- cash credit / overdraft	12,546,540	3,164,791
	<u>14,043,265</u>	<u>4,697,951</u>

For and on behalf of the Board of Directors

**BRIJMOHAN LALL MUNJAL**  
Chairman

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

**YOGESH MUNJAL**  
Managing Director

**SEIJI KONOUE**  
Jt. Managing Director

**DR K.C SETHI**  
Director

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

**PANKAJ MUNJAL**  
Director

**ASHOK MUNJAL**  
Director

**K.N.MALHOTRA**  
Director

Place : New Delhi  
Dated : May 8, 2004

**S.D.KHOSLA**  
Director

**MAHESH TANEJA**  
DGM- Finance

**PANKAJ GUPTA**  
Company Secretary



**SCHEDULES TO THE ACCOUNTS**

	As at March 31,2004 Rs.	As at March 31,2003 Rs.
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
15,000,000 (previous year 15,000,000) equity shares of Rs 10 each	150,000,000	150,000,000
<b>ISSUED AND SUBSCRIBED</b>		
7,999,500 (previous year 7,999,500) equity shares of Rs 10 each	79,995,000	79,995,000
<b>PAID-UP</b>		
7,999,000 (previous year 7,999,000) equity shares of Rs 10 each fully paid	79,990,000	79,990,000
Add : Share forfeited	2,500	2,500
	79,992,500	79,992,500
Of the above, 3,999,500 (previous year 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	812,784,601	662,784,601
Add: Transfer from profit and loss account	150,000,000	150,000,000
	962,784,601	812,784,601
<b>PROFIT AND LOSS ACCOUNT</b>		
	110,196,345	116,192,975
	1,072,980,946	928,977,576
<b>SCHEDULE 3 : SECURED LOANS</b>		
Loans and advances from banks		
Cash credit facilities	18,289,618	46,357,485
(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)		
	18,289,618	46,357,485
<b>SCHEDULE 4 : UNSECURED LOAN</b>		
From others		
Sales tax deferment loans* (interest free)	22,634,232	55,213,374
(Due within one year Rs 22,111,193, previous year Rs 32,579,142)		
	22,634,232	55,213,374

**NOTES**

- \* Eighty five percent of the amount of the sales tax deferment loans are guaranteed by a body corporate and the balance is guaranteed by a bank.

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
<b>SCHEDULE 5 : DEFERRED TAX LIABILITIES (NET):</b>		
<b>Deferred tax liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	83,191,892	82,474,660
<b>Gross deferred tax liabilities</b>	<b>83,191,892</b>	<b>82,474,660</b>
<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	10,384,200	6,303,868
Provision for doubtful debts and advances	8,923,438	704,552
Provision for inventory obsolescence	2,400,294	-
<b>Gross deferred tax assets</b>	<b>21,707,932</b>	<b>7,008,420</b>
<b>Net deferred tax liabilities</b>	<b>61,483,960</b>	<b>75,466,240</b>

## SCHEDULE 6 : FIXED ASSETS

(Amount in Rs.)

	Land- Freehold	Buildings	Plant and machinery	Furniture & fittings	Vehicles	Total	Previous year
<b>Gross block</b>							
At 01.04.2003	13,187,923	63,560,874	795,019,459	32,687,049	16,567,194	921,022,499	783,435,212
Additions	133,815,000	201,058	32,268,730	1,882,977	3,223,534	171,391,299	164,360,084
Deductions	-	-	10,141,105	25,410	4,339,237	14,505,752	26,772,797
<b>At 31.03.2004</b>	<b>147,002,923</b>	<b>63,761,932</b>	<b>817,147,084</b>	<b>34,544,616</b>	<b>15,451,491</b>	<b>1,077,908,046</b>	<b>921,022,499</b>
<b>Depreciation</b>							
At 01.04.2003	-	18,762,482	323,595,740	15,243,621	6,176,309	363,778,152	322,993,766
For the year	-	1,945,163	64,481,592	2,959,937	1,453,787	70,840,479	62,985,760
Deletions / adjustments	-	-	3,767,979	4,335	3,073,656	6,845,970	22,201,374
<b>At 31.03.2004</b>	<b>-</b>	<b>20,707,645</b>	<b>384,309,353</b>	<b>18,199,223</b>	<b>4,556,440</b>	<b>427,772,661</b>	<b>363,778,152</b>
For previous year	-	1,931,025	56,727,068	2,833,786	1,493,881	62,985,760	-
<b>Net block</b>							
<b>At 31.03.2004</b>	<b>147,002,923</b>	<b>43,054,287</b>	<b>432,837,731</b>	<b>16,345,393</b>	<b>10,895,051</b>	<b>650,135,385</b>	<b>557,244,347</b>
<b>At 31.03.2003</b>	<b>13,187,923</b>	<b>44,798,392</b>	<b>471,423,719</b>	<b>17,443,428</b>	<b>10,390,885</b>	<b>557,244,347</b>	<b>460,441,446</b>

### NOTE

Fixed assets of the cost of Rs 10,141,105 (previous year Rs 26,734,252) (WDV Rs 6,373,126 (previous year Rs 4,383,828)) have been discarded during the year.

**SCHEDULES TO THE ACCOUNTS**

**SCHEDULE 7 : INTANGIBLE ASSETS**

	Designs and drawings	Total	(Amount in Rs.) Previous year
Gross block			
At 01.04.2003	-	-	-
Additions	9,645,600	9,645,600	-
At 31.03.2004	9,645,600	9,645,600	-
Amortisation			
At 01.04.2003	-	-	-
For the year	3,932,363	3,932,363	-
At 31.03.2004	3,932,363	3,932,363	-
For previous year	-	-	-
Net Block			
At 31.03.2004	5,713,237	5,713,237	-
At 31.03.2003	-	-	-

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
<b>SCHEDULE 8 : INVESTMENTS</b>		
<b>Long term investments (at cost)</b>		
<b>Trade (Unquoted)</b>		
Nil (previous Year 1,134,475) Units of Prudential ICICI Mutual Fund under Income Plan (Growth Option) of Rs 10 each	-	20,000,000
Nil (previous year 2,301,921) Units of Standard Chartered Mutual Fund under GSSD GSSIF Investment Plan (Growth Option) of face value of Rs 10 each	-	30,403,012
1,591,119 (previous year Nil) Units of Standard Chartered Mutual Fund under GSSD GSSIF Investment Plan (Quarterly Dividend Option) of face value of Rs 10 each	23,704,009	-
Nil (previous year 1,623,944) Units of Templeton Mutual Fund under Income Builder Account Plan A (Monthly Dividend Payout Option) of face value of Rs 10 each.	-	30,871,274
1,624,990 (previous year Nil) Units of Templeton Mutual Fund under Income Builder Account Plan B (Growth Option) of face value of Rs 10 each.	36,065,832	-
438,540 (previous year NIL) 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	-
486,419 (previous year NIL) Units of HSBC Mutual Fund under HSBC Income Fund- Investment Plan ( Dividend Reinvestment Option) of face value of Rs 10 each.	5,042,749	-
876,181 (previous year NIL) Units of Tata Mutual Fund under Tata Monthly Income Fund ( Dividend Reinvestment Option) of face value of Rs 10 each.	10,240,177	-
454,735 (previous year NIL) 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	-
470,613 (previous year NIL) Units of HDFC Mutual Fund under HDFC Income Fund (Dividend Reinvestment Option) of face value of Rs 10 each.	5,147,220	-
	<u>90,514,627</u>	<u>81,274,286</u>

### NOTES

- Repurchase price of investments in Mutual Funds amounts to Rs 93,438,160 (previous Year Rs 88,261,766)
- 88,310,408 units of Standard Chartered Mutual Fund GCFD Grindlays Cash Fund- Daily Dividend option, 70,186 units of Templeton Mutual Fund TI Treasury Management Account-Daily Dividend option, 41,515 units of Templeton Mutual Fund TI Short Term Income Plan- Weekly Dividend option, 16,085 units of Templeton Mutual Fund TI Treasury Management Account- Weekly Dividend option, 7,011,594 units of Templeton Mutual Fund TI Liquid Fund-Daily Dividend option, 435,351 units of Templeton Mutual fund TI Income Builder Account Plan A Growth, 951,190 units of Prudential ICICI Mutual Fund Short Term Plan-Dividend reinvestment fortnightly, 2,533,018 units of Prudential ICICI Mutual Fund-Liquid Plan-Daily Dividend Option, 994,735 units of Prudential ICICI Mutual Fund- Liquid Plan- Growth Option, 852,554 units of Prudential ICICI Mutual Fund-Flexi Income -Growth Option, 1274861 units of Prudential ICICI Mutual Fund-Weekly Dividend Option were purchased and sold during the year.
- 1,134,475 units of Prudential ICICI Mutual Fund under Income Plan- (Growth Option), 2,301,921 units of Standard Chartered Mutual Fund under GSSD GSSIF Investment Plan (Growth Option), 1,623,944 units of Pioneer ITI Mutual Fund under Income Builder Account-Plan A (Monthly Dividend Payout Option) were sold during the year.

**SCHEDULES TO THE ACCOUNTS**

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
<b>Schedule 9: Inventories</b>		
Raw materials and components (Including material lying with outside parties Rs. 1,543,130 (previous year Rs. Nil) and materials in transit Rs 65,283,658 (previous year Rs 91,827,895) net of provisions of Rs 6,690,716 (previous year Rs Nil)	181,633,135	151,772,558
Stores and spares (Including materials in transit Rs 994,540, previous year Rs 2,976,301)	17,630,949	19,010,014
Work-in- progress (including materials lying with outside parties Rs 964,539, previous year Rs 592,748)	13,742,158	14,782,591
Finished goods	5,428,114	5,247,611
Scrap	412,495	163,684
	<u>218,846,851</u>	<u>190,976,458</u>
<b>Schedule 10: Sundry debtors</b>		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	1,183,778	3,881,339
Unsecured, considered doubtful	1,191,658	1,310,864
Other debts		
Unsecured, considered good	<u>707,125,482</u>	<u>502,559,717</u>
	709,500,918	507,751,920
Less : Provision for doubtful debts	<u>1,191,658</u>	<u>1,310,864</u>
	<u>708,309,260</u>	<u>506,441,056</u>
<b>Schedule 11: Cash and Bank Balances</b>		
Cash on hand	73,929	40,469
Balances with scheduled banks:		
On current account	314,560	485,867
On cash credit accounts	12,546,540	3,164,791
On unpaid dividend accounts	<u>1,108,236</u>	<u>1,006,824</u>
	<u>14,043,265</u>	<u>4,697,951</u>
<b>Schedule 12: Other Current Assets</b>		
Interest receivable on income-tax refund	1,110,829	-
Surrender value of an insurance policy	-	5,986,250
	<u>1,110,829</u>	<u>5,986,250</u>

**SCHEDULES TO THE ACCOUNTS**

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
<b>Schedule 13: Loans and advances</b>		
Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or kind or for value to be received (including Rs 22,453,992, previous year Rs 625,000 being considered doubtful)	46,264,663	13,868,997
Loans to employees (including Rs 28,045, previous year Rs 28,045 being considered doubtful)	3,491,827	3,570,806
Inter corporate loans	-	3,500,000
Balances with customs, excise, etc. (including Rs 1,200,000, previous year Rs nil being considered doubtful)	205,962,609	171,549,589
Deposits – others	3,883,310	3,921,010
Advance income tax/ tax deducted at source	152,684,321	285,357,842
	412,286,730	481,768,244
Less: Provision for doubtful advances	23,682,037	653,045
	388,604,693	481,115,199
Included in loans and advances are:		
Due from an officer of the Company	-	7,000
(Maximum amount outstanding during the year Rs 7,000, previous year Rs 31,000)		

## SCHEDULES TO THE ACCOUNTS

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
<b>SCHEDULE 14 : Liabilities</b>		
Acceptances	144,625,762	119,210,942
Sundry creditors	443,378,060	293,265,192
Other liabilities	18,649,090	18,846,060
Investor Education and Protection Fund shall be credited by following amounts viz.		
- Unpaid dividend	1,079,407	975,648
	<u>607,732,319</u>	<u>432,297,842</u>
<b>Schedule 15: Provisions</b>		
Provision for taxation	135,000,000	260,067,403
Provision for wealth tax	264,277	246,884
Provision for leave encashment	3,589,992	2,777,430
Provision for gratuity	2,636,671	-
Provision for warranties	18,341,884	12,620,252
Proposed dividend	59,992,500	59,992,500
Tax on proposed dividend	7,686,540	7,686,540
	<u>227,511,864</u>	<u>343,391,009</u>
	For the year ended March 31, 2004 Rs	For the year ended March 31, 2003 Rs
<b>Schedule 16: Other income</b>		
Interest:		
Bank deposits (Tax deducted at source Rs Nil, previous year Rs 323,619)	2,084	1,350,000
Interest on income-tax refund	2,820,970	198,912
Others	278,850	271,514
Insurance claim received	14,254,659	-
Profit on sale of long term investments	11,646,701	879,103
Profit on sale of short term investments	176,461	-
Dividend on long term Investments	744,786	676,816
Dividend on short term investments	1,454,590	-
Gain on cancellation of foreign exchange contracts (net)	552,450	875,004
Unspent liabilities/ sundry balances written back	833,227	1,467,679
Sale of scrap	18,809,021	14,701,927
Miscellaneous income	145,213	156,442
	<u>51,719,012</u>	<u>20,577,397</u>
<b>Schedule 17: Raw materials and components consumed</b>		
Inventories as at March 31, 2003	151,772,558	154,445,360
Add: Purchases	3,075,678,312	2,639,622,259
	<u>3,227,450,870</u>	<u>2,794,067,619</u>
Less: Inventories as at March 31, 2004	181,633,135	151,772,558
	<u>3,045,817,735</u>	<u>2,642,295,061</u>

## SCHEDULES TO THE ACCOUNTS

	For the year ended March 31, 2004	For the year ended March 31, 2003
	Rs	Rs
<b>Schedule 18: Personnel expenses</b>		
Salaries, wages and bonus	114,279,480	94,203,292
Contribution to provident fund	3,804,501	3,651,151
Contribution to gratuity	1,263,325	989,585
Contribution to other funds	1,680,416	1,530,163
Workmen and staff welfare expenses	9,677,383	9,223,465
	<u>130,705,105</u>	<u>109,597,656</u>
<b>Schedule 19: Operating and Other Expenses</b>		
Consumption of stores and spares	126,202,341	138,752,301
Sub-contracting expenses	29,474,232	27,193,566
Power and fuel (including Rs 10,183,270, previous year Rs Nil being prior period expenses)	113,430,642	93,173,427
Freight and forwarding charges	7,002,853	4,693,512
Rent	1,680,000	1,463,107
Rates and taxes - Others	165,145	255,972
Insurance	13,023,894	3,078,591
Repairs and maintenance		
- Plant and machinery	24,190,393	13,700,506
- Buildings	5,861,109	3,182,868
- Others	9,265,576	6,348,184
Advertising and sales promotion	539,702	585,378
Discounts on sales	2,353,521	2,202,027
Royalty	91,766,306	78,088,406
Technicians fee	1,700,679	869,221
Design and drawing fee	-	2,408,400
Warranty expenses	21,561,027	25,416,585
Legal and professional expenses	4,368,620	4,487,820
Travelling and conveyance	13,736,090	10,843,802
Communication costs	1,822,991	2,427,341
Printing and stationery	1,352,769	1,122,227
Directors' sitting fees	250,000	175,000
Auditor's remuneration		
- Audit fee	588,600	472,500
- For certification and others matters	383,400	231,000
- Out-of-pocket expenses	57,000	27,640
	<u>1,029,000</u>	<u>731,140</u>
Exchange rate difference (net)	5,955,064	4,218,710
Donations and contributions	804,475	266,225
Provision for doubtful debts and advances	23,235,762	414,715
Loss on sale / discard of fixed assets (net)	6,708,191	4,388,167
Miscellaneous expenses	5,145,874	6,737,177
	<u>512,626,256</u>	<u>437,224,375</u>



**SCHEDULES TO THE ACCOUNTS**

	For the year ended March 31, 2004 Rs	For the year ended March 31, 2003 Rs
<b>Schedule 20 : Decrease/(increase) in Inventories</b>		
Inventories as at March 31, 2003		
- Work-in-progress	14,782,591	7,035,824
- Scrap	163,684	87,875
- Finished goods	5,247,611	5,486,402
	<u>20,193,886</u>	<u>12,610,101</u>
Inventories as at March 31, 2004		
- 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>
	<u>611,119</u>	<u>(7,583,785)</u>
<b>Schedule 21: Financial expenses</b>		
Interest		
- to banks	1,426,733	2,366,547
- others	1,200,000	-
Bank charges	<u>2,787,993</u>	<u>2,772,155</u>
	<u>5,414,726</u>	<u>5,138,702</u>
<b>Schedule 22: Earnings per share (EPS)</b>		
Net profit as per profit and loss account	211,682,411	213,938,435
Weighted average number of equity shares in calculating basic and diluting EPS	7,999,000	7,999,000
EPS	26.46	26.75

**SCHEDULE 23: 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 fork, 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 except for changes discussed more fully below.

**b) Changes in accounting policy**

- (i) The Company has taken policies with Life Insurance Corporation of India ("LIC") to cover its liability on account of Gratuity and Superannuation Fund payable to its employees and the premium paid/ payable on the above policies was charged to the profit and loss account. At the current year end, the Company has also got the actuarial valuation of the gratuity liability and provided the difference between funded liability with LIC and the said actuarial valuation amounting to Rs 2,636,671. Accordingly, the provision at the year end and the charge to the profit and loss account for the current year is higher by Rs 2,636,671.
- (ii) As stated in note 2 (d) below, amounts paid towards acquisition of product designs and drawings were expensed in the year of commencement of commercial production. In accordance with Accounting Standard - 26 on 'Intangible Assets' issued by the Institute of Chartered Accountants of India, the Company has changed the hitherto followed policy and intangible assets so recognized are amortised over a period of 24 months starting from the month in which the commercial production of the underlying product commences. Accordingly, the profit for the year before tax is higher by Rs 5,713,237 as a consequence of this change.

**c) Tangible assets and depreciation**

- Fixed assets are stated at cost less accumulated depreciation. 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.
- Assets held for disposal are recognised as 'other current assets' where realizable value is considered material.
- 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.

**d) Intangible assets**

*Drawings*

Before April 1, 2003:

Amounts paid towards acquisition of designs and drawings for sepecifically identified products are expensed in the year of commencement of commercial production.

From April 1, 2003:

Amounts paid towards acquisition of designs and drawings for sepecifically identified products being development expenditure incurred towards product design is carried forward based on assessment of the related benefits. 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 expenses 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 fair 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.
-------------------------------------	---

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

**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, which is evident from the passage of title to the customers and generally coincides

with their delivery. Sale of goods is inclusive of excise duty but exclusive of sales tax. Scrap sale is recognised on assessment of reasonable certainty of realisation.

*Interest*

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

*Dividends*

Revenue is recognised when dividend is declared by the mutual funds.

**i) Warranty claims**

Warranty costs are provided on accrual basis on the total sales of goods during the year, which are based on past experience of claims.

**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.

(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 on such contracts are recognized 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 Benefits**

(i) Retirement benefits in the form of provident fund contributions 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.

**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) Segment reporting policies**

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components for two-wheeler and four-wheeler industry. The business comprises manufacturing and selling of various auto components, viz, fork, shock absorbers, struts, gas springs and window balancers, having similar risks and rewards because of similar nature of these items. The Company operates in one geographical segment.

**n) Earnings per share**

Basic earnings per share are 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**

As the Companies business activities falls within a single business and a single geographic segment, the disclosure requirement of Accounting Standard (AS-17) 'Segment Reporting' issued by the Institute of Chartered Accountants of India 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, 2004 and 2003 and for the years then ended are presented in the following table:

(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	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
Sale of goods	112,304	25,433	-	-	4,057,413,755	3,645,424,770
Purchase of raw materials, intermediaries and finished goods	624,513,007	577,610,400	-	-	692,970,138	560,139,500
Service charges paid	-	-	-	-	2,052,827	3,804,512
Purchase of assets	-	10,327,674	-	-	669,696	1,395,267
Royalty	91,932,571	78,088,405	-	-	-	-
Design and drawing fee	9,645,600	2,408,400	-	-	-	-
Technician fee	1,416,335	656,614	-	-	-	-
Trade payable	211,445,146	198,889,980	-	7,108,318	77,835,357	49,163,819
Trade receivable	35,643	17,880	-	-	654,370,605	474,366,145
Interest paid	648,595	186,704	-	-	-	-
Dividend paid	15,600,000	15,600,000	4,509,000	4,509,000	18,900,000	18,900,000
Sureties given to government departments	-	-	-	-	593,833,377	593,833,377
Sureties obtained	-	-	-	-	39,334,290	62,261,500

(i) Names of related parties

(a) Key management personnel

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

(b) Enterprise with significant influence over the Company

- Showa Corporation, Japan

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

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

(ii) 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.

	<u>As at March 31, 2004 Rs.</u>	<u>As at March 31, 2003 Rs.</u>
<b>5. Leases</b>		
<i>In case of assets taken on lease:</i>		
The Company has operating leases for residential premises of employees.		
Lease payments for the year	1,680,000	1,463,107
<i>Minimum Lease Payments:</i>		
Not later than one year	230,000	320,000
<b>6. Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for.		
Commitments for acquisition of fixed assets	24,489,314	10,989,989
<b>7. Contingent liabilities (not provided for) in respect of</b>		
a) Sureties given to sales tax authorities on behalf of bodies corporate	580,678,127	580,678,127
b) Surety given to custom authority on behalf of a body corporate	28,600,000	28,600,000
c) Surety given to Haryana Vidyut Parsaran Nigam Limited on behalf of a body corporate	100,000	100,000
d) Demand raised by Income Tax Authorities, being disputed by the Company	11,015,487	17,221,258
e) Labour claims against the Company not acknowledged as debts (net of provision)	-	7,862,932
f) Interest claims by customs authorities, not acknowledged by the Company	356,047	-

8 Sundry creditors include Rs 23,321,042 (previous year Rs 15,144,101) due to Small Scale Industrial Undertakings ('SSI') to the extent such parties have been identified from available documents/information. The SSIs' to whom the Company owes sums, which are outstanding for more than 30 days are as under:

	As at March 31, 2004 Rs	As at March 31, 2003 Rs
Abhi Enterprises	9,949	25,571
Albatross Fine Chem Limited	56,040	57,183
Ancil Autotech Private Limited	350,336	250,070
Associated Engineers	727,707	944,760
Citizen Press Components	560,343	366,621
Delite Enterprises	344,721	185,222
Divya Engineers	111,964	331,292
Fastener World	48,178	-
Goa Sintered Products Limited	9,656	-
Gowell Rubber Industries	619,355	337,854
Jai Raj Ancillaries Pvt. Ltd.	615,786	417,627
Jyoti Rubber Industries	1,498	-
Kamal Rubplast Industries	503,730	-
Krishna Industries	1,189,843	1,406,463
M.V. Engineering Industries	114,665	99,596
Merit Packaging Corporation	4,517	-
Nice Steel Industries	675,229	365,071
Rikki Plastic	534,446	344,584
Rubberways	929,689	379,588
Shree Durga Udyog	588,308	526,359
Shriram Engineers	253,865	122,754
Tekniktrad International	227,266	183,544

For the year  
ended March  
31, 2004  
(Rs)

For the year  
ended March  
31, 2003  
(Rs)

## 9. Supplementary statutory information

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

Salaries and allowances	2,160,000	1,857,580
Commission to wholetime directors	7,447,926	6,975,718
Perquisites	1,642,026	1,762,393
Contribution to provident and superannuation funds	237,600	211,200
	<u>11,487,552*</u>	<u>10,806,891</u>

\*Increase in the remuneration of Directors by Rs 133,200 (previous year Rs 133,200) is subject to approval of the shareholders.



	For the year ended March 31, 2004 (Rs)	For the year ended March 31, 2003 (Rs)
<b>9.2 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	324,541,630	337,804,009
Add :		
Directors' remuneration	11,487,552	10,806,891
Directors sitting fee	250,000	175,000
Provision for loans and advances	23,235,762	-
Provision for labour compensation	795,004	-
Provision for warranties	5,721,632	-
Provision for inventory obsolescence	6,690,716	-
Less:		
Debtors written off against provisions	(305,976)	-
Debts recovered against provisions	(20,000)	-
Net profit as per Section 349 of the Companies Act, 1956	372,396,320	348,785,900
Commission to Managing Director and Joint Managing Director @ 1% of the net profits for each of them	7,447,926	6,975,718
<b>9.3 Earnings in foreign currency (on accrual basis)</b>		
Exports at F.O.B. value	285,238	25,443
<b>9.4 Expenditure in foreign currency (on accrual basis)</b>		
Technician fees	1,700,679	869,221
Royalty	91,766,306	78,088,406
Traveling	1,587,026	1,128,532
Interest	648,595	186,704
Design and drawings	9,645,600	2,408,400
Others	1,151,273	663,351
	106,499,479	83,344,614
<b>9.5 Value of imports calculated on CIF basis (excluding material in transit)</b>		
Capital goods	13,401,892	15,450,132
Raw materials, components, stores, spares, tools, etc.	641,409,432	597,851,152
	654,811,324	613,301,284
<b>9.6 Dividend remitted in foreign exchange</b>		
Period to which it relates	Year ended March 31, 2003	Year ended March 31, 2002
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 – gross (in Rs)	15,600,000	15,600,000
Amount of dividend remitted – net (in Rs)	15,600,000	13,260,000

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

10.1 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.	10,485,600	9,324,515	9,454,006	7,492,251
Struts	Nos.	969,000	969,000	497,297	414,070
Window balancer	Nos.	1,006,500	1,006,500	447,156	406,705

\* Licences are not applicable.

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

10.2 Sales

	Unit	Quantity		Value (Rs)	
		Current year	Previous year	Current year	Previous year
Shock absorbers	Nos.	9,452,015	7,494,265	4,177,477,256	3,697,233,393
Struts	Nos.	493,570	414,656	421,046,175	358,326,786
Window balancer	Nos.	447,479	405,634	55,524,667	49,189,069
Components, etc.				38,426,858	47,123,527
				4,692,474,956	4,151,872,775

10.3 Consumption of raw materials and components

	Unit	Quantity		Value (Rs)	
		Current year	Previous year	Current year	Previous year
Fork pipe	Nos.	4,495,038	3,691,261	449,723,680	386,279,718
Bottom case	Nos.	4,186,813	3,447,998	507,767,975	419,174,296
Main spring cushion	Nos.	9,933,811	7,869,921	352,070,259	269,377,377
Oil seal	Nos.	9,899,728	8,427,741	497,970,826	408,281,442
Dust seal	Nos.	4,515,307	3,679,462	142,383,135	272,799,228
Other materials and components *				1,095,901,860	886,383,000
				3,045,817,735	2,642,295,061

\* 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.

10.4 Imported and indigenous raw materials, components and spare parts consumed

	Percentage of total consumption		Value (Rs)	
	Current year	Previous year	Current year	Previous year
Raw materials and components				
Imported	25	31	764,041,178	807,635,357
Indigenously procured	75	69	2,281,776,557	1,834,659,704
	100	100	3,045,817,735	2,642,295,061
Stores and spares				
Imported	18	17	23,198,149	24,262,191
Indigenously procured	82	83	103,004,192	114,490,110
	100	100	126,202,341	138,752,301

### 10.5 Details of Finished Goods

	Quantity		Value (Rs)	
	Current year	Previous year	Current year	Previous year
<b>Opening Stock</b>				
Shock absorbers	14,060	16,074	4,058,410	4,046,885
Struts	1,298	1,884	979,230	1,350,116
Window balancer	1,966	895	209,971	89,401
			<b>5,247,611</b>	<b>5,486,402</b>
<b>Closing Stock</b>				
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
			<b>5,428,114</b>	<b>5,247,611</b>

11. During the year, the Company had purchased certain Duty Entitlement Pass Book (DEPB) licences amounting to Rs 218.29 lakhs, which were found to be forged by the customs authorities. Presently, the Government agencies are probing the matter and these licences are likely to be invalid subject to its final investigation. The Company has sent notices to these parties from whom these licences were purchased, though no formal legal claim has been filed against them. As the outcome of the investigations and Company's efforts to recover the amount is not certain at this stage, the Company has provided the entire amount of Rs 218.39 lakhs in these financial statements.

### 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

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**  
Jt. Managing Director

**DR K.C SETHI**  
Director

**PANKAJ MUNJAL**  
Director

**ASHOK MUNJAL**  
Director

**K.N.MALHOTRA**  
Director

Place : New Delhi  
Dated : May 8, 2004

**S.D.KHOSLA**  
Director

**MAHESH TANEJA**  
DGM- Finance

**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
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 State Code 

5	5
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Balance Sheet. 

3	1
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0	3
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2	0	0	4
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Date                      Month                      Year

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

Public Issue	Rights Issue						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					
Bonus Issue	Private Placement						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					

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

Total Liabilities	Total Assets																				
<table border="1" style="display: inline-table;"><tr><td>1</td><td>2</td><td>5</td><td>5</td><td>3</td><td>8</td><td>1</td><td>2</td><td>5</td><td>6</td></tr></table>	1	2	5	5	3	8	1	2	5	6	<table border="1" style="display: inline-table;"><tr><td>1</td><td>2</td><td>5</td><td>5</td><td>3</td><td>8</td><td>1</td><td>2</td><td>5</td><td>6</td></tr></table>	1	2	5	5	3	8	1	2	5	6
1	2	5	5	3	8	1	2	5	6												
1	2	5	5	3	8	1	2	5	6												
Sources of Funds																					
Paid - up Capital	Reserves and Surplus																				
<table border="1" style="display: inline-table;"><tr><td>7</td><td>9</td><td>9</td><td>9</td><td>2</td><td>5</td><td>0</td><td>0</td></tr></table>	7	9	9	9	2	5	0	0	<table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>7</td><td>2</td><td>9</td><td>8</td><td>0</td><td>9</td><td>4</td><td>6</td></tr></table>	1	0	7	2	9	8	0	9	4	6		
7	9	9	9	2	5	0	0														
1	0	7	2	9	8	0	9	4	6												
Secured Loans	Unsecured Loans																				
<table border="1" style="display: inline-table;"><tr><td>1</td><td>8</td><td>2</td><td>8</td><td>9</td><td>6</td><td>1</td><td>8</td></tr></table>	1	8	2	8	9	6	1	8	<table border="1" style="display: inline-table;"><tr><td>2</td><td>2</td><td>6</td><td>3</td><td>4</td><td>2</td><td>3</td><td>2</td></tr></table>	2	2	6	3	4	2	3	2				
1	8	2	8	9	6	1	8														
2	2	6	3	4	2	3	2														
Application of Funds																					
Net Fixed Assets	Investments																				
<table border="1" style="display: inline-table;"><tr><td>6</td><td>6</td><td>3</td><td>4</td><td>8</td><td>2</td><td>6</td><td>7</td><td>7</td></tr></table>	6	6	3	4	8	2	6	7	7	<table border="1" style="display: inline-table;"><tr><td>9</td><td>0</td><td>5</td><td>1</td><td>4</td><td>6</td><td>2</td><td>7</td></tr></table>	9	0	5	1	4	6	2	7			
6	6	3	4	8	2	6	7	7													
9	0	5	1	4	6	2	7														
Net Current Assets	Misc. Expenditure																				
<table border="1" style="display: inline-table;"><tr><td>4</td><td>9</td><td>5</td><td>6</td><td>7</td><td>0</td><td>7</td><td>1</td><td>5</td></tr></table>	4	9	5	6	7	0	7	1	5	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L								
4	9	5	6	7	0	7	1	5													
N	I	L																			
Accumulated Losses	Deferred Tax Liabilities (Net)																				
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>6</td><td>1</td><td>4</td><td>8</td><td>3</td><td>9</td><td>6</td><td>0</td></tr></table>	6	1	4	8	3	9	6	0									
N	I	L																			
6	1	4	8	3	9	6	0														

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

Turnover (including other income)	Total Expenditure
4 7 4 4 1 9 3 9 6 8	3 7 6 9 9 4 7 7 8 3
Profit / Loss before Tax	Profit / Loss after Tax
3 2 4 5 4 1 6 3 0	2 1 1 6 8 2 4 1 0
Earning per Share in Rs.	Dividend rate%
2 6 . 4 6	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

**BRIJMOHAN LALL MUNJAL**  
Chairman

**YOGESH MUNJAL**  
Managing Director

**SEJI KONOUE**  
Jt. Managing Director

**DR K.C SETHI**  
Director

**PANKAJ MUNJAL**  
Director

**ASHOK MUNJAL**  
Director

**K.N.MALHOTRA**  
Director

Place : New Delhi  
Dated : May 8, 2004

**S.D.KHOSLA**  
Director

**MAHESH TANEJA**  
DGM- Finance

**PANKAJ GUPTA**  
Company Secretary

**GENERAL SHAREHOLDER INFORMATION :**
**1. Annual General Meeting**

-Day, Date and Time

: Tuesday, 24<sup>th</sup> August '2004  
10.30.A.M.

-Venue

: Notting Hills, Old Delhi Road,  
Opp. Pasco Automobiles,  
Gurgaon-122015, Haryana

**2. Financial Calender**

(a) Financial Year 2004-2005

: April to March

(b) Financial reporting for the quarter ending June '2004

: End July '2004

(c) Financial reporting for the half year ending Sept '2004

: End October '2004

(d) Financial reporting for the quarter ending December '2004

: End January '2005

(e) Financial reporting for the year ending March '2005.

: End June '2005

(f) Annual General Meeting for the year  
ending March 31, 2005

: End September '2005

**3. Face Value of the Equity Share**

: Rs. 10 per share

**4. Date of Book Closure**

: 7<sup>th</sup> August '2004 to 24th August  
'2004 (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

**The Calcutta Stock Exchange\***

Association Limited

7, Lyons Range, Kolkata-700 001

**National Stock Exchange of India  
Limited**

"Exchange Plaza", Bandra- Kurla  
Complex, Bandra ( E ),  
Mumbai- 400 051

*\* Delisting applied for and the same is awaited*

**7. Stock Code**

-The Stock Exchange, Mumbai

: 20043

-National Stock Exchange

: munjalshow

-International Securities Identification number (ISIN)  
for NSDL & CDSL

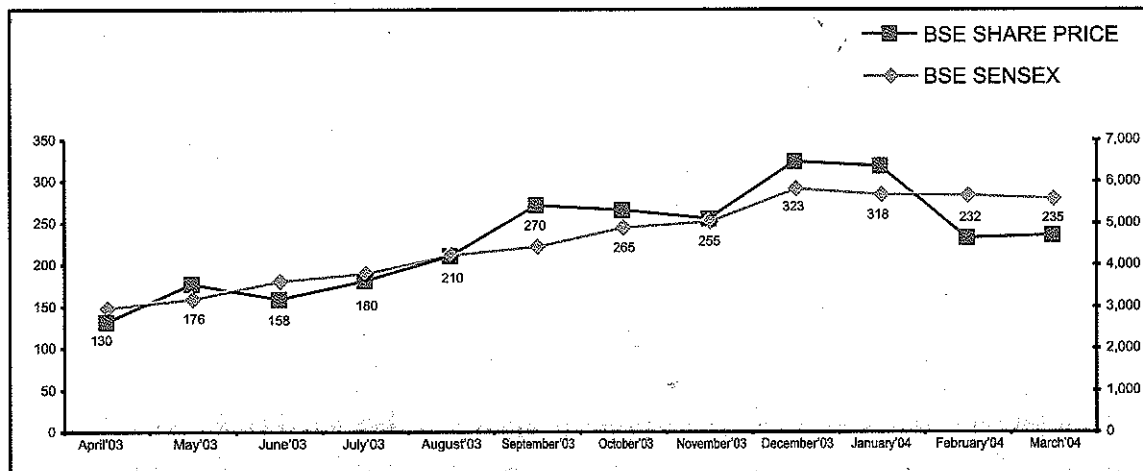
: INE577A01019

**8). Monthly Highs, Lows and volume for the year 2003-2004 on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).**

YEAR 2003-04	Bombay Stock Exchange			National Stock Exchange		
	High (Rs)	Low (Rs)	Volume (Nos.)	High (Rs)	Low (Rs)	Volume (Nos.)
April'03	130.00	118.45	6958	137.40	110.10	10046
May'03	176.00	120.60	80853	179.00	120.00	253205
June'03	158.35	140.00	32829	159.00	138.25	99091
July'03	180.00	145.25	57553	181.00	149.10	188850
August'03	210.00	160.30	145706	208.00	161.00	315414
September'03	270.00	207.00	169689	250.75	206.00	344359
October'03	265.00	193.00	69086	263.60	194.00	89300
November'03	254.90	215.35	66126	250.00	211.00	80659
December'03	323.00	229.45	227393	324.00	233.40	320286
January'04	318.00	216.05	90969	317.00	216.00	104259
February'04	232.00	196.30	49740	231.00	192.05	35609
March'04	235.00	182.05	79727	222.40	190.00	100830

**9. Stock Performance :**

**Index Comparison – MSL Share Price Vs. BSE 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

**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 and a demat option letter is sent to the shareholder for exercising the option to receive the shares in demat Form within 30 days. Then, the shares are confirmed to the respective client accounts with depository of NSDL and CDSL.

The total number of shares transferred in physical form during the year under review was 9159 shares.

**11. A. Distribution of Shareholding as on March 31, 2004:**

Slab	No. of Shareholders		No. of Shares	
	Numbers	% to Shareholders	Numbers	% to Shareholding
Upto 5000	4243	89.78	751339	9.39
5001-10000	310	6.56	241868	3.02
10001-20000	87	1.84	129147	1.62
20001-30000	19	0.40	49257	0.62
30001-40000	13	0.28	45629	0.57
40001-50000	12	0.25	57272	0.72
50001-100000	16	0.34	130580	1.63
100001 and above	26	0.55	6593908	82.43
<b>Total</b>	<b>4726</b>	<b>100.00</b>	<b>7999000</b>	<b>100.00</b>

**B. Shareholding pattern as on March 31, 2004:**

Shareholders	No. of Shareholders	No. of Shares held	% Shareholding
1 Individuals	4461	1432957	17.92
2 Companies	213	767238	9.59
3 Promoters	4	3120000	39.00
4 Foreign Collaborator	1	2080000	26.00
5 FI's, NRI's, OCB's	33	12149	0.15
6 Mutual Funds, Banks, FI's etc.	14	586656	7.34
<b>Total</b>	<b>4726</b>	<b>7999000</b>	<b>100.00</b>

**12. 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.



- 13. Dematerialization of shares and liquidity** : As on March 31, 2004 a total of 24,42,426 equity shares of the Company, which forms 30.53 % 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.
- 14. Outstanding GDRs/ADRs/Warrants or any convertible instruments, if any** : Not Applicable
- 15. Plant Location & 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 may be contracted for any query related to Share Transfer and other matters.

F = 2729  
R = 2152  
Ble = 1486

## 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