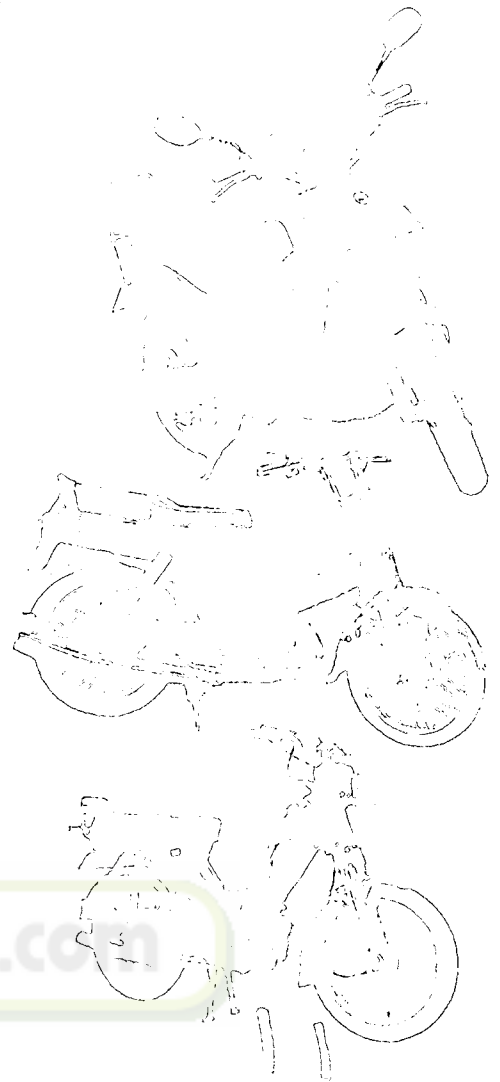
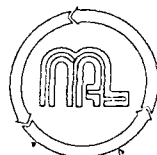


MD	✓		BKC	✓
CS	✓		D.Y	MA
...	✓		DIV	MA
...	NA		AC	✓
AGM	✓	✓	STI	✓
YE	✓	✓		



ANNUAL REPORT 1997-98



Majestic Auto Limited



MAJESTIC AUTO LIMITED**BOARD OF DIRECTORS**

Shri O. P. Munjal
Chairman

Shri S. D. Khosla

Shri R.K. Mathur
IDBI Nominee

Shri D. K. Jain
IFCI Nominee

Shri G. P. Sood

Shri Vijay Munjal

Shri Suman Kant Munjal

Dr. D. R. Singh

Shri Mahesh Munjal
Executive Director

Shri Pankaj Munjal
Executive Director

LEGAL ADVISOR

Shri S. K. Mehta

COMPANY SECRETARY

Sh. R. K. Agrawal

AUDITORS

M/s. B.D. Bansal & Co.
Chartered Accountants,
Amritsar.

BANKERS

Canara Bank
Punjab National Bank
Citi Bank

REGISTERED OFFICE

C-48, Focal Point, Ludhiana - 141 010.

WORKS**UNIT - I**

C-48, Focal Point, Ludhiana - 141 010.

UNIT - II

Village Achheja
Tehsil Dadri, Distt. Ghaziabad (U.P.)

HEAD OFFICE

601, International Trade Tower,
Nehru Palace, New Delhi.

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MAJESTIC AUTO LIMITED**NOTICE**

Notice is hereby given that 25th Annual General Meeting of the members of Majestic Auto Limited will be held on Tuesday, the 29th Sept. 1998 at 12.30 P.M. at the premises of Hero Cycles Limited, Hero Nagar, G.T. Road, Ludhiana to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Sh. Vijay Munjal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Sh. S.D. Khosla who retires by rotation being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. **TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S) THE FOLLOWING RESOLUTION AS ORDINARY RESOLUTIONS :-**

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to such approvals as may be necessary under the provisions of the Act, consent of the Company be and is hereby accorded to the re-appointment of Sh. Mahesh Munjal as an Executive Director of the Company for a period of 5 years w.e.f. 29.10.98 on the terms and conditions including remuneration as set out in draft agreement to be entered with him, as placed before the meeting, extract of which is set out in Explanatory Statement attached to the Notice convening this meeting, which agreement is hereby sanctioned and approved with liberty to the Board of Directors of the Company to alter or vary the terms and conditions of the said reappointment and / or agreement including remuneration payable to the Executive Director in such manner as may be agreed to between the Board of Directors and Sh. Mahesh Munjal provided that alteration/ variation shall be within the limits specified in Schedule XIII to the Act, including any modification, amendment or re-enactment thereof."

"RESOLVED FURTHER that in the event of loss or inadequacy of profit in any financial year of the Company during the term of the Executive Director, the remuneration by way of salary and perquisites as specified in said draft agreement is payable to the Executive Director."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to agree to any amendment to the said agreement and are empowered to make such improvements in the terms of remuneration of Sh. Mahesh Munjal, from time to time, as may at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Act including any amendment thereto or any re-enactment thereof, the intention being that no further approvals of the members of the Company will be required, so long as the remuneration of the Executive Director to be fixed by the Board of Directors, from time to time, during his term, is not in excess of maximum permissible limits under the relevant laws, rules, regulations, guidelines or notifications as may be promulgated or issued after the date of this meeting. "

MAJESTIC AUTO LIMITED**6 TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S) THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:-**

"RESOLVED that, subject to the approval of the Central Government. pursuant to Section 294 and 294AA and other applicable provisions, if any, of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded to the appointment of M/s. Munjal Sales Corporation as the sole selling agent of the Company for a period of 5 years w.e.f 15.6.99 on such terms and conditions as approved by the Board of Directors of the Company in their meeting held on 30.7.98 and subject to such other change/modification as may be prescribed by the Central Government."

7. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S) THE FOLLOWING RESOLUTIONS AS A SPECIAL RESOLUTION :-

"RESOLVED that pursuant to the provisions of section 31 and all other applicable provisions, if any, of the Companies Act, 1956, after Article 3 of Articles of Association of the Company, Article 3A be inserted in the following manner :-

Buy Back of Shares - Article 3A :

Notwithstanding anything contained in these Articles, in the event, it is permitted by law for a Company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approval, as may be permitted by law. "

8. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS :-

" RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and /or from the open market and/or from the lots smaller than market lots of Shares (odd lots) and/or through any other source as may be permissible under the law then in force, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the securities"), of the Company from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time provided that the aggregate of the securities so bought back shall not exceed 10% of the respective securities of the Company and to keep them alive, cancel and/or re-sell from time to time such number(s) of the shares or securities so purchased, at such rate(s) and on such terms as the Board may deem fit and proper."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to raise funds to the extent of such amount of funds as may be required to acquire the securities upto such limit as stated above in one or more tranches through issue/private placement of Debenture/ Bonds or any other form of securities for the purpose of Buy-Back of Company's securities on such terms and conditions as may be decided by the Board and permissible under the law."

MAJESTIC AUTO LIMITED

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deed and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

9. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS :-

" RESOLVED THAT pursuant to the provisions of section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statute modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby given subject to all other consents and permissions that are required under the law and guidelines issued by the Securities and Exchange Board of India, if any and subject to such condition(s) and modification(s) as may be imposed or considered to issue and allot to the Promoters, their associates and associated Companies (hereinafter referred to as Promoter Group), FIs/Mutual Funds/Banks equity shares of the Company not exceeding Rs. 2.00 Crores in value, as may be determined by the Board of Directors of the Company (hereinafter referred to as " The Board" which term shall be deemed to include any Committee of Directors, which the Board may have constituted or hereinafter constituted to exercise its power including the power conferred by this resolution) as per terms and conditions and guidelines dated 04-08-94 issued by Securities and Exchange Board of India."

" RESOLVED FURTHER that upon allocation, equity shares shall be issued in such lots as may be found convenient and in such form and manner within such period and upon such conditions of the offer of shares and the procedure by which the eligible applicants for the said shares may pay or take delivery of the equity shares of Rs. 10 each at such price as may be determined as stated above. "

" RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to strictly adhere to the guidelines issued by the Securities and Exchange Board of India and to make listing application to Stock Exchanges at Ludhiana, Delhi, Mumbai and Ahmedabad for listing of Shares to Promoter Group/FIs/Mutual Funds/Banks and to comply with all legal and procedural formalities in this regard and to settle any question, query or doubt in the best interest of the Company. "

By Order of the Board of Directors
For Majestic Auto Limited

Place : Ludhiana
Date : 10.8.98

(R.K.Agrawal)
Company Secretary

Regd.office : Majestic Auto Limited, C- 48, Focal Point, Ludhiana.

MAJESTIC AUTO LIMITED**NOTES**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 24.9.98 to 29.9.98 (both days inclusive).
3. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during office hours upto the date of the Annual General Meeting.
4. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting.
5. Members / Proxies should bring the Attendance slip sent herewith duly filled in for attending the Annual General Meeting.
6. The Company has to transfer unclaimed dividend declared for the financial year ended 31st March, 1995 by 9.11.98 to the General Revenue Account of the Central Govt. as required by Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Members, who have not encashed their dividend warrants for the year 1994-95 or any subsequent year, are requested to make their claims to the Company immediately.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.5**

The Board of Directors of the Company at its meeting held on 30.7.98, has reappointed Sh. Mahesh Munjal as an Executive Director of the Company subject to the approval of shareholders for a period of 5 year w.e.f. 29.10.98 to 28.10.2003 at the remuneration, in accordance with the norms laid down in Schedule XIII and all other applicable Provisions of the Companies Act, 1956, as reproduced hereinbelow :-

1. Salary :

Salary @ Rs.50,000/- per month in the scale of Rs.50,000 - 5,000- 75,000/- per month.

2. Bonus :

As per Company Rules.

3. Commission :

Commission shall be decided by the Board of Directors based on the net profits of the Company each year and the same shall not exceed 1% of net profits of the Company subject to the condition that the aggregate remuneration to the Executive Directors, shall not exceed the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956.

In addition to salary, the following perquisites shall also be allowed to the Executive Director :-

MAJESTIC AUTO LIMITED**4. Perquisites :****i) Residential Accommodation :**

- a) Housing I : The appointee shall be provided free residential accommodation subject to the condition that the expenditure to the Company shall be limited to 60% of the salary over and above 10% payable by the Executive Director.
- b) Housing II : In case accommodation is owned by the Company, the 10% of the salary of the appointee shall be considered as perquisite value.
- c) Housing III : In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing-I.

In addition to the above, the appointee shall be entitled to free use of facilities and amenities such as gas, electricity, water, furnishings, fitting etc, which shall be valued as per Income Tax Rules, 1962. This shall however be subject to the ceiling of 10% of the salary.

- ii) **Medical Reimbursement :** Reimbursement of actual Medical Expenses incurred by the appointee and his family subject to the one month salary in a year or three months salary over a period of three years.
- iii) **Leave Travel Concession :** For self and the family, once in a year, incurred in accordance with the Rules specified by the Company.
- iv) **Club Fees :** Fees of Club subject to maximum of two clubs. This will not include admission and life membership fees.
- v) **Personal Accident Insurance :** Personal Accident Insurance of an amount, the annual premium of which not to exceed Rs.4000/-.
- vi) **Car :** Facility of Car with driver to be used for the business of the Company (Not to be considered as perquisite).
- vii) **Telephone :** Free telephone facility at residence to be used for business of the Company (not to be considered as perquisite).
- viii) **Reimbursement of Expenses :** Reimbursement of entertainment, traveling, hotel and other expenses actually and properly incurred for the business of the Company (not to be considered as perquisite).
- ix) Superannuation/Annuity Fund, Company's contribution to Provident Fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- x) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- xi) Encashment of leave at the end of the tenure.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as an Executive Director, the payment of salary, perquisites and other allowances shall be restricted to Rs.10,50,000/- per annum or Rs.87,500/- per month in terms of section II of Part II of Schedule XIII to the Companies Act, 1956 as minimum remuneration.

MAJESTIC AUTO LIMITED

For the purpose of computation of minimum remuneration, the following shall not be included :-

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent of these either singly or put together are not taxable under the Income Tax Act, 1961.
- ii. Gratuity at the rate not exceeding half a month's salary for each completed year of service, and
- iii. Encashment of leave at the end of his tenure.

Sitting Fees

The Executive Directors shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The Board of Directors of your Company recommends passing of the resolutions as contained under item no. 5 above.

None of the directors except Sh. Mahesh Munjal himself is interested in the resolutions mentioned at item no. 5.

This Explanatory Statement may also be considered as an abstract of the terms of appointment of the said Executive Director under section 302 of the Companies Act, 1956.

ITEM NO-6

The tenure of M/s. Munjal Sales Corporation, Sole Selling Agent of the Company is expiring on 14.6.99. The Board of Directors, in its meeting held on 30.7.98, has proposed to reappoint M/s. Munjal Sales Corporation as the sole selling Agent of the Company for its Unit-I situated at C-48, Focal Point, Ludhiana subject to the approval of the shareholders and Central Government for a period of 5 years commencing from 15.6.99 to 14.6.2004. The sole selling agent will get commission @0.75% on the value of mopeds and @2% on the sale of spare parts of the Company. Your directors recommend passing of the Special Resolution as contained under item no. 6 above.

S/Shri O.P. Munjal, Vijay Munjal, Suman Kant Munjal, Mahesh Munjal and Pankaj Munjal are interested in this resolution.

ITEM NO.7

Article 3 of the Articles of Association of the Company prohibits the Company from buying its own shares. It is proposed to introduce a new Article 3A in the Articles of Association as set out in the Resolution at item no. 7 to enable the Company to purchase any of its own shares or securities, as proposed in the Resolutions at item no. 8, in the event, it is permissible by law.

The Board of Directors of your Company recommends passing of the Special Resolution as contained under item no. 7 above.

None of the Directors of the Company is concerned or interested in the proposed resolution except to the extent of their existing holding in the share capital.

A copy of the Memorandum and Articles of Association of the Company together with proposed alteration is available for inspection of the members at the Registered Office of the Company during the office hours upto the date of this Annual General Meeting.

ITEM NO.8

Buy back of own shares or other securities convertibles into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill 1997, sought to lay down the operative

MAJESTIC AUTO LIMITED

provisions to regulate the buy back of shares/securities by Companies. The said bill has not yet become the law. It is expected that, in due course of time, the law will be amended to allow such buy back.

The Board is of the opinion that it will be in the best interest of the Company if shareholders approve the said resolution, permitting such buy back.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolutions contained under item 8 above.

None of the Directors of the Company is, in any way, concerned or interested in this resolution, except to the extent of their existing holding in the share capital.

ITEM NO.9

The Company is setting up a Fine Blanked components Project at Ludhiana, where a Fine Blanking Press of 250 T capacity imported from Switzerland has to be installed in the current year. In order to meet the cost of the project, the Board of Directors, in its meeting held on 10.8.98, has proposed to allot shares not exceeding Rs. 2 Crore in value, to Promoter Group, Associated Companies, FIs/Mutual Funds, Banks and all such other authorities in terms with SEBI guidelines dated 04.08.94 on preferential basis.

The Board of Directors of your Company recommends, passing of the Special Resolutions as contained under item no. 9 above.

The Directors are interested in this item to the extent of their entitlement in the proposed allotment of shares.

Place : Ludhiana

Date : 10.8.98

Regd.office : Majestic Auto Limited, C-48, Focal Point, Ludhiana.

By Order of the Board of Directors
for Majestic Auto Limited

(R.K.Agrawal)
Company Secretary