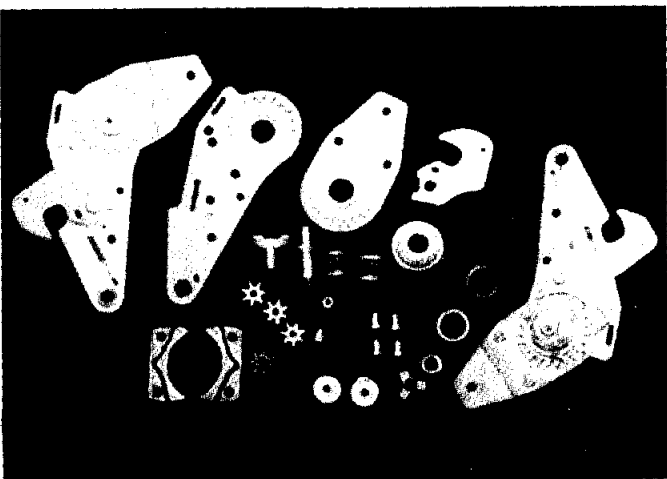


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Majestic Auto Limited ANNUAL REPORT 2000-2001

MAJESTIC AUTO LIMITED**BOARD OF DIRECTORS**

Shri O. P. Munjal
Chairman

Shri S. D. Khosla

Shri Javed Yunus
IFCI Nominee

Shri G. P. Sood

Shri Vijay Munjal

Shri Suman Kant Munjal

Dr. D. R. Singh

Shri Mahesh Munjal
Managing Director

Shri Pankaj Munjal
Managing Director

LEGAL ADVISOR

Shri S. K. Mehta

COMPANY SECRETARY

Shri 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 Place, New Delhi.

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CONTENT	PAGE
NOTICE	1
DIRECTORS' REPORT	3
AUDITORS' REPORT	11
BALANCE SHEET	14
PROFIT & LOSS ACCOUNT	15
SCHEDULES	16
COMPANY'S GENERAL BUSINESS PROFILE	33
CASH FLOW STATEMENT	34

MAJESTIC AUTO LIMITED**NOTICE**

Notice is hereby given that 28th Annual General Meeting of the members of Majestic Auto Limited will be held on Saturday, the 29th Sep., 2001 at 12.00 Noon 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, 2001 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. S.D. Khosla, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Sh. Vijay Munjal, who retires by rotation and 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 A SPECIAL RESOLUTION :**

" Resolved that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, after Article 108 of Articles of Association of the Company, Article 108A be inserted in the following manner :-

Passing of resolution by such means as prescribed by the Act

108A. Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing the resolution by its members by means of a postal ballot (including voting by electronic mode) and/or other ways as prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in general meeting of the Company :-

- (i) Any business that can be transacted by the Company in general meeting ; and
- (ii) Particularly, resolutions relating to such business as the Central Government by notification declared to be conducted only by postal ballot.

The Company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard, from time to time. "

By Order of the Board of Directors
for Majestic Auto Limited

Place : Ludhiana
Date : 27.07.2001

(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 Shares Transfer Books of the Company will remain closed from 26.9.2001 to 29.9.2001 (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. Pursuant to the provisions of Section 205A of the Companies (Amendment) Act, 1999, the amount of dividend which remains unclaimed for a period of 7 years from the date of declaration would be transferred to the Investor Education and Protection Fund, constituted by the Central Government and the shareholders would not be able to claim any amount of dividend so transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company for the financial years 1995-96 and 1996-97.

In respect of the unclaimed dividend for periods prior to the financial year 1995-96, already transferred by the Company to the General Revenue Account of the Central Government, Shareholders may claim the same by writing to the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh, Kothi No. 286, Defence Colony, Jalandhar City - 144 003 by quoting the Company's Registration No. 3264.

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

The provisions for passing resolution by postal ballot have been introduced by inserting Section 192A by the Companies (Amendment) Act, 2000. To implement the same, Articles of Association of the Company have to be amended and the relevant provisions have to be inserted therein. By this resolution, necessary amendment is proposed by way of adding new Article No. 108A.

An amendment in the Articles of Association requires approval of the shareholders by way of a Special Resolution. Hence, the Board of Directors recommends passing of the Special Resolution as contained under Item No. 5 above.

None of the Directors of the Company is concerned or interested in the passing of this Special Resolution.

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 office hours upto the date of this Annual General Meeting.

By Order of the Board of Directors
for Majestic Auto Limited

Place : Ludhiana
Date : 27.07.2001

(R. K. Agrawal)
Company Secretary

MAJESTIC AUTO LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting to you the Twenty Eighth Annual Report and the Audited Accounts for the financial year ended 31st March 2001.

FINANCIAL RESULTS

(Rs.in lacs)

Year ended	Year ended 31-03-2001	Year ended 31-03-2000
Sale	23433	21349
Profit before depreciation and Financial charges	1031	936
Less : Financial Charges	846	691
Depreciation	583	505
Net Profit/(Loss)	(398)	(260)
Less : Provision for tax	1	1
Prior year adjustment	143	35
Prior year tax adjustment	- 6	11
	(536)	(307)
Add : Profit B/F from previous year	-	185
Profit/(Loss) transferred to General Reserve	(224)	(122)
Profit/(Loss) Balance carried to Balance Sheet	(312)	-

OPERATIONS

During the year under reference, your Company has registered turnover of Rs. 23433 lacs as compared to Rs. 21349 lacs in the previous financial year. Your Company has recorded a net loss of Rs. 398 lacs excluding prior year adjustment/loss of Rs. 138 lacs as compared to net loss of Rs. 260 lacs in the previous financial year.

FINANCE

The Company has made the allotment of 2,30,00,000 6% Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 10/- each at par on private placement basis to the Hero Group of Companies during the current year resulting in increase of paid up capital by Rs. 2300 lacs.

The said preference shares consist of two parts A and B of Rs. 5/- each and the Part A of the said shares shall be redeemed at 14% premium at the end of 14th year and the Part B of the said shares shall be redeemed at 15% premium at the end of 15th year from the date of their allotment.

DIVIDEND

In view of the losses, your directors are unable to declare any dividend for the current year.

DIRECTORS

Sh. S. D. Khosla and Sh. Vijay Munjal, Directors of the Company retire by rotation at the ensuing Annual

MAJESTIC AUTO LIMITED

General Meeting and are eligible for re-appointment. The Board recommends for their re-appointment.

During the current year, Sh. D. K. Jain, a nominee director of the Company, was withdrawn and in his place Sh. Javed Yunus was appointed as nominee director by the IFCI Limited. The Board places on record its appreciation for the valuable services rendered by Sh. D. K. Jain during his tenure as a director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors confirm:-

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and wherever required, proper explanations relating to material departures have been given;
- ii) that such accounting policies have been selected and applied them consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on 31.3.2001 and of the profit or loss of the Company for the year ended on that date;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A new Clause 49 on Corporate Governance has been inserted in the Listing Agreements with the Stock Exchanges as per the directions issued by the Securities and Exchange Board of India. The Company is required to implement this Clause within the financial year 2001-2002. The Company is taking steps to implement the provisions of the said Clause in the financial year 2001-2002.

HERO HONDA SILENCER PROJECT

The Company is implementing Hero Honda Silencer Project at Ludhiana. The estimated cost of the project is Rs. 600 lacs. The proposed project consists of setting up facilities for manufacturing Silencers meant for CD 100 and CD 100 SS and P 25 for 4 Strokes Motorcycles of Hero Honda Motors Limited. The total capacity of the Plant is 2.55 lacs Silencers per year. It is expected that production will commence in the month of September, 2001.

LISTING

The Shares of your Company are listed on Ludhiana, Delhi, Mumbai and Ahmedabad Stock Exchanges and the Annual listing fee for the year 2001-2002 has been paid.

DEPOSITORY SYSTEM

In reference with SEBI's letter dt. 15.2.2000, the Company's shares are available for dematerialisation w.e.f. 21.4.2000 on NSDL and w.e.f. 2.5.2000 on CDSL. Interested Members are requested to open their accounts with Depository Participants and forward shares through them. Out of total Shares, 15.14% shares of the Company have been dematerialised.

INSURANCE

All properties and insurable assets of the Company including Building, Plant & Machinery and Stocks, have been adequately insured, wherever necessary and to the extent required.

MAJESTIC AUTO LIMITED

PARTICULARS OF EMPLOYEES

A statement showing particulars of employees as required u/s 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed hereto as Annexure 1 and forms an integral part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY, FOREIGN EXCHANGE EARNING AND OUTGO

The detailed information as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto as Annexure-II and forms an integral part of this Report. Detail of foreign exchange earning and outgo are also provided therein.

ENVIRONMENT COMPLIANCE

For all manufacturing facilities, which require environmental consents such as air, water and hazardous waste, proper authorization from respective Pollution Control Boards have been obtained and are in compliance with the present Environmental Legislation.

AUDITORS

M/s B.D.Bansal & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their appointment, if made, would be in accordance with the section 224 (1B) of the Companies Act, 1956. You are requested to appoint the Auditors and fix their remuneration.

AUDITORS' REPORT

As regards qualification contained in the Auditors' Report for deferring R & D expenditure for new products an addendum to this report is annexed hereto as Annexure III and forms an integral part of this report.

COST AUDITORS

The Directors have appointed M/s Ramanathan Iyer & Co., Cost Accountants, New Delhi as the Cost Auditors for the year 2000-2001. The approval of the Central Government in this regard has also been received. The Cost Auditors' report will be sent to the Central Government as required under law.

PERSONNEL

Your Directors wish to place on record their appreciation of all employees of the Company for their devoted services. Industrial relations remained cordial throughout the year.

ACKNOWLEDGMENT

The Directors acknowledge with gratitude, the co-operation and assistance given by the Central Government, State Governments, Financial Institutions, Banks, Dealers, Customers, Vendors and Investors during the year under review.

For and on Behalf of the Board of Directors

PLACE : Ludhiana

DATE : 27.07.2001

(O.P.Munjial)

Chairman

MAJESTIC AUTO LIMITED**Annexure - I to Directors' Report****STATEMENT OF PARTICULARS UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2001**

SR NO.	NAME OF EMPLOYEES	DESIGNATION	GROSS REMUNERATION (Rs.)	QUALIFICATION	EXPERIENCE (YEARS)	SHARE-HOLDING %/(NOS.)	DATE OF JOINING	AGE	LAST EMPLOYMENT HELD BEFORE JOINING COMPANY
1.	SH. MAHESH MUNJAL	MANAGING DIRECTOR	15,02,555	B.E., M.B.A.	22	NIL	29.10.1993	47	EXECUTIVE DIRECTOR, GUJARAT CYCLES LIMITED
2.	SH. PANKAJ MUNJAL	MANAGING DIRECTOR	13,84,176	B.SC.	18	NIL	01.01.1987	39	EXECUTIVE (WORKS), HERO CYCLES LIMITED
PART OF THE YEAR									
1.	SH. JAGDISH ADLAKHA	SENIOR VICE PRESIDENT (OPERATION)	11,89,170	B.SC.- MECH., M.B.A.	23	NIL	20.06.2000	45	CHIEF MANAGER, NEW HOLLAND TRACTOR P. LTD.
2.	SH. P.CHANDER SHEKHAR	CHIEF EXECUTIVE OFFICER	10,64,793	M.B.A.-FINANCE	17	NIL	30.11.2000	40	FINANCIAL CONTROLLER, COCA COLA INDIA

NOTES :

1. INFORMATION HAS BEEN FURNISHED ON THE BASIS OF EMPLOYEES EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION FOR THAT YEAR WHICH, IN THE AGGREGATE, WAS NOT LESS THAN RS. 12,00,000/- AND THOSE EMPLOYED FOR THE PART OF THE FINANCIAL YEAR, WERE IN RECEIPT OF REMUNERATION FOR ANY PART OF THAT YEAR AT A RATE WHICH, IN THE AGGREGATE, WAS NOT LESS THAN RS. 1,00,000/- PER MONTH.
2. REMUNERATION INCLUDE SALARY, OTHER ALLOWANCES, PAYMENT AND EXPENDITURE INCURRED ON PERQUISITES AND COMPANY'S CONTRIBUTION TO PROVIDENT FUND & SUPERANNUATION FUNDS.
3. ALL APPOINTMENTS ARE NON CONTRACTUAL AND TERMINABLE BY NOTICE ON EITHER SIDE, EXCEPT IN THE CASE OF MANAGING DIRECTORS.
4. SHRI PANKAJ MUNJAL IS RELATED TO SHRI O. P. MUNJAL, A DIRECTOR OF THE COMPANY. NONE OF THE OTHER EMPLOYEES IS A RELATIVE OF ANY DIRECTOR OF THE COMPANY.

MAJESTIC AUTO LIMITED**ANNEXURE - II TO DIRECTORS' REPORT**

Information as per section 217 (I) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2001.

A. CONSERVATION OF ENERGY :

- (a) Energy conservation measures taken;
 - i) Six Additional capacitors of 20 KVAR each installed.
 - ii) Introduced LDO in place of HSD for running of Paint Shop Thermic Fluid heaters which is low in cost.
 - iii) Replaced 170 watts tube light fixtures with 74 watts tube light fixtures in Vehicle Assembly and Paint Shops.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;
 - i) Servo Stabilizer of 125 KVA and 250 KVA capacity installed.
 - ii) Implementation of PCRA suggestions for Energy Savings.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;

Due to implementation of the above steps, considerable energy has been saved.
- (d) Total energy consumption and energy consumption per units of production;

Furnishing of this information in the prescribed format in Form - A is not applicable to the Company.

B. TECHNOLOGY ABSORPTION:

- (e) Efforts made in technology absorption;

The information has been given in the prescribed format in Form - B hereunder.

FORM-B

Form for disclosure of particulars with respect to absorption of technology

RESEARCH & DEVELOPMENT (R & D):**1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY :**

- 1. Prototype of new vehicle model with Helmet Box developed.
- 2. High pick up Engine Prototype developed.
- 3. Folding Jogger development completed.
- 4. 4-stroke vehicles introduced in the market.
- 5. 4-stroke power train with high fuel efficiency & power developed for Puch & Scooter application with collaboration with Briggs & Stratton, USA for following models :-
 - a) 2 Gear automatic clutch

MAJESTIC AUTO LIMITED

- b) 4 foot gear shifting mechanism
- c) CVT-Scooter engine
- 6. New Style of Head Lights, Tail Lights and Blinker introduced in existing Puch Models.
- 7. New Chassis with modern styles for different models developed with collaboration of I.D.E.A., Italy.
- 8. All designing work is being done in "PRO E" for better evaluation of designs.
- 9. New models with more wheel base and extra load carrying capacity launched.
- 10. Work-in-Progress on cost reduction of Rs. 1500/- per vehicle in Puch and Rs. 1350/- per vehicle in Scooter.
- 11. Low Cost Catalytic Converter launched.
- 12. Facility regarding prototype test and Electric/Electronic tests phase-I completed by installing CNC Milling Machine and other instruments.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D :

- 1. Able to tap new segments and customer demand by introducing new models.
- 2. New engine developed/under development will improve the performance of the products with respect to fuel average and derivability etc.
- 3. Folding Jogger development has added a new product for the domestic range of Exercisers.
- 4. We were first to introduce 4-strokes mopeds without use of Catalytic Convertor while meeting emission norms of year 2000.
- 5. High pick up engine will help augmenting of sales to overseas customers.
- 6. Survival in competitive market through continuous upgradation of existing products.
- 7. Value engineering through ALT Fuel Tank Design.

3. FUTURE PLAN OF ACTION :

- 1. R & D is gearing up to bring out one new model after every six months.
- 2. One indigenous model of step through is in final stage and another model based on imported version is in pipe line.
- 3. 50CC high power moped for export will be ready for launching.
- 4. Preparation will be made to take care of revised version of emission norms proposed to be implemented in the Year 2003.
- 5. Strengthening of front suspension in all 4-stroke mopeds.
- 6. 3 new models to be designed
 - a) Mopeds - 2 Nos.
 - b) Scooterette- 1 No.
- 7. Testing facility to be upgraded.
- 8. Cost reduction Rs. 500/- per vehicle for both Puch and Scooter.