

**BOARD OF DIRECTORS****CHAIRMAN**

Satyanand Munjal

**MANAGING DIRECTOR**

Sudhir Munjal

**WHOLE TIME DIRECTOR**

Anju Munjal

**DIRECTORS**

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Vikram Shah

Naresh Chawla

Mahendra Sanghvi

**FINANCE TEAM**

S. K. Sharma, GM - Finance

Sambit Dash, Company Secretary

**AUDITORS**

Vakil, Jain & Hindocha

*Chartered Accountants*

38, Gautam Nagar, Race Course,  
Vadodara - 390 007

**PRINCIPAL BANKERS**

State Bank of India

IDBI Limited

HDFC Bank Limited

ABN AMRO Bank N.V.

**REGISTERED OFFICE & PLANT**

187, GIDC Industrial Estate,

Waghodia - 391 760

Dist.: Vadodara (Gujarat)

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## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 23<sup>rd</sup> Annual Report along with the Balance Sheet and Profit and Loss Accounts for the year ended March 31, 2008.

### **FINANCIAL RESULTS**

<b>Year ended March 31,</b>	<b>(Amounts in Rs. Lac)</b>	
	<b>2008</b>	<b>2007</b>
Sales & Other Income	<b>26,085.04</b>	<b>29,226.71</b>
Profit before Depreciation and Interest	<b>2,103.58</b>	<b>3,253.15</b>
Depreciation	<b>502.18</b>	<b>428.05</b>
Interest	<b>65.93</b>	<b>95.93</b>
Profit before Taxation	<b>1,535.47</b>	<b>2,729.17</b>
Provision for Taxation (Deferred & Current)	<b>498.92</b>	<b>877.88</b>
Profit after Taxation	<b>1,036.75</b>	<b>1,851.29</b>
Prior Period Expenditure	<b>21.14</b>	<b>(27.23)</b>
Profit available for appropriations	<b>1,015.61</b>	<b>1,878.52</b>
<b>Appropriations</b>		
Proposed Dividend on Equity Shares	<b>150.00</b>	<b>500.00</b>
Tax on Dividend	<b>25.49</b>	<b>84.98</b>
Transfer to General Reserve	<b>50.78</b>	<b>187.85</b>
Profit after Appropriation	<b>789.34</b>	<b>1105.69</b>

### **DIVIDEND**

Directors are pleased to recommend a dividend of 15 % on equity shares of the Company for the fiscal 2008. The dividend, if approved by the Members in the ensuing Annual General Meeting, would absorb Rs. 175.49 lac (inclusive of corporate dividend tax of Rs. 25.49 lac) out of the profits available for the year.

The Register of Members and Share Transfer Books will remain closed from September 23, 2008 to September 26, 2008 (both days inclusive).

### **PERFORMANCE**

The Year 2007-08 was sluggish for the Automobile Industry in India in general and the Motorcycles Industry in particular. According to the figure released by the Society of Indian Automobile Manufacturers (SIAM) motorcycle sales in India during 2007-08 were down by 11.90 percent at 5.77 million units, against 6.55 million units in the previous year. High interest cost & squeeze on the financing of motorcycles by banks/NBFCs across the country were major contributory factors to the decline of sales in motorcycles during the year 2007-08. To add to the woes, last year's trend of hardening of the commodities and intermediate goods continued this year as well and almost entire chunk of the increases in input and processing costs were absorbed in the cost of production resulting in severe squeeze of the Gross Margins of almost all automotive sector companies across the sectors/segments.

A shifting trend in the motorcycles to have mag-wheels in preference over the steel-wheels was greatly evident and prevalent in the year 2007-08 and that resulted in a compression of demand for the rims - one of the major items of manufacture and sale of your company. This too impacted sales and profit margins of the company.

Company's turnover during the year has declined to Rs.260.85 crore from Rs. 292.27 crore in the previous year. Profit before tax of Rs. 15.35 crore and after tax of Rs. 10.36 crore during the year as against Rs. 27.29 crore and 18.51 crore respectively in the previous year have shown a steep declining trend in the aftermath of the factors referred above.

### **DIRECTORS**

As per the Articles of Association, Mr. Vijay Munjal, Mr. Naresh Chawla and Mr. Mahendra Sanghvi retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for reappointment.

### **QUALITY**

Continued emphasis on quality and adoption of a systematic approach of manufacturing management have been helping the company, over the years, remain in the forefront on qualitative aspects of its products and customer satisfaction. Accreditations like ISO TS 16949 and ISO 14001 have continued to be available to the company during the year. At micro level, individual employees participation and involvement with attention to details is improving on an ongoing basis with more knowledge, better habits imparting with tools like KAIZEN's, Five '5', Cause and Effect Matrix (C&E) etc.

### **FINANCE**

Your Company was able to raise the short-term funds needed for its working capital related requirements at fairly competitive rates although hardening of the interest rates was the prevalent trend in the Indian Financial System. Effective use of available financial resources has helped Company further contain the finance costs during the year. The company has not raised any long-term finance during the year.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

In terms of Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report is appended as **ANNEXURE - I** of this report.

### **CORPORATE GOVERNANCE**

Your Company is committed in following the highest standards of Corporate Governance. In this pursuit, your Company has a structure of corporate governance in place that ensures compliance of the provisions of Clause 49 of the Listing Agreement.

For fiscal 2008, the compliance report is provided in the Corporate Governance Report section of this annual report. The auditor's certificate on compliance is annexed to this report.

**FIXED DEPOSITS**

The company has not accepted any fixed deposits during the year and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with regard to the Directors' responsibility statement, the Board of Directors confirms that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure.
- b) the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and the profit & loss account of the Company for the year ended on that date.
- c) 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) the Annual Accounts have been prepared on a going concern basis.

**AUDITORS**

The auditors, M/s. VAKIL, JAIN & HINDOCHA, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the Auditor's office, if reappointed.

**ENVIRONMENT**

Your Company is committed in maintaining the highest standards of environment compliances and therefore has adopted a systematic approach towards environment management.

Company's all operational decisions continue to be taken keeping in mind their sensitivity to the surrounding environment, which help in maintaining and improving the overall environment in and around Company's plant.

Your Company has complied with the applicable environmental regulations and its effluents & wastes are treated properly and monitored constantly before safely disposing them off in conformity with the environmental regulations prescribed by statutory authorities. During the year, company has received necessary environmental consents / approvals for air, water and hazardous waste discharge from the Pollution Control Authority.

Inside the plant, eco ventilators have been affixed to facilitate greater flow of fresh air that has helped to reduce air temperature naturally in the plants.

**ENERGY, TECHNOLOGY, FOREIGN EXCHANGE**

The particulars as prescribed under 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 are given in the **ANNEXURE - II** that forms part of this Report.

**PARTICULARS OF EMPLOYEES**

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the **ANNEXURE - III** included in this report.

**INDUSTRIAL RELATIONS**

Industrial relations have remained cordial throughout the year in the Company.

**HEALTH AND SAFETY**

Safety is every employee's responsibility and concern. Your Company is committed for safety and health of its employees and other persons who may be affected by its operations. It's company's belief that safe working practice leads to motivated workforce and higher productivity and to that end, all possible safety measures are put in place to eliminate accidents at the factory. Employees are encouraged to report the incidents. Even small Incidents are investigated and analysed to prevent reoccurrence and improve upon safety record. Safe working culture across the country is ensured by:

- Integrating safety and health in all activities.
- Ensuring compliance with all applicable legislative requirements.
- Encouraging employees to ensure safety at their workplaces.
- Continuous improvements in safety performance through precautions besides participation & training of employees

**ACKNOWLEDGEMENTS**

Company would like to thank its clients, vendors, investors and bankers for their continued support during the year. In particular, to its principal customer Hero Honda Motors Limited, the company is thankful for continuing to repose faith as a direct online supplier and including it as an integral part of the supply chain management.

We would like to place on record our appreciation of the contribution made by employees at all levels. Their diligent hard work, cooperation and support is a backbone of all endeavours of the company.

We also thank the Government of India, Customs and Excise Departments, the Income Tax Department, the Industrial & Labour Department, Government of Gujarat and other government agencies for the support company has been receiving over the years, and is looking forward to their continued support/guidance in times to come.

For and on behalf of the Board

Satyanand Munjal  
Chairman

Waghodia  
June 30, 2008



## ANNEXURE 'I' TO DIRECTORS' REPORT

### Management Discussion and Analysis Report

#### INDUSTRY STRUCTURE & DEVELOPMENT

Since 1999, the focus of your company's operations has been auto components business and what was a strategic shift to enable the company survive from a brinksmanship, has turned out to be a harbinger of its growth over the years.

Your company is in the auto components business for two-wheelers – motorcycles and therefore its fortune and the operations have a direct connect with the growth and developments that take place in the two-wheeler industry and motorcycles in particular. Two-wheeler industry in India had shown a compounded annual rate of growth of over 10 percent in the decade ended 2006-07. However, in the year 2007-08, it hit a roadblock with a negative growth of 8 percent. Within the two-wheeler industry, sales of motorcycles, which account for nearly 85 percent in volumes, has had a bigger dent and its volume shrank to 5.8 million from the high of 6.6 million units in the year 2006-07. The prime reason for a retreat in the two-wheeler market could be attributed to the slowdown in financing of two-wheelers ushered in by the banks and finance companies, particularly from the second half of the year and a considerable hardening of the interest rates in the vehicle financing segment.

#### OPPORTUNITIES AND THREATS

In the previous year's Management Discussion and Analysis Report, it was mentioned that some slowdown signs are emerging on the market scenario of two-wheeler industry in India, on the back of a spectacular run of growth, it showed for nearly a decade. Since the turn of year 2007, there have been some major global developments particularly in the finance sector triggered by the sub-prime and housing sector crisis in the USA. Another worrying factor that has emerged in the year 2008 is skyrocketing of the crude prices internationally by nearly 100 percent increase from the price levels in 2007. Its impact are felt like upheavals in almost all countries of the world and a threat of double-digit inflation has assumed a reality in India as well in the past few months – the biggest inflationary pressure in the last one decade. The tight monetary measures and hiking of the interest rates by RBI will make financing costlier in the coming year.

As a consequence, the auto components manufacturers like your company will have to reckon with this scenario in which things are going to be more challenging and competitive. Upward pressure on the inputs and now even the conversion costs led by increasing power and fuel cost by the day will necessitate belt-tightening and cost-cutting measures. Since your company is engaged as an OEM of auto components, presently catering to the requirements of its principal customer – Hero Honda Motors Ltd. (HHML), which is a market leader in the motorcycle segment of two-wheeler industry enjoying above 50 percent of the motorcycle market.

#### OUTLOOK

Long-term growth story of both India and the two-wheeler industry seems to be intact, with periodic hiccups and bumps strewn in its path. Penetration level of two-wheelers in India, at less than 50 per thousand population, is still low. What augurs well is that the principal customer HHML is a rock-solid performer. It continues to be a formidable player in the two-wheeler industry is and consolidating its market share to reach over 50 percent currently.

Your company looks forward to challenging, exciting times ahead as it prepares itself to brace with new opportunities and challenges that abound and preparing itself to respond and tune in to the dictates of the environ. This would call for freshness of approach and concerted efforts on an ongoing basis to grapple with the changes that lie ahead.

Continuing growth of the motorcycle segment of two-wheeler industry is expected in future as well. The management's attitude of continuous monitoring and addressing operational issues will help the company stay in good stead. Though, due to hike in Petrol prices, there may be some pressure on all type of vehicles but at the same time there is a better scope of growth for fuel-efficient vehicles

#### RISKS AND CONCERNs

Risks are inherent in every business, be it external or internal. Economic slowdown and erratic monsoon could impact most segments of the economy, including the two-wheeler industry.

The main concerns are:

- A likely slowdown in the growth of Indian Economy in the wake of a rising fuel prices and a double-digit inflation in recent times after a high growth phase it achieved in a band of 4-year period concluded in 2007-08.
- Demand squeeze for automobiles, particularly two-wheelers stemming from any variation in the environment, natural calamities, erratic monsoon causing to restrict disposable income of the rural populace and any unforeseen shift in the priority of the consumers; and
- Slowdown in the market conditions – particularly the motorcycle segment of two-wheeler industry – due to high interest rates and reduction in availability of the finance for purchase of a motorcycle to a prospective buyer
- Continuing upward spiral of the commodities and other inputs/ conversion costs cascading into squeezing margins for the OEM component suppliers.

In order to mitigate the risks, costs are closely monitored and wherever possible and prudent to cut down on costs, it was given effect to. Focus on financial discipline and effective management of net working capital has helped / will help to overcome these risks and concerns partially.

## ANNEXURE 'I' TO DIRECTORS' REPORT (Continued)

### INTERNAL CONTROLS AND ADEQUACY

Management of your Company continuously reviews internal control systems and procedures to ensure orderly and efficient conduct of business. The review includes *inter alia* adherence to the management policies, safeguarding assets of the company and ensuring preparation of timely and accurate financial information. Emphasis on internal control is given across functions and processes, covering the entire gamut of activities including finance, secretarial, supply chain, sales and personnel. Policies and procedures on commercial, safety and environment matters are in place and regularly reviewed / updated.

### FINANCIAL PERFORMANCE

Financial performance, which has been highlighted in Directors' Report need to be viewed in the above backdrop. Judicious net working capital level has continued to keep the interest burden of the company at a minimal level.

### HUMAN RESOURCES / INDUSTRIAL RELATIONS

Human Resource is the most important asset for a company. Therefore, all importance is given to systematic training and development for each employee of the company at all levels. In this regard, the employees are encouraged and supported in preparing a personal training and development plan, which is assessed and reviewed throughout the year. Systematic survey is conducted to identify the areas for improvement and action thereon for each employee.

### CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectation may be "forwarded looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

## ANNEXURE 'II' TO DIRECTORS' REPORT

Information as per 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

### 1. Conservation of Energy

The Management is perusing energy conservation with considerable focus and commitment. Effective use of energy, particularly in the hard core manufacturing processes of the Company, continues to be an important ingredient of conservation of energy. Optimal utilization of various energy resources like power, fuel and oil is ensured by ongoing measures / steps that improve power factor and other consumption.

### 2. Technology Absorption, Adaptation and innovation

Company is having dedicated team for new developmental activities. Engineering department of the Company is continuously working on development of components for new models of automobile and also development of alternate processes to enhance quality and to reduce cost.

Following measures were adopted by the Company during the year under review:

- Capacity expansions at many manufacturing processes have been done viz-painting process, Ni Chrome plating process, etc.
- Spoke hole punching process automation in the motorcycle rim part has been implemented for quality / productivity improvement.
- New improved paints introduced which can withstand higher temperature resulting into better life of Mufflers.

### 3. Foreign Exchange Earnings and outgo

	(Rs. In Lac)	
	2007-08	2006-07
(a) Total Foreign Exchange Earnings	—	—
(b) Total Foreign Exchange Outgo	<b>748.04</b>	<b>1878.68</b>



## ANNEXURE 'III' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2008

Sr. No.	Name and Qualification	Designation	Remuneration (In Rs.)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1.	Mr. Sudhir Munjal B.A.	Managing Director	85,44,187/-	38	62	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Mrs. Anju Munjal B.A.	Whole-time Director	85,44,187/-	22	58	01.01.1995	Munjal Auto Industries Ltd. Chief Executive

### Notes:

1. Remuneration comprises basic salary, allowances and taxable value of perquisites.
2. All the above appointments are on contractual basis.
3. Mr. Sudhir Munjal, Managing Director & Mrs. Anju Munjal, Whole-time Director are related to each other and also to Mr. Satyanand Munjal, Chairman of the Company.

**AUDITORS' REPORT**

TO  
THE MEMBERS OF  
MUNJAL AUTO INDUSTRIES LIMITED

1. We have audited the attached Balance sheet of Munjal Auto Industries Limited as at 31<sup>st</sup> March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the companies (Auditor's Report) order, 2004, ("the order") 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 the Paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) 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.
  - b) In our opinion, proper books of account as required by Law has been kept the Company so far as appears from our examination of those books.

- c) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit & 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.
- e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2008, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director, in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with significant accounting police, the notes there on, 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:
  - i) in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2008;
  - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Vakil Jain & Hindocha  
Chartered Accountants

Place: Vadodara  
Date : June 30, 2008

Surendra Modiani  
Partner  
Membership No. 47966



## ANNEXURE TO AUDITORS' REPORT

### **Annexure referred to in paragraph 3 of the Auditors' Report to the members of Munjal Auto Industries Limited for the year ended 31<sup>st</sup> March, 2008**

- 1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) These fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification;
- (c) The Company has not disposed off substantial part of fixed assets.
- 2) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business;
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3) The Company has not either granted or taken any loans to/from companies, firms or other parties covered in the register maintained under section 301 of the Act and therefore, the matters referred in paragraph 4 (iii) of the Companies (Auditors' Report) Order, 2003 are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure 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, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5) According to the information and explanations given to us,
- (a) The particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section;
- (b) In our opinion and according to the information and explanations given to us, the transactions, exceeding the value of five lac rupees in respect of any party during the year, made in pursuance of such contracts or arrangements during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) The Company has not accepted deposits from the public.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of accounts and records 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 we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained;
- 9) According to the information and explanations given to us and as shown by our examination of the books of accounts:
- (a) The company is regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it and no undisputed amounts payable in respect thereof were in arrears, as on the last day of the financial year, for a period of more than six months from the date they became payable;
- (b) The company was not deposited disputed Sales Tax demand of Rs.25.50 pertaining to the Financial year 2002-03, the company has preformed appeal against Joint Commissioner of Sales Tax (Appeals), Vadodara,
- There are no dues of Income-tax / Wealth-tax / Service-tax / Custom duty / Excise duty / Cess which have not been deposited on account of any dispute;

**ANNEXURE TO AUDITORS' REPORT (Continued)**

- 10) The company has no accumulated losses at the end of the financial year and in the immediately preceding financial year.
- 11) The company has not defaulted in repayment of dues to a financial institution or bank or debentureholders. The details of claim made but not accepted by the company are as per notes on accounts;
- 12) The Company has not granted any loans or advances on the basis of any security.
- 13) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company;
- 15) The Company has not given any guarantee for loans taken by others.
- 16) In our opinion, the term loans have been applied for the purpose for which they were raised.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long term investment by the company;
- 18) The Company has not made any preferential allotment of shares during the year.
- 19) The Company had not issued any debentures in respect of which any security was required to be created.
- 20) The Company did not raise any money by public issue during the year.
- 21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Vakil Jain & Hindocha  
Chartered Accountants

Surendra Modiani  
Partner  
Membership No. 47966

Place: Vadodara  
Date: June 30, 2008



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2008

(Amount in Rs.)

	Schedule	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>I. SOURCES OF FUNDS</b>			
(1) Shareholders' Funds :			
(a) Capital	1	100,209,150	100,209,150
(b) Reserves and Surplus	2	484,028,988	400,750,263
		<u>584,238,138</u>	<u>500,959,413</u>
(2) Loan Funds :			
Secured Loans	3	125,800,447	162,653,914
(3) Deferred Tax Liability (Net)	4	31,816,981	34,551,662
	<b>TOTAL</b>	<b><u>741,855,566</u></b>	<b><u>698,164,989</u></b>
<b>II. APPLICATION OF FUNDS</b>			
(1) Fixed Assets :	5		
(a) Gross Block		709,676,120	654,611,151
(b) Less : Depreciation		319,995,061	271,277,710
		<u>389,681,059</u>	<u>383,333,441</u>
(c) Net Block		71,635,795	53,996,554
(d) Capital Work in Progress		<u>461,316,854</u>	<u>437,329,995</u>
(2) Investments	6	232,943,246	73,084,204
(3) Current Assets, Loans and Advances :	7		
(a) Inventories		104,952,646	97,752,145
(b) Sundry Debtors		206,175,461	312,964,009
(c) Cash and Bank Balances		5,728,432	4,717,712
(d) Loans and Advances		59,030,957	92,572,443
		<u>375,887,496</u>	<u>508,006,309</u>
Less: Current Liabilities and Provisions:	8		
(a) Current Liabilities		292,554,874	254,270,958
(b) Provisions		<u>35,737,156</u>	<u>65,984,561</u>
		<u>328,292,030</u>	<u>320,255,519</u>
Net Current Assets		47,595,466	187,750,790
	<b>TOTAL</b>	<b><u>741,855,566</u></b>	<b><u>698,164,989</u></b>
<b>Notes on Accounts</b>	14		

As per our report of even date

For and on behalf of the Board

For Vakil Jain & Hindocha  
Chartered Accountants

S.K. Sharma  
GM - Finance

Vikram Shah  
Naresh Chawla  
Mahendra Sanghvi  
Sudhir Munjal  
Anju Munjal

Director  
Director  
Director  
Managing Director  
Whole-time Director

Surendra Modiani  
Partner  
Membership No. 47966

Sambit Dash  
Company Secretary

Vadodara  
June 30, 2008

Waghodia  
June 30, 2008

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2008**

(Amount in Rs.)

	Schedule	For the year ended 31 <sup>st</sup> March, 2008	For the Year ended 31 <sup>st</sup> March, 2007
<b>INCOME</b>			
Gross Sales		2,608,504,484	2,922,670,565
Less : Excise Duty		<u>437,236,402</u>	<u>478,926,233</u>
Net Sales		2,171,268,082	2,443,744,332
Other Income	9	13,411,794	11,569,758
Increase/(Decrease) in Stocks of Finished Goods and Work in Process	10	<u>1,729,368</u>	<u>(456,259)</u>
		<b>2,186,409,244</b>	<b>2,454,857,831</b>
<b>EXPENDITURE</b>			
Raw Materials and Components consumed		1,465,534,076	1,614,755,102
Remuneration and Benefits to Employees	11	102,273,614	94,439,010
Manufacturing and Other Expenses	12	408,241,977	420,349,020
Interest	13	6,593,320	9,593,185
Depreciation		50,218,648	42,804,995
		<b>2,032,861,634</b>	<b>2,181,941,312</b>
<b>Profit before Taxation</b>		<b>153,547,610</b>	<b>272,916,519</b>
<b>Provision for Taxation</b>			
Current		51,210,000	88,338,000
Deferred		<u>(2,857,124)</u>	<u>(1,408,935)</u>
Fringe Benefit Tax		1,350,000	767,000
Wealth Tax		169,600	91,300
		<b>103,675,134</b>	<b>185,129,154</b>
<b>Profit after Taxation</b>		<u>2,114,037</u>	<u>(2,722,948)</u>
Prior Period Adjustments (Net)		101,561,097	187,852,102
Net Profit available for appropriation			
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		5,078,055	18,785,210
Proposed Dividend on Equity Shares		15,000,000	50,000,000
Provision for Dividend Distribution Tax		2,549,250	8,497,500
		<b>78,933,792</b>	<b>110,569,392</b>
<b>Profit after Appropriations</b>			
Balance brought forward from Previous Year		<u>303,556,430</u>	<u>192,987,038</u>
<b>Balance carried over to Balance Sheet</b>		<b>382,490,222</b>	<b>303,556,430</b>
<b>Basic and Diluted Earning Per Share face value Rs.10/- each</b>		<b>10.16</b>	<b>18.79</b>
<b>Notes on Accounts</b>	14		

As per our report of even date

For and on behalf of the Board

For Vakil Jain & Hindocha

Chartered Accountants

S.K. Sharma  
GM - Finance

Vikram Shah  
Naresh Chawla  
Mahendra Sanghvi  
Sudhir Munjal  
Anju Munjal

Director  
Director  
Director  
Managing Director  
Whole-time Director

Surendra Modiani

Partner

Membership No. 47966

Sambit Dash  
Company Secretary

Vadodara

June 30, 2008

Waghodia

June 30, 2008



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2008

(Amount in Rs.)

	Year ended 31 <sup>st</sup> March, 2008	Year ended 31 <sup>st</sup> March, 2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extra ordinary items	153,547,610	272,916,519
Adjustments for :		
Depreciation	50,218,648	42,804,995
Profit on sale of fixed assets	(82,320)	(116,199)
Loss on sold/discharged assets	100,083	79,411
Lease Rent Paid	578	578
Loss on Foreign Exchange Rate Fluctuations	-	513,243
Interest Income	(339,804)	(321,027)
Interest Expenses	6,593,320	9,593,185
Profit on Sale of Investments	-	(8,966)
Loss on Sale of Investments	10,596	-
Dividend Income	(11,500,983)	(8,370,405)
	<u>45,000,118</u>	<u>44,174,815</u>
<b>Operating Profit before working capital changes</b>	<b>198,547,728</b>	<b>317,091,334</b>
<u>Increase / decrease in Working Capital :</u>		
Inventories	(7,200,501)	14,944,317
Debtors	106,788,549	(114,049,140)
Other Current Assets	33,759,486	(7,520,438)
Sundry Creditors	49,040,252	209,642
Other Liabilities	(11,469,241)	19,626,967
	<u>170,918,545</u>	<u>(86,788,652)</u>
<b>Cash Generated from Operations</b>	<b>369,466,273</b>	<b>230,302,682</b>
Prior Period Adjustments (Net)	(2,114,036)	2,722,948
Income Tax paid	(42,144,531)	(96,064,540)
<b>Net Cash from Operating Activities .....</b> A	<b>325,207,705</b>	<b>136,961,090</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchases of Fixed Assets & Capital Advances	(74,888,815)	(79,647,374)
Lease Rent paid	(578)	(578)
Proceeds from Sale of Fixed Assets	665,545	3,356,452
Sale of Investments	1,356,982,151	2,050,315,934
Purchase of Investments	(1,516,851,789)	(2,040,054,405)
Dividend Income	11,500,983	8,370,405
Interest Income	339,804	321,027
<b>Net Cash used in Investing Activities .....</b> B	<b>(222,252,699)</b>	<b>(57,338,539)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2008 (Continued)**

(Amount in Rs.)

	<b>Year ended 31<sup>st</sup> March, 2008</b>	<b>Year ended 31<sup>st</sup> March, 2007</b>
<b>C. Cash Flow from Financing Activities</b>		
Dividend paid	(50,000,000)	(50,000,000)
Dividend Distribution Tax paid	(8,497,500)	(7,012,500)
Interest paid	(6,593,320)	(9,593,185)
Repayment of Long Term Borrowings	(48,788,478)	(48,788,477)
Working Capital Finance from Banks	11,935,011	35,641,407
<b>Net Cash from Financing Activities .....</b> C	<b>(101,944,287)</b>	<b>(79,752,755)</b>
<b>Net increase/(decrease) in Cash &amp; Cash equivalents</b>	1,010,720	(130,204)
<b>Cash and Cash Equivalents at the beginning of the year</b>	4,717,712	4,847,916
<b>Cash and Cash Equivanlents transferred on demerger</b>	-	-
<b>Cash and Cash Equivalents at the end of the year</b>	5,728,432	4,717,712

**Notes on Accounts**

14

As per our report of even date

For and on behalf of the Board

For Vakil Jain & Hindocha  
Chartered Accountants

S.K. Sharma  
GM - Finance

Vikram Shah  
Naresh Chawla  
Mahendra Sanghvi  
Sudhir Munjal  
Anju Munjal

Director  
Director  
Director  
Managing Director  
Whole-time Director

Surendra Modiani  
Partner  
Membership No. 47966

Sambit Dash  
Company Secretary

Vadodara  
June 30, 2008

Waghodia  
June 30, 2008



## SCHEDULES TO BALANCE SHEET

(Amount in Rs.)

### SCHEDULE - 1 SHARE CAPITAL

Authorised :

12,500,000 (12,500,000) Equity Shares of Rs.10/- each

As at 31<sup>st</sup>  
March, 2008As at 31<sup>st</sup>  
March, 2007

Issued, Subscribed and Paid Up :

10,000,000 (10,000,000) Equity Shares of Rs.10/- each fully paid up

Add : Amount received on forfeited shares

125,000,000

125,000,000

125,000,000125,000,000

Of the above, 590,113 (Previous Year : 590,113) Equity Shares of Rs.10/- each fully paid up were allotted to term lenders against conversion of deferred interest.

100,000,000

100,000,000

209,150

209,150

100,209,150100,209,150

### SCHEDULE - 2 RESERVES AND SURPLUS

#### General Reserve

Balance as per Last Account

97,193,833

78,408,623

Less : Adjustment as per Accounting Standard -15 (refer Note 15 in Schedule 14)

733,122

Add : Transferred from Profit &amp; Loss Account

5,078,055

18,785,210

101,538,76697,193,833

#### Profit and Loss Account

382,490,222

303,556,430

484,028,988400,750,263

### SCHEDULE - 3 SECURED LOANS

Term Loans from Banks

72,239,542

121,028,020

Working Capital Loans from Banks

53,560,905

41,625,894

125,800,447162,653,914

#### Details of Securities :

1. Term Loans availed from banks are secured by an exclusive charge on the machinery financed by the said loans.
2. Working Capital facilities availed from the banks are secured by a first charge on inventories, receivables and all other current assets of the Company.

**SCHEDULES TO BALANCE SHEET (Continued)**

(Amount in Rs.)

**SCHEDULE - 4 DEFERRED TAX LIABILITY (Net)**

**A. Deferred Tax Liabilities**

	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
Accumulated Depreciation	36,087,693	37,679,616

**B. Deferred Tax Assets**

Tax effect on Provision for :

Gratuity	410,464	614,135
Leave Benefits to Employees	2,741,151	1,849,486
Bonus	1,119,097	664,333
	<hr/> 4,270,712	<hr/> 3,127,954

Net Deferred Tax Liabilities (A-B)

	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
	<hr/> 31,816,981	<hr/> 34,551,662

**SCHEDULE - 5 FIXED ASSETS**

(Amount in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at April 1, 2007	Additions	Deduction/ Adjustment	As at March 31, 2008	Upto March 31, 2007	For the year	Deduction/ Adjustment	Total upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
<b>FIXED ASSETS</b>										
LAND										
- LEASEHOLD	7,365,133	-	-	7,365,133	-	-	-	-	7,365,133	7,365,133
- FREEHOLD	-	18,868,100	-	18,868,100	-	-	-	-	18,868,100	-
BUILDINGS	65,321,252	394,768	-	65,716,020	23,280,904	1,809,819	-	25,090,723	40,625,297	42,040,348
PLANT & MACHINERY	539,653,561	21,530,015	-	561,183,576	229,518,271	43,247,548	-	272,765,819	288,417,757	310,135,289
COMPUTERS	6,983,868	710,012	535,298	7,158,582	6,084,332	476,652	535,298	6,025,686	1,132,896	899,536
SOFTWARES	4,258,289	-	-	4,258,289	3,419,204	317,768	-	3,736,972	521,317	839,085
OFFICE EQUIPMENTS	5,370,270	921,494	65,805	6,225,959	1,916,006	362,898	51,875	2,227,029	3,998,930	3,454,265
FURNITURE & FIXTURES	4,148,566	5,213,496	21,337	9,340,725	1,778,932	1,467,631	21,337	3,225,226	6,115,499	2,369,634
VEHICLES	21,510,212	9,611,689	1,562,165	29,559,736	5,280,061	2,536,332	892,787	6,923,606	22,636,130	16,230,151
<b>TOTAL</b>	<b>654,611,151</b>	<b>57,249,574</b>	<b>2,184,605</b>	<b>709,676,120</b>	<b>271,277,710</b>	<b>50,218,648</b>	<b>1,501,297</b>	<b>319,995,061</b>	<b>389,681,059</b>	<b>383,333,441</b>
PREVIOUS YEAR	589,383,168	69,902,534	4,674,552	654,611,151	229,827,604	42,804,995	1,354,889	271,277,710	383,333,441	359,555,564
Capital Work In Progress									71,635,795	53,996,554

**SCHEDULE - 6 INVESTMENTS (NON-TRADE)**

(Amount in Rs.)

Name of Mutual Fund Scheme	Face Value / Unit Rs.	No. of Units (Previous Year)	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>CURRENT INVESTMENTS</b>				
<b>In Fixed Maturity Funds</b>				
Reliance Fixed Tenure Fund Plan A - Growth	10/-	1,000,000 (1,000,000)	10,000,000	10,000,000
Reliance Fixed Tenure Fund Plan B - Growth	10/-	- (500,000)	-	5,000,000
ING Fixed Maturity Fund	10/-	5,000,000	50,000,000	-
<b>In Liquid / Floating Rate Funds</b>				
Principal India Floating Rate (Div Reinv)	10/-	- (493,269)	-	4,933,035
ING Vysya Liquid Fund	10/-	- (5,302,267)	-	53,086,823
ING Liquid Plus Fund	10/-	5,425,735	54,275,254	-
TFLD Tata Floater Fund	10/-	5,075,686	50,937,558	-
TTMHD Tata Treasury Manager	1000/-	8,860	8,870,724	-
Tata Liquidity Management Fund	1000/-	-	-	64,346
Reliance Liquid Plus Inst. Pland	1000/-	12,181 (64)	12,194,311	-
Reliance Floating Rate Fund	10/-	4,634,239	46,665,399	-
			<b>232,943,246</b>	<b>73,084,204</b>



## SCHEDULES TO BALANCE SHEET (Continued)

Following Investments were purchased and sold during the year.

Mutual Funds	Purchases		Sales	
	No. of Units	Amount	No. of Units	Amount
TFRSB Tata	1,766,156	17,943,262	1,783,601	18,102,863
Reliance Liquid fund Treasury plan	3,031,612	46,341,833	3,054,647	46,693,951
Reliance Liquid Fund Cash Plan Daily Dividend	7,187,542	80,080,000	7,193,989	80,151,833
		<b>144,365,095</b>		<b>144,948,647</b>

### SCHEDULE - 7 CURRENT ASSETS, LOANS & ADVANCES

	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>A. Inventories</b>		
Raw Materials	69,255,918	61,634,195
Components	18,603,421	20,042,917
Work in Process	9,780,096	7,153,803
Finished Goods	1,110,666	2,007,591
Consumable Stores, Spares, Dies and Tools	5,268,709	5,778,203
Scrap	392,440	579,249
Packing Materials	541,396	556,187
<b>TOTAL (A)</b>	<b>104,952,646</b>	<b>97,752,145</b>
<b>B. Sundry Debtors</b>		
(Unsecured, considered good)		
For a period exceeding six months	-	-
Other Debts	206,175,461	312,964,009
<b>TOTAL (B)</b>	<b>206,175,461</b>	<b>312,964,009</b>
<b>C. Cash and Bank Balances</b>		
Cash on hand	48,047	172,393
Balances with Scheduled Banks :		
in Current Accounts	5,632,385	3,691,106
in Margin Money Accounts	48,000	854,214
<b>TOTAL (C)</b>	<b>5,728,432</b>	<b>4,717,712</b>
<b>D. Loans and Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Loans and Advances to Employees	639,696	573,446
Advances recoverable in cash or in kind or for value to be received	16,682,703	33,863,922
Balance with Central Excise	24,281,818	40,070,643
Deposits	11,939,604	5,401,547
Prepaid Taxes (Net of Provisions)	218,000	7,813,981
Prepaid Expenses	5,269,136	4,848,904
<b>TOTAL (D)</b>	<b>59,030,957</b>	<b>92,572,443</b>
<b>TOTAL (A+B+C+D)</b>	<b>375,887,496</b>	<b>508,006,309</b>

### SCHEDULE - 8 CURRENT LIABILITIES AND PROVISIONS

<b>a. Current Liabilities</b>		
Sundry Creditors		
- Micro and Small Enterprises	95,155,212	76,077,982
- Others	172,546,397	142,754,823
Unclaimed Dividend	3,881,607	3,297,257
Other Liabilities	20,547,288	31,454,081
Interest accrued but not due	424,370	686,815
	<b>292,554,874</b>	<b>254,270,958</b>
<b>b. Provisions</b>		
Proposed Dividend on Equity Shares	15,000,000	50,000,000
For Dividend Tax	2,549,250	8,497,500
For Income Tax (Net of prepaid taxes)	8,746,120	-
For Wealth Tax	169,600	91,300
For Gratuity	1,207,603	1,954,495
For Leave Benefits to Employees	8,064,583	5,441,266
	<b>35,737,156</b>	<b>65,984,561</b>
	<b>328,292,030</b>	<b>320,255,519</b>

**SCHEDULES TO PROFIT & LOSS ACCOUNT**

(Amount in Rs.)

	For the year ended 31 <sup>st</sup> March, 2008	For the year ended 31 <sup>st</sup> March, 2007
<b>SCHEDULE - 9 OTHER INCOME</b>		
Miscellaneous Receipts	715,724	54,822
Interest ( TDS Rs.88,231/- Previous Year Rs.70,540/-)	339,804	321,027
Dividend on Mutual Funds investments	11,500,983	8,370,405
Cash Discount received	96,640	965,744
Profit on sale of Capital Assets	82,320	116,199
Profit on Sale of Investments	-	8,966
Sundry Balances written back (Net)	171,020	-
Insurance Claims received	472,722	585,309
Interest on Income Tax Refund	32,581	1,147,284
	<b><u>13,411,794</u></b>	<b><u>11,569,758</u></b>
<b>SCHEDULE - 10 INCREASE/(DECREASE) IN STOCKS OF FINISHED GOODS AND WORK IN PROCESS</b>		
<u>Opening Stocks</u>		
Finished Goods	2,007,591	3,062,672
Work in Process	7,153,803	6,554,981
	<hr/>	<hr/>
	9,161,394	9,617,653
<u>Closing Stocks</u>		
Finished Goods	1,110,666	2,007,591
Work in Process	9,780,096	7,153,803
	<hr/>	<hr/>
	10,890,762	9,161,394
	<hr/>	<hr/>
	1,729,368	(456,259)
<b>SCHEDULE - 11 REMUNERATION AND BENEFITS TO EMPLOYEES</b>		
Salaries and Wages (Including Managerial Remuneration)	90,837,165	84,736,810
Contribution to Provident Fund and other Funds	5,578,575	4,367,794
Staff and Labour Welfare Expenses	5,857,874	5,334,407
	<hr/>	<hr/>
	<b><u>102,273,614</u></b>	<b><u>94,439,010</u></b>



## SCHEDULES TO PROFIT & LOSS ACCOUNT (Continued)

(Amount in Rs.)

	For the year ended 31 <sup>st</sup> March, 2008	For the year ended 31 <sup>st</sup> March, 2007
<b>SCHEDULE - 12 MANUFACTURING AND OTHER EXPENSES</b>		
Stores and Spares consumed	82,249,442	90,261,341
Power and Fuel	96,484,441	108,889,983
Packing Materials consumed	53,433,050	50,881,733
Rent	8,980,824	578
Repairs and Maintenance :		
- To Building	2,671,349	1,860,141
- To Machinery	2,109,286	2,853,988
- To Others	625,911	760,869
Insurance Premium	4,938,089	5,530,909
Rates and Taxes	1,499,815	2,015,556
Wages to Contractors	28,515,737	25,887,390
Job Work Charges	43,527,043	48,258,927
Travelling and Conveyance	6,792,858	5,551,690
Directors' Sitting Fee	230,000	117,500
Auditors' Remuneration		
- As Audit Fee	200,000	200,000
- As Tax Audit Fee	40,000	40,000
- As VAT Audit Fee	50,000	-
- Limited Review of Unaudited Results	60,000	60,000
Cost Auditors' Remuneration		
- As Audit Fee	30,000	30,000
- Out of Pocket Expenses	39,599	31,830
Professional Charges	2,492,463	1,338,347
Printing and Stationery	1,144,224	1,180,448
Telephone and Telex Charges	681,327	793,817
Freight Outward	37,080,971	47,558,009
Bank Charges and Commission	385,132	509,055
Discount on sales	18,306,604	12,263,667
Miscellaneous Expenses	12,149,021	9,895,249
Loss on Disposal of Fixed Assets	100,083	79,411
Loss on Foreign Exchange Rate Fluctuations	-	513,243
Security Service Charges	3,424,709	2,985,339
	<b>408,241,977</b>	<b>420,349,020</b>
<b>SCHEDULE - 13 INTEREST</b>		
Interest :		
- On Fixed Loans	6,391,827	9,467,462
- On Working Capital Loans	201,493	125,723
	<b>6,593,320</b>	<b>9,593,185</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008****SCHEDULE – 14 SIGNIFICANT ACCOUNTING POLICIES, NOTES ON ACCOUNTS AND INFORMATION PURSUANT TO PROVISIONS OF SCHEDULE VI OF THE COMPANIES ACT, 1956****I. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant requirements of the Companies Act, 1956. Significant accounting policies followed by the company are as stated below:

**1) System of Accounting**

- a) The company has adopted accrual basis of accounting.

**2) Fixed Assets**

- a) All fixed assets are stated at cost less accumulated depreciation. Cost is inclusive of freight, duties (net of Cenvat credit) and other incidental expenses in accordance with the applicable Accounting Standards.
- b) Cost of leasehold land has not been amortized over lease period due to the long tenure of the lease and smallness of amount.
- c) Depreciation has been provided on straight-line method in the manner and at the rates as prescribed in Schedule XIV of the Companies Act, 1956 except that in case of expenditure on software, including license fees and implementation costs, it is provided at the rate of 25% considering estimated useful life thereof.

**3) Investments**

Current Investments are stated at cost or fair value determined on individual investment basis, whichever is lower. Long-term investments are stated at cost less provision for permanent diminution, if any.

**4) Inventory**

- a) Raw Materials, stores and spares, packing materials, components, work in process and finished goods are valued at cost or net realisable value whichever is lower. Cost of purchases is ascertained on first in first out (FIFO) method.
- b) Cost of Work in Process and Finished Goods includes cost of materials plus appropriate share of labour, overheads and excise duty.
- c) Scrap is valued at estimated net realisable value.

**5) Sales**

- a) Domestic Sales are accounted inclusive of excise duty but net of sales tax.
- b) Sales are accounted on the date of removal of goods from the factory.

**6) Employees Benefits**

Provision is made short term and long term benefits to employees in accordance with Accounting Standard –15 (further details are given in note no 15)

**7) Taxation**

The provision for current tax is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

The provision for fringe benefit tax is made on the basis of the fringe benefit provided / deemed to have been provided during the year at the rates and values applicable to the relevant assessment year.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**8) Foreign Currency Transactions**

Transactions in Foreign Currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year end are restated at year end rates.

Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit & Loss Account.

**9) Impairment of Assets**

The Carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

**10) Operating Leases**

Lease charges paid for operating leases are charged to profit and loss account on a straight-line basis over the lease term.



## NOTES ON ACCOUNTS (Continued)

### **II. Notes on Accounts**

1. GIIC Limited charged interest amounting to Rs.17 lac payable since 1997 for their claim that there was delay in repayment of LEEP loan availed and repaid by the company in earlier years. The Company disputed this. Negotiation in the matter is continuing. Meanwhile, after adding interest @ 24% p.a. on the aforesaid disputed amount of interest; GIIC Limited has claimed Rs 194 lacs upto 31.12.05 (Previous Year: Rs. 194.00 Lac). No provision is made for the interest as above as the Company expects such interest to be deleted.
2. As the Company's business activity falls within a single primary business segment viz. Motorcycles Parts and single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", issued by the Institute of Chartered Accountants of India are not applicable.
3. The Company as well as various industrial units in Waghodia disputed their liability to pay octroi duty and hence the company deposited the amount of Rs. 15.45 lac under protest which is held in a separate bank account in the name of Sarpanch, the Waghodia Gram Panchayat and the Company as the second party under a Court directive. By virtue of a subsequent notification of the State Government of Gujarat, the company, like other industrial units in the notified area of Waghodia, is not required to pay the octroi duty from 19<sup>th</sup> July, 1997. The company believes it has no liability for octroi duty even for the earlier period. Association for Industrial Units in Waghodia has filed a suit for recovery of amounts paid under protest, which is still pending for final decision. Therefore, the said amount of Rs.15.45 lac (Previous Year Rs.15.45 lac) is included in Balance Sheet under the head "Loans & Advances" and no provision is made for liability of octroi in this respect. In the absence of clarity regarding rights of respective parties, interest credited by the bank amounting to Rs.9.61 Lac (Previous Year: Rs.8.76 Lac) on the aforesaid amount till 31<sup>st</sup> March 2008 is not accounted for.
4. Company has paid excise duty of Rs.23.61 lacs (previous year Rs.23.61 lacs) which is claimed by the company to be refundable and shown under loans and advances. The company has filed appeal and the matter is pending with the Custom, Excise & Service tax Appellate Tribunal.
5. Expenditure on insurance includes Rs 18.78 lacs being premiums paid under Key man Insurance scheme to cover risks on life of Key Management personnel (Total premium paid Rs 112.68 lacs until 31.03.2008). Benefits to the Company under the said scheme depend on various factors including resignation/survival of the said personnel or premature surrender of the policy. Such benefits will be accounted in the year in which they become due.
6. Figures of the previous year have been regrouped and/or recast, wherever considered necessary to conform to the groupings of the current year.
7. There was no liability for interest under the Micro, Small and Medium Enterprises Development Act, 2006 during the year under consideration.

The information in respect of dues to suppliers who are Micro or small enterprises is given to the extent they could be identified on the basis of information available with the company.

8. The Amount of lease payments in respect of operating leases recognized in the profit and loss account was Rs.89,22,190/- and future minimum lease payments not later than one year are Rs.78,46,628/- for cancelable leases.

### **9 Details of Prior Period Adjustments**

**(Amount in Rs.)**

	<b>As at 31<sup>st</sup> March, 2008</b>	<b>As at 31<sup>st</sup> March, 2007</b>
Income Tax	2,999,219	(2,765,195)
Gratuity (Net of Deferred Tax)	(970,911)	-
Others	85,729	42,247
Prior Period Adjustments (Net)	<b>2,114,037</b>	<b>(2,722,948)</b>

**(Amount in Rs. Lac)**  
**2007-08**                   **2006-07**

<b>10 Details of Contingent Liabilities</b>	<b>2007-08</b>	<b>2006-07</b>
I Unexpired letters of credit (Net of margin money)	-	241.12
II Unexpired Bank Guarantee (Net of margin money)	9.02	-
III Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	101.68	36.31
IV Estimated amount on account of pending cases under the Labour Laws	17.17	17.17
V Income Tax	41.41	74.60
VI Sales Tax	31.89	31.89

**NOTES ON ACCOUNTS (Continued)**

(Amount in Rs.)

	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>11 Managerial Remuneration</b>		
<b>Remuneration</b>		
Salaries	4,500,000	3,240,000
Commission	6,969,419	15,000,000
Contribution to PF and Other Funds	990,000	712,812
Other Allowances	4,500,000	3,240,000
Value of Perquisites	128,955	133,068
	<b>17,088,374</b>	<b>22,325,880</b>
Sitting Fee and allowances	230,000	117,500
	<b>17,318,374</b>	<b>22,443,380</b>

In determination of remuneration, certain perquisites have been valued in accordance with the provisions of Income Tax Rules, 1962 applicable when these were taxable. Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall company basis at the end of the each year and accordingly, have not been considered in the above.

**12 Computation of net profit in accordance with the provisions of section 349 of the Companies Act, 1956**

(Amount in Rs.)

	2007-08		2006-07	
	Amount	Amount	Amount	Amount
<b>Profit as per Profit &amp; Loss Account</b>		<b>103,675,134</b>		<b>187,852,102</b>
<u>Add:</u>				
Managerial Remuneration	17,088,374		22,325,880	
Directors' Sitting Fee	230,000		117,500	
Provision for Taxation				
- Current	51,210,000		88,338,000	
- Deferred	(2,857,124)		(1,408,935)	
- Fringe Benefit Tax	1,350,000		767,000	
- Wealth Tax	169,600		91,300	
Loss on Sale of Fixed Assets	100,083	67,290,933		- 110,230,745
<u>Less:</u>				
Profit on Sale of Fixed Assets	82,320	82,320		-
		<b>170,883,747</b>		<b>298,082,847</b>
<b>Net Profit pursuant to section 349 for the purpose of Directors' Remuneration</b>		<b>170,883,747</b>		<b>298,082,847</b>
<i>Directors' Commission : (Restricted in terms of the Agreements with reference to salaries, allowances and limits prescribed under the Companies Act, 1956)</i>	Amount Rs.	Restricted to Rs.	Amount Rs.	Restricted to Rs.
5% of Net Profit to Mr. Sudhir Munjal, Managing Director (Previous Year : 5%)	8,544,187	3,087,232	14,904,142	7,500,000
5% of Net Profit to Mrs. Anju Munjal, Whole-time Director (Previous Year : 5%)	8,544,187	3,882,187	14,904,142	7,500,000
	<b>17,088,374</b>	<b>6,969,419</b>	<b>29,808,284</b>	<b>15,000,000</b>



## NOTES ON ACCOUNTS (Continued)

(Amount in Rs.)

### 13 Computation of Earning Per Share

Net Profit after Taxation as per Profit & Loss Account  
 Basic/Weighted average number of Equity Shares outstanding during the year  
 Nominal Value of Equity Shares Rs.

**Basic Earnings per Share Rs.**

**Diluted Earnings per Share Rs.**

	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
Net Profit after Taxation as per Profit & Loss Account	101,561,097	187,852,102
Basic/Weighted average number of Equity Shares outstanding during the year	10,000,000	10,000,000
Nominal Value of Equity Shares Rs.	10.00	10.00
<b>Basic Earnings per Share Rs.</b>	<b>10.16</b>	<b>18.79</b>
<b>Diluted Earnings per Share Rs.</b>	<b>10.16</b>	<b>18.79</b>

### 14 Related Party Disclosure

#### a) Key Management Personnel

Mr. Satyanand Munjal	Chairman
Mr. Sudhir Munjal	Managing Director
Mrs. Anju Munjal	Whole-time Director

#### b) Enterprises which are able to exercise significant influence over the Company

Hero Cycles Limited

#### c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

Hero Honda Motors Limited	Bhagyoday Investments Pvt. Ltd.
Rockman Cycle Industries Limited	Munjal Investments Pvt. Ltd.
Highway Cycles Industries Limited	Puja Investments Pvt. Ltd.
Chopra Industries Private Limited	Anadi Investments Pvt. Ltd.
Majestic Auto Limited	Dayanand Munjal Investments Pvt. Ltd.
Hero Corporate Services Limited	Hero Investments Pvt. Ltd.
Satyam Auto Components Limited	Bahadur Chand Investments Pvt. Ltd.
Amarsons	Thakurdevi Investments Pvt. Ltd.
Shivam Autotech Limited	Munjal Acme Packaging Systems Ltd.

(Amount in Rs. Lac)

#### d) Transactions with the related parties during the year:

##### Nature of Transactions

#### a) Key Managerial Personnel

Remuneration	101.19	73.26
Commission	69.69	150.00
Sitting Fee	0.02	0.02
Balance Outstanding at the end of the year		
- Payables (Other than Commission)	7.50	5.40

#### b) Enterprises which are able to exercise significant influence over the Company

Purchase of Goods	3,114.84	4,675.05
Dividend Paid	248.87	248.87
Rent, Miscellaneous Purchase and Other Services	-	-
Balance Outstanding at the end of the year		
- Receivables	-	-
- Payables	559.07	18.37

#### c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

Sale of Goods (net of discount and returns)	22,288.15	21,247.61
Purchase of Goods	4,178.86	3,450.38
Dividend paid	125.11	125.11
Rent, Miscellaneous Purchase and Other Services	-	8.42
Balance Outstanding at the end of the year		
- Receivables	1,189.46	1,899.62
- Payables	567.55	430.67

### 15 Disclosure pursuant to Accounting Standard - 15 (Revised) 'Employee Benefits'

- i. The Company has adopted accounting standard 15 (revised 2005) "Employee Benefits" issued by ICAI with effect from 1st April, 2007. Pursuant to the adoption of this Standard an amount of Rs.7,33,122/- (net of defered tax) has been adjusted against opening general reserve in accordance with transitional provision.

**NOTES ON ACCOUNTS (Continued)**

**ii Defined Contribution Plans**

Contributions to defined contribution plan recognised as expenses for the year are as under.

	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
Employer's contribution to Provident Fund	4,475,241	3,725,634
Employer's contribution to Superannuation Fund	1,097,747	636,604

**iii Defined Benefit Plans**

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of the obligation is determined based on actuarial valuation using Projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up final obligation. The obligation for leave encashment is recognized in the same manner as gratuity. The related details are as under:

	(Amount in Rs.)	
	Gratuity (Funded) Rs.	Leave Encashment (Unfunded) Rs.
<b>I Change in benefit obligation</b>		
Opening benefit obligation	11,437,133	5,396,526
Service cost for the year	1,334,343	892,338
Interest cost for the year	943,563	445,213
Actuarial losses / (gains) on curtailments	849,125	(473,991)
Benefits paid	<u>(123,304)</u>	<u>(214,614)</u>
Closing defined benefit obligation on 31.03.2008	<u>14,440,860</u>	<u>6,045,473</u>
<b>II Fair Value of Plan Assets</b>		
Opening fair value of plan assets	11,054,284	-
Expected Return on Plan Assets	1,076,246	-
Contribution by employer	1,284,926	-
Benefits paid	123,304	-
Actuarial (loss) / gain on plan assets	<u>(58,895)</u>	<u>-</u>
Closing balance of fair value of plan assets	<u>13,233,257</u>	<u>-</u>
<b>III Actual Return on Plan Assets</b>		
Actual Return on Plan Assets	1,017,351	-
Expected Return on Plan Assets	1,076,246	-
Actuarial gain / (loss) on Plan Assets	<u>(58,895)</u>	<u>-</u>
<b>IV Amount Recognised in the Balance Sheet</b>		
Present value of defined benefit obligation	14,440,860	6,045,473
Plan Assets at the end of the period at fair value	<u>13,233,257</u>	<u>-</u>
Liability recognised in the balance sheet	<u>1,207,603</u>	<u>6,045,473</u>
<b>V Amount Recognised in Statement of Profit and Loss</b>		
Current Service Cost	1,334,343	892,338
Interest on Obligation	943,563	445,213
Expected Return on Plan Assets	<u>(1,076,246)</u>	<u>-</u>
Net Actuarial Loss / (Gain) recognised in the year	<u>908,020</u>	<u>(473,991)</u>
Total included in 'employee benefit expense'	<u>2,109,680</u>	<u>863,561</u>
<b>VI Investment Details (% invested)</b>		
Policy of insurance	100%	-
<b>VII Actuarial Assumptions</b>		
Discount Rate Current	8.25%	8.25%
Rate of Return on Plan Assets Current	9.25%	-
Annual increase in salary costs	6.00%	6.00%

**Note: This being the first year of implementation, previous year figures have not been given.**



## NOTES ON ACCOUNTS (Continued)

**III. Additional Information pursuant to the provisions of 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956:**

**1 Particulars in respect of licensed and installed capacities :**

Class of Goods	Units	Licensed Capacity		Installed Capacity		(Amount in Rs. Lac)	
		2007-08		2006-07		2007-08	
		Nos.	NOT APPLICABLE	Nos.	NOT APPLICABLE	Nos.	600,000
Mufflers	Nos.					<b>3,600,000</b>	<b>3,600,000</b>
Motorcycle Rims	Nos.					<b>3,750,000</b>	<b>3,750,000</b>
Scooter Wheels	Nos.					<b>600,000</b>	<b>600,000</b>

- (i) The installed capacity is as certified by the management and relied upon by the auditors being a technical matter. The installed capacity is calculated on triple shifts basis.
- (ii) Actual production of various items depends on exact specifications of the products. The quantities are indicative of production with specifications, which are considered representative of estimated average product mix.

**2 Particulars in respect of opening and closing stock of finished goods produced:**

Class of Goods	Units	Opening Stock				Closing Stock				(Amount in Rs. Lac)	
		2007-08		2006-07		2007-08		2006-07			
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value		
Mufflers	Nos.	<b>1,244</b>	<b>11.16</b>	<b>4,018</b>	<b>20.39</b>	<b>1,488</b>	<b>8.55</b>	<b>1,244</b>	<b>11.16</b>		
Motorcycle Rims	Nos.	<b>3,306</b>	<b>7.55</b>	<b>5,726</b>	<b>8.87</b>	<b>1,039</b>	<b>2.11</b>	<b>3,306</b>	<b>7.55</b>		
Scooter Wheels	Nos.	<b>430</b>	<b>0.84</b>	<b>115</b>	<b>0.21</b>	<b>210</b>	<b>0.45</b>	<b>430</b>	<b>0.84</b>		
Others Components	Nos.	<b>1,008</b>	<b>0.53</b>	<b>54</b>	<b>1.15</b>	<b>4</b>	<b>0.00</b>	<b>1,008</b>	<b>0.53</b>		
		<b>20.08</b>		<b>30.62</b>		<b>11.11</b>		<b>20.08</b>			

**3 Details of production and sales :**

Class of Goods	Units	Production		Sales		(Amount in Rs. Lac)	
		2007-08	2006-07	2007-08	2006-07	Qty.	Value
		Qty.	Qty.	Qty.	Value	Qty.	Value
Mufflers	Nos.	<b>2,655,892</b>	<b>2,742,339</b>	<b>2,655,648</b>	<b>21,242.42</b>	<b>2,745,113</b>	<b>20,057.74</b>
Motorcycle Rims	Nos.	<b>1,437,022</b>	<b>3,319,219</b>	<b>1,439,289</b>	<b>3,929.78</b>	<b>3,321,639</b>	<b>8,436.03</b>
Scooter Wheels	Nos.	<b>212,660</b>	<b>184,464</b>	<b>212,880</b>	<b>454.33</b>	<b>184,149</b>	<b>371.43</b>
Other Components	Nos.	<b>334,730</b>	<b>257,283</b>	<b>335,734</b>	<b>458.52</b>	<b>256,329</b>	<b>361.50</b>
		<b>26,085.04</b>		<b>26,085.04</b>		<b>29,226.70</b>	

**4 Raw materials and components consumption :**

Class of Goods	Units	2007-08		2006-07		(Amount in Rs. Lac)	
		Qty.	Value	Qty.	Value	Qty.	Value
CR and SS Strips	M.T.	<b>8,954.431</b>	<b>3,899.47</b>	<b>13,108.252</b>	<b>5,331.15</b>		
Nickel	M.T.	<b>191.639</b>	<b>3,239.53</b>	<b>254.527</b>	<b>3,968.17</b>		
Catalytic Converter	Nos.	-	-			<b>15,862</b>	<b>109.51</b>
Paints & Chemicals				<b>1,541.09</b>			<b>1,429.60</b>
Components and BOPs				<b>5,815.44</b>			<b>5,284.25</b>
Others (Net of Scrap Sales)				<b>159.82</b>			<b>24.87</b>
		<b>14,655.34</b>		<b>14,655.34</b>		<b>16,147.55</b>	

## NOTES ON ACCOUNTS (Continued)

### 5 Value of Imported and Indigenous Raw Materials and stores consumed and percentage thereof :

	2007-08		2006-07		(Amount in Rs. Lac)
	Value	%	Value	%	
<b>Raw Materials and Components :</b>					
Imported	800.59	5.46%	2,092.35	12.96%	
Indigenous	13,854.75	94.54%	14,055.20	87.04%	
	<b>14,655.34</b>	<b>100.00%</b>	<b>16,147.55</b>	<b>100.00%</b>	
<b>Stores &amp; Spares :</b>					
Imported	-	-	-	-	
Indigenous	822.49	100.00%	902.61	100.00%	
	<b>822.49</b>	<b>100.00%</b>	<b>902.61</b>	<b>100.00%</b>	

### 6 Expenditure in foreign currency (on cash basis):

	2007-08	2006-07
Foreign Travels	7.71	3.72
Books & Periodicals	0.54	0.24
	<b>8.25</b>	<b>3.96</b>
<b>7 CIF Value of Imports :</b>		
Raw Materials, BOP & Spares	729.47	1,874.49
Capital Goods	10.32	0.23
	<b>739.79</b>	<b>1,874.72</b>

As per our report of even date

For Vakil Jain & Hindocha  
Chartered Accountants

Surendra Modiani  
Partner  
Membership No. 47966

Vadodara  
June 30, 2008

S.K. Sharma  
GM - Finance

Sambit Dash  
Company Secretary

For and on behalf of the Board

Vikram Shah  
Naresh Chawla  
Mahendra Sanghvi  
Sudhir Munjal  
Anju Munjal

Waghodia  
June 30, 2008

Director  
Director  
Director  
Managing Director  
Whole-time Director



**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF  
SCHEDULE VI OF THE COMPANIES ACT, 1956**

## **Balance Sheet Abstracts and Company's General Business Profile**

## I. Registration Details

Registration No. 7 9 5 8 State Code 0 4

Balance Sheet Date 3 1 0 3 2 0 0 8

## II. Capital raised during the year (Amount in Rs. '000)

Bonus Issue      

N	I	L
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      Private Placement      

N	I	L
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### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	<b>1 0 7 0 1 4 8</b>	Total Assets	<b>1 0 7 0 1 4 8</b>
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Paid up capital	1 0 0 2 0 9	Net Fixed Assets	4 6 1 3 1 7
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Reserve & Surplus      

4	8	4	0	2	9
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      Investments      

2	3	2	9	4	3
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Secured Loans	1 2 5 8 0 0	Net Current Assets	6 5 1 4 5
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Deferred Tax Liability      **3 1 8 1 7**

#### IV. Performance of Company (Amount in Rs. '000)

Turnover	<table border="1"><tr><td>2</td><td>6</td><td>2</td><td>1</td><td>9</td><td>1</td><td>6</td></tr></table>	2	6	2	1	9	1	6	Total Expenditure	<table border="1"><tr><td>2</td><td>4</td><td>6</td><td>8</td><td>3</td><td>6</td><td>8</td></tr></table>	2	4	6	8	3	6	8
2	6	2	1	9	1	6											
2	4	6	8	3	6	8											

Profit Before Tax      

1	5	3	5	4	8
---	---	---	---	---	---

      Profit After Tax      

1	0	3	6	7	5
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Earning Per Share in Rs. 10.16 Dividend in % 15

V. Generic Name of Three Principal Products of Company (as per monetary terms)

Item Code No. : 8 7 1 4 1 9 0 0

## Product description : MOTORCYCLE PARTS

## **CORPORATE GOVERNANCE REPORT**

### **A. Company's philosophy on code of corporate governance**

The Company's Philosophy on Code of Corporate Governance is to ensure that the members on the Board exercise their fiduciary responsibilities towards all stakeholders by ensuring high accountability and transparency in the decision making process. It also ensures that the core values of the Company is adhered to and protected.

Corporate Governance envisages attainment of the levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders including shareholders, employees, customers, lenders and the Government agencies. It aims to increase and sustain its corporate value through growth and innovations. It believes that enhancement of interests of all its stakeholders can be sustained over a long period of time by attuning all operations and actions in a socially responsible way.

### **B. Board of Directors**

#### **1. Board composition**

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and to separate the Board functions of governance and management. The Board consists of Nine members, two of whom are executive or full-time directors, and seven are non-executive out of which three are independent directors. Six Directors namely Mr. Satyanand Munjal, (Chairman), Mr. Brijmohan Lall Munjal, (Non-Executive Director), Mr. Om Prakash Munjal, (Non – Executive Director), Mr. Vijay Munjal, (Non – Executive Director), Mr. Sudhir Munjal, (Managing Director) and Mrs. Anju Munjal (Whole-time Director)) belong to the promoter family of the Hero Group, which owns 74.80 per cent equity in the Company. The Board believes that the current size is appropriate based on the company's present circumstances. The Board periodically evaluates the need for increasing or decreasing its size.

<b>Names</b>	<b>Position</b>	<b>No. of Outside Directorship / Chairmanship held in Public Ltd. Companies as on 31.03.2008</b>	<b>Committee Membership in other Public Ltd. Companies (including Chairmanship)</b>	<b>Chairmanship in committees of other Public Ltd. Companies</b>
Mr. Satyanand Munjal	Chairman –Non Executive	4	-	-
Mr. Brijmohan Lall Munjal	Director - Non Executive	9	-	-
Mr. Om Prakash Munjal	Director - Non Executive	10	-	-
Mr. Vijay Munjal	Director - Non Executive	6	1	-
Mr. Vikram Shah	Director – Non Executive & Independent	-	-	-
Mr. Naresh Chawla	Director – Non Executive & Independent	-	-	-
Mr. Mahendra Sanghvi	Director – Non Executive & Independent	4	-	-
Mr. Sudhir Munjal	Managing Director – Executive	1	2	-
Mrs. Anju Munjal	Whole Time Director – Executive	-	-	-

#### **2. Number of Board meetings and the attendance of directors during FY 2007-08**

There were Five Board meetings held during the year ended March 31, 2008. These were on May 19, 2007, June 25, 2007, July 30, 2007, October 31, 2007 & January 28, 2008. Attendance record of the directors in the board meetings were as under:

<b>Name of directors</b>	<b>No. of Board meetings held</b>	<b>No. of Board meetings attended</b>	<b>Attendance at last AGM</b>
Mr. Satyanand Munjal	5	0	No
Mr. Brijmohan Lall Munjal	5	0	No
Mr. Om Prakash Munjal	5	0	No
Mr. Vijay Munjal	5	0	No
Mr. Vikram Shah	5	5	Yes
Mr. Naresh Chawla	5	4	Yes



Name of directors	No. of Board meetings held	No. of Board meetings attended	Attendance at last AGM
Mr. Mahendra Sanghvi	5	3	Yes
Mr. Sudhir Munjal	5	5	Yes
Mrs. Anju Munjal	5	5	Yes

### 3. Availability of information to the members of the Board

The Board has unfettered and completes access to any information within the company, and to any of our employee. At meetings of the Board, it welcomes the presence of managers who can provide additional insights into the items being discussed.

The information regularly supplied to the Board includes:

- Annual operating plans and budgets, capital budgets and updates;
- Quarterly results;
- Minutes of meetings of audit, remuneration, investor grievance and share transfer committees, as well as abstracts of circular resolutions passed;
- Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Finance head and the Company Secretary;
- General notices of interest
- Dividend data
- Materially important litigations, show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems;
- Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement
- Any materially relevant default in financial obligations to and by us;
- Any issue that involves possible public or product liability claims of a substantial nature;
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property;
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc., if any.
- Insurance claims data;
- Details of any joint venture or collaboration agreement, and
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer

### 4. Materially significant related party transactions

There have been no materially significant related party transactions; pecuniary transactions or relationships between the Company and its directors, management or relatives except for those disclosed in the financial statements for the year ended March 31, 2008.

### C. Board committees:

Currently, the Board has four committees; the audit committee, the investor grievance committee, the remuneration committee and the share transfer committee. All the committees are having majority of independent directors.

Normally, all the committees meet four times a year except the remuneration committee and the share transfer committee, which meet as and when the need arises. The quorum for meetings is either two members or one-third of the members of the committee, whichever is higher.

## 1. Audit committee

Our audit committee comprises four directors out of which three are independent directors. They are:

Name of Director	Position held in the Committee
Mr. Vikram Shah	Chairman
Mr. Naresh Chawla	Member
Mr. Mahendra Sanghvi	Member
Mr. Vijay Munjal	Member

All the directors are non-executive with the majority of independent directors. Mr. Vikram Shah, the Chairman of the committee is a chartered accountant.

### 1.1 Audit committee attendance during FY 2008

Four audit committee meetings were held during the year. These were held on June 25, 2007, July 30, 2007, October 31, 2007 & January 28, 2008.

Name of audit committee members	No. of meetings held	No. of meetings attended
Mr. Vikram Shah	4	4
Mr. Naresh Chawla	4	3
Mr. Vijay Munjal	4	0
Mr. Mahendra Sanghvi	4	2

The committee has reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the committee found no material discrepancy or weakness in the internal control systems of the Company.

The committee also reviewed the financial and risk management policies of the Company and expressed its satisfaction with the same.

### 1.2 Functions of audit committee

The functions of the audit committee include:

- Reviewing the quarterly, half-yearly and annual financial results before submission to the Board etc.;
- Recommending appointment of the Statutory Auditors and overseeing their work (including resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Reviewing the adequacy of internal control systems and the Internal Audit Reports and their compliances thereof;
- Reviewing statement of significant related party transactions as submitted by Management;
- Reviewing the disclosure of Company's financial information to ensure that the financial statements are correct, sufficient and credible;
- Reviewing the Company's financial and risk management policies;
- Review of Foreign Exchange Exposure.

## 2. Investors' grievance committee

The investor grievance committee is headed by an independent director, and consists of the following directors:

Name of Director	Position held in the Committee
Mr. Naresh Chawla	Chairman
Mr. Vikram Shah	Member
Mr. Mahendra Sanghvi	Member
Mr. Vijay Munjal	Member



### Name & designation of compliance officer

Mr. Sambit Dash : Company Secretary

#### 2.1 Investor grievance committee attendance during FY 2008

The committee has the mandate to review and redress shareholder grievances. Four investor grievance committee meetings were held during the year on June 25, 2007, July 30, 2007, October 31, 2007 & January 28, 2008.

Name of investor grievance committee members	No. of meetings held	No. of meetings attended
Mr. Naresh Chawla	4	3
Mr. Vikram Shah	4	4
Mr. Vijay Munjal	4	0
Mr. Mahendra Sanghvi	4	2

The committee expresses satisfaction with the company's performance in dealing with investor grievances and its share transfer system.

Details of complaints received so far / number not solved to the satisfaction of shareholders' / number of pending share transfer transactions for the FY 2008 is as follows:

Nature of Complaint / Query	Total Recd.	Total Replied / Resolved	Pending Queries Days		Remarks
			10 - 15	Above 15	
1. Inquiry pertaining to non receipt of shares sent for transfer	6	6	-	-	-
2. Non receipt of dividend	78	78	-	-	-
3. Dematerialization of shares	262	262	-	-	-
4. Letters received from SEBI / stock exchanges / other statutory bodies	-	-	-	-	-
5. Loss of Shares / Issue of duplicate certificates	10	10	-	-	-
6. Request for nominations	2	2	-	-	-
7. Transmission of shares	4	4	-	-	-
8. Split / consolidation of certificates	-	-	-	-	-

#### 3. Remuneration committee

Our remuneration committee consists entirely of non-executive directors with the majority of them as independent directors:

Name of Director	Position held in the Committee
Mr. Mahendra Sanghvi	Chairman
Mr. Satyanand Munjal	Member
Mr. Naresh Chawla	Member
Mr. Vikram Shah	Member

#### 3.1 Remuneration committee attendance during the FY 2008

One remuneration committee meeting was held during the year ended March 31, 2008. This was held on June 25, 2007.

Name of remuneration committee members	No. of meetings held	No. of meetings attended
Mr. Mahendra Sanghvi	1	1
Mr. Satyanand Munjal	1	-
Mr. Vikram Shah	1	1
Mr. Naresh Chawla	1	1

### 3.2 Remuneration policy:

Remuneration committee is to discharge the Board's responsibilities relating to compensation of the Company's executive directors. The committee has overall responsibility for approving and evaluating the executive director's compensation plans.

Remuneration committee reviews the compensation structure for the executive directors and recommend to the Board revision in remuneration of executive directors from time to time based on certain performance parameters, growth in business as well as profitability and in line with the practices prevailing in the industry.

The annual compensation of the executive directors is approved by the remuneration committee, within the parameters approved by the Board of the Company and confirmed by the shareholders of the Company. The compensation payable to executive directors and the method of calculation are disclosed separately in the financial statements.

The remuneration of the executive directors comprises of salary, commission, perquisites and allowances, contribution to provident fund & superannuation fund and gratuity. The executive directors are also entitled to leave and leave encashment as per the rules of the Company. The non-executive directors are paid sitting fee for Board / Committee meetings and reimbursement of traveling and out of pocket expenses for attending such meetings.

### Details of remuneration paid/payable to directors for FY 2008 is as under:

(Amounts in Rs.)

Name of Directors	Fixed Salary	Variable Salary	Perquisites/allowances	Retiral benefits**	Commision	Sitting Fee & allowance	Total Compensation	Notice Period (in days)
Sudhir Munjal	24,00,000	-	25,28,955	5,28,000	30,87,232	-	85,44,187	180
Ms. Anju Munjal	21,00,000	-	21,00,000	4,62,000	38,82,187	-	85,44,187	180
Brijmohan Lall Munjal	-	-	-	-	-	-	-	-
Satyanand Munjal	-	-	-	-	-	-	-	-
Om Prakash Munjal	-	-	-	-	-	-	-	-
Vijay Munjal	-	-	-	-	-	-	-	-
Vikram Shah	-	-	-	-	-	1,16,000	1,16,000	-
Naresh Chawla	-	-	-	-	-	72,000	72,000	-
Mahendra Sanghvi	-	-	-	-	-	42,000	42,000	-

\*\* Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall company basis at the end of each year and accordingly, have not been considered in the above.

Service contracts are entered into with the executive directors in terms of the resolutions governing their appointment and the terms of remuneration. The agreements are valid for the period of 5 years. In case of any circumstances mentioned in the service contract that entitle the Company to terminate the services of the executive directors, the executive directors shall be entitled to be paid compensation or loss of office, subject to the provisions of Section 318 and other applicable provisions of the Companies Act, 1956.

The Company does not have any stock option scheme. None of the directors hold any shares in the Company except Mr. Naresh Chawla who holds 50 shares.

Save as disclosed, none of the directors had a material beneficial interest in any contract of significance to which the Company was a party, during the financial year.



#### **4. Share transfer committee**

The 'Share Transfer Committee' oversees the functioning of the secretarial department to render effective and satisfactory services to the investors. The meetings of share transfer committee are held every fortnight. During the year, the Committee met 23 times to consider and approve the requests pertaining to the share transfers, transmission, dematerialization, rematerialisation, issue of duplicate share certificates, etc.

##### **Committee members**

Name of Director	Position held in the Committee
Mr. Vikram Shah	Chairman
Mr. Satyanand Munjal	Member
Mr. Sudhir Munjal	Member

#### **D. General body meetings**

Details of the last three annual general meetings are given as under:

Financial Year ended	Date	Time	Venue	Special resolution passed
Mar 31, 2005	Sept 28, 2005	3.00 p.m.	187, GIDC Industrial Estate, Waghodia 391 760, Dist. Vadodara (Gujarat)	No special resolution was passed
Mar 31, 2006	Sept 23, 2006	3.00 p.m.	— do —	Special resolution was passed for revision in salary of Managing Director and Whole time director
Mar 31, 2007	Sept 22, 2007	3.00 p.m.	— do —	Special resolution was passed for revision in salary of Managing Director and Whole time director

For all the above three years, there were no ordinary or special resolutions that required to be passed by our shareholders through a postal ballot. During the year, the Company has not held any extraordinary general meeting,:.

#### **E. Material disclosures and compliance**

##### **1. Disclosures**

The details of material transactions entered into with related parties have been disclosed in point no. 14 in notes on accounts in schedule 14 forming part of accounts for the year ended 31<sup>st</sup> March, 2008. None of the transactions of the Company of material value with directors or their relatives had any potential conflict with the interests of the Company.

##### **2. Details of non-compliance by the Company**

Company has complied with all the requirements of regulatory authorities. No penalties / strictures were imposed on the Company by the stock exchanges or SEBI or any statutory authority on any matter related to the capital market during the last three years.

##### **3. CEO/CFO certification**

As required under Clause 49 V of the listing agreement with the stock exchanges, the Managing Director and the General Manager (Finance) have certified to the Board the financial statements for the year ended March 31, 2008. They have further declared that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

#### **F. Means of communication**

Quarterly, half-yearly and annual results are published in prominent daily newspapers such as the Economic Times, Indian Express, Financial Express (Gujarati) etc. The Company also informs Stock Exchanges in a prompt manner, all price sensitive information or such other matters, which in its opinion are material & relevant for the shareholders, and subsequently issues a press release on the said matters. Further, Company has also been complying with the listing requirement for filing of its financial results under the EDIFAR system of SEBI. These are available on the SEBI website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)

The Company's website [www.munjalaauto.com](http://www.munjalaauto.com) contains information on the Company and its performance. Presentations to analysts, as and when made, are immediately put on the website for the benefit of the shareholders and the public at large.

## G. Compliance

### 1. Mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49.

### 2. Adoption of non-mandatory requirements

Although it is not mandatory, a remuneration committee of the Board is in place. Details of the remuneration committee have been provided under the Section 'Remuneration Committee'.

The Company's financial statements are free from any qualifications by the Auditors.

## ADDITIONAL SHAREHOLDER INFORMATION

### Annual general meeting

Date	September 26, 2008
Day	Friday
Time	3.00 p.m.
Venue	Registered Office of the Company: 187, GIDC Industrial Estate, Waghodia - 391 760 Dist. Vadodara (Gujarat)

### Disclosures regarding appointment or re-appointment of directors

According to the Articles of Association, one-third of the directors retire by rotation and, if eligible, offer themselves for re-election at the annual general meeting of shareholders. Accordingly, Mr. Vijay Munjal, Mr. Naresh Chawla and Mr. Mahendra Sanghvi will retire in the ensuing annual general meeting. The Board has recommended the re-appointment of all the retiring directors.

The detailed resumes of all these directors are provided in the Notice to the Annual General Meeting.

### Financial calendar

Financial reporting for the quarter ending	
Jun 30, 2008	On or before Jul 31, 2008
Sep 30, 2008	On or before Oct 31, 2008
Dec 31, 2008	On or before Jan 31, 2009
Mar 31, 2009	On or before Jun 30, 2009

**Dates of book closure:** September 23, 2008 to September 26, 2008 (both days inclusive)

**Final dividend payment:** On or after September 26, 2008, but within the statutory time limit of 30 days, subject to shareholders' approval.

**Listing on stock exchanges:** Equity shares of the Company are presently listed on following stock exchanges:

Name of Stock Exchange	Address
Bombay Stock Exchange Limited (BSE)	25 <sup>th</sup> floor, Sir P J Towers, Dalal Street, Mumbai - 400 023
National Stock Exchange of India Limited (NSE)	'Exchange Plaza', Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

The Company has paid the listing fees for the financial year 2008-09 to the above stock exchanges.

Stock code	
Bombay Stock Exchange Limited (BSE)	520059
National Stock Exchange of India Limited (NSE)	MUNJALAU
International Securities Identification Number (ISIN) for NSDL & CDSL	INE 672B01024

**Registered office:** 187, GIDC Industrial Estate, Waghodia 391 760. Dist: Vadodara, Gujarat. India  
 Tel: +91 2668 262421-26, Fax: +91 2668 262427  
 Email: mail@munjalauto.com Website: www.munjalaauto.com

### Plant locations

187, GIDC Industrial Estate,  
 Waghodia – 391 760  
 Dist. Vadodara, Gujarat. India  
 Tel: +91 2668 262421-26  
 Fax: +91 2668 262427



### Stock market data

Monthly high and low stock quotations during the financial year 2007-08 on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE):

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
APR 07	124.00	113.75	27977	122.35	112.05	34055
MAY 07	122.40	114.30	33595	120.85	114.60	30724
JUN 07	122.25	113.00	50450	122.65	112.55	35469
JUL 07	116.95	109.25	56212	117.20	109.40	41783
AUG 07	103.95	95.00	75147	105.35	94.95	42959
SEP 07	112.45	96.90	227257	112.55	97.00	207295
OCT 07	101.95	91.05	46290	102.25	91.85	55719
NOV 07	103.10	79.15	143116	103.65	80.50	118166
DEC 07	117.00	97.70	281341	116.60	96.80	230930
JAN 08	118.05	70.10	183369	117.65	70.00	159498
FEB 08	78.95	70.25	87651	79.75	70.00	57220
MAR 08	72.30	58.00	87368	72.00	56.70	70392

## Distribution of shareholding as on March 31, 2008

No. of equity shares held	No. of shareholders	%	No. of shares	%
Up to 500	7898	93.59	973903	9.74
501 – 1000	295	3.50	234151	2.34
1001 – 2000	150	1.78	221660	2.22
2001 – 3000	42	0.50	102438	1.02
3001 – 4000	5	0.06	17953	0.18
4001 – 5000	6	0.07	27715	0.28
5001 – 10000	22	0.26	166411	1.66
10001 & above	21	0.25	8255769	82.56
<b>Total</b>	<b>8439</b>	<b>100.00</b>	<b>10000000</b>	<b>100.00</b>

## Categories of shareholders as on March 31, 2008

Category	Holders (No.)	No. of shares held	Voting strength (%)
PROMOTER HOLDING			
Indian promoters	11	7,479,595	74.80
<b>Total of promoter holding</b>	<b>11</b>	<b>7,479,595</b>	<b>74.80</b>
NON PROMOTER HOLDING			
Institutional investors			
• Mutual funds	4	583150	5.83
• Banks, financial institutions, insurance companies	6	4991	0.05
• Foreign institutional investors	0	0	0.0
Others			
• Private Corporate bodies	314	296285	2.96
• Indian public	8021	1588885	15.89
• NRIs / OCBs	83	47094	0.47
• Co-Op Banks, Co-Op Societies, Trust	0	0	0.00
• Shares in transit	0	0	0.00
Total of non promoter holding	8428	2520405	25.20
<b>Grand total</b>	<b>8439</b>	<b>10000000</b>	<b>100.00</b>

### Investors' correspondence

For queries relating to:

Shares and dividend  
 Mr. Sambit Dash  
 Company Secretary  
 Munjal Auto Industries Limited,  
 187, GIDC Industrial Estate,  
 Waghodia 391 760. Dist. Vadodara,  
 (Gujarat)  
 Tel: +91 2668 262421-26  
 Fax: +91 2668 262427  
 E-mail: cs@munjalauto.com

Financial statements  
 Mr. S. K. Sharma  
 General Manager (Finance)  
 Munjal Auto Industries Limited,  
 187, GIDC Industrial Estate,  
 Waghodia 391 760. Dist. Vadodara  
 (Gujarat)  
 Tel: +91 2668 262421-26  
 Fax: +91 2668 262427  
 E-mail: sksharma@munjalauto.com



### **Registrar and Transfer Agent**

M/s. MCS Limited

Contact Person: Mr. S. M. Gandhi

1<sup>st</sup> floor, Neelam Apartment, 88, Sampatrao Colony,

B/h Standard Chartered Bank, Alkapuri, Vadodara – 390 007 (Gujarat)

Tel.: +91 265 2339397 / 2314757, Fax: +91 265 2341639

E-mail:[mcsbaroda@yahoo.com](mailto:mcsbaroda@yahoo.com)

### **Share transfer system**

The share transfer committee meets every fortnight to consider the requests for shares sent for physical transfer / transmission etc. The transfer / transmission of shares is generally effected within 15 days of receipt of the requests, if documents are clear in all respect. Shares under objection are returned within a week's time.

The total number of shares transferred in physical form during the year 2007-08 was 13285.

### **Dematerialisation of equity shares**

Equity shares of the Company, which are under compulsory dematerialisation list, are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2008, a total of 8444034 equity shares of the Company, forming 84.44% of the total paid up equity share capital, stands dematerialised. All requests for dematerialisation of shares are processed within the stipulated time.

### **Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity**

Not applicable

## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

### **TO THE MEMBERS OF MUNJAL AUTO INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Munjal Auto Industries Limited for the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Vakil Jain & Hindocha  
Chartered Accountants

Surendra Modiani  
Partner  
Membership No. 47966

Vadodara  
June 30, 2008