



MAJESTIC

AUTO LIMITED

A HERO GROUP COMPANY

ANNUAL REPORT 2006-2007

MAJESTIC AUTO LIMITED**BOARD OF DIRECTORS**

O. P. Munjal	Chairman
G. P. Sood	Non Executive & Independent Director
Dr. D.R. Singh	Non Executive & Independent Director
Vijay Munjal	Non Executive Director
Suman Kant Munjal	Non Executive Director
Maresh Chander Munjal	Managing Director

AUDIT COMMITTEE

G. P. Sood	Chairman
Dr. D. R. Singh	Member
Suman Kant Munjal	Member

REMUNERATION COMMITTEE

G. P. Sood	Chairman
Dr. D. R. Singh	Member
Suman Kant Munjal	Member

**SHAREHOLDERS/INVESTORS
GRIEVANCE COMMITTEE**

Dr. D. R. Singh	Chairman
Suman Kant Munjal	Member
Maresh Chander Munjal	Member

**SENIOR VICE PRESIDENT (FINANCE)
- CUM - COMPANY SECRETARY**

R. K. Agrawal

STATUTORY AUDITORS

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

BANKERS

Canara Bank
Punjab National Bank
State Bank of Patiala
IDBI Ltd.
The Catholic Syrian Bank Ltd.

REGISTERED OFFICE

C-48, Focal Point,
Ludhiana - 141 010

WORKS

C-48, Focal Point,
Ludhiana - 141 010

C-59, Focal Point,
Ludhiana - 141 010

CONTENTS	PAGE
Notice	1
Directors' Report	3
Annexure I to Directors' Report - (Management Discussion and Analysis Report)	5
Annexure II to Directors' Report - (Corporate Governance Report)	7
Annexure III to Directors' Report	17
Annexure IV to Directors' Report	17
Annexure V to Directors' Report	19
Auditors' Report	20
Balance Sheet	23
Profit and Loss Account	24
Cash Flow Statement	25
Schedules	26

MAJESTIC AUTO LIMITED

NOTICE

Notice is hereby given that the 34th Annual General Meeting of the members of Majestic Auto Limited will be held on Saturday, the 22nd September, 2007 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, 2007 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 Mr. Vijay Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. O.P. Munajl, 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.

**By Order of the Board of Directors
For Majestic Auto Limited**

Place : Ludhiana
Date : 24.05.2007

(R.K. Agrawal)
Company Secretary

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

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 Monday, 17.9.2007 to Saturday, 22.9.2007 (both days inclusive).
3. The relevant details of Item Nos. 2 and 3 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
4. 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.
5. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting.
6. Members / Proxies should bring the Attendance slip sent herewith duly filled in for attending the Annual General Meeting.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of 7 years from the date of declaration would be transferred to the Investors 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 dividend declared by the Company for the financial period 2004-2005.
8. Pursuant to the provisions of Section 109A of the Companies Act, 1956, every shareholder or joint holders may nominate, in the prescribed manner, a person to whom all the rights in the shares shall vest in the event of death of the sole holder or all the joint holders. Members holding shares in electronic form may contact their respective Depository Participant for availing this facility.
9. Members are requested to notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses.
10. The Company has designated an exclusive e-mail ID namely, **grievance@heromajestic.com** for receiving and addressing investors' grievances.

**By Order of the Board of Directors
For Majestic Auto Limited**

Place : Ludhiana
Date : 24.05.2007

(R.K. Agrawal)
Company Secretary

MAJESTIC AUTO LIMITED

RELEVANT INFORMATION PURSUANT TO CLAUSE 49 VI (A) OF THE LISTING AGREEMENT REGARDING DIRECTORS BEING RE-APPOINTED :

Mr. Vijay Munjal

Mr. Vijay Munjal son of Late Mr. Daya Nand Munjal joined the Company on 15.11.1988 as a director of the Company. He was born on 17.11.1944. He is graduate. He possesses experience in International Marketing. He is Managing Director (International Marketing) of Hero Cycles Limited. He has been regular in making valuable contributions in Board Meetings. Apart from Majestic Auto Limited, he is on the Board of following Companies and Committees there of :

Highway Industries Limited Chairman & Director	Munjal Brother Pvt. Ltd. Director	Pragati Tyres Pvt. Ltd. Director
Dayanand Munjal Investment Pvt. Ltd. Director	Hero Exports (P) Ltd. Director	Hero Cycles Ltd. Managing Director
Roma Cycle Mfg.Co. Pvt. Ltd. Director	Munjal Auto Industries Ltd. Director	Member - Audit committee
Bahadurchand Investments Pvt. Ltd. Director	Member - Audit committee	Anadi Investments Pvt. Ltd. Director
Satyam Auto Components Ltd. Director	Member - Shareholders grievance committee	Ritmay Builders Pvt. Ltd. Director
Rockman Industries Limited Director	Member - Share Transfer committee	
	Shivam Autotech Ltd. Director	

Mr. Vijay Munjal does not hold any share (in his own name or on behalf of other person on a beneficial basis) in the Company.

Mr. O.P. Munjal

Mr. Om Prakash Munjal son of Late Mr. Bahadur Chand Munjal is the founder director of the Company. He was born on 5.08.1928. He is the Co-Chairman and Managing Director of Hero Cycles Limited, the largest producer of the bicycles in the world. He carries with him enriched experience and due to his rare administrative and entrepreneurial skills, Hero Cycles has found its position in the Guinness Book of Records. In the year 1990, he was awarded the Indira Gandhi National Unity Award by the President of India. He has been regular in making valuable contributions in Board Meetings. Apart from Majestic Auto limited, he is also on the Board of following Companies:

Hero Cycles Limited Co-Chairman and Managing Director	Hero Honda Motors Ltd. Director	Hero Honda Finance Ltd. Director
Roma Cycles Mfg. Co. Pvt. Ltd. Director	Munjal Bros. (Pvt.) Ltd. Director	Hero Motors Limited Director
Highway Industries Limited Director	Hero Financial Services Limited Co-Chairman and Managing Director	Hero Global Design Ltd. Director
Easy Bills Limited Director	Shivam Autotech Ltd. Director	Munjal Auto Industries Ltd. Director

He is neither a member nor Chairman of any of the Committee (s). He holds 1471 equity shares of Rs. 10/- each and his wife holds 29629 of Rs. 10/- each in the Company

MAJESTIC AUTO LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting to you the Thirty Fourth Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2007.

FINANCIAL RESULTS

	Year ended 31-03-2007	(Rs.in lacs) Year ended 31.03.2006
Sale	12994	14272
Profit before Depreciation and Financial charges	16	948
Less : Financial Charges	434	381
Depreciation	367	352
Net Profit / (Loss) Before Tax	(785)	215
Less : Provision for Taxation		
- Current Tax	-	-
- Deferred Tax	- 404	- 4
: Provision for Wealth Tax	7	7
: Provision for Fringe Benefit Tax	11	20
Profit / (Loss) After Tax	(399)	192
Add / (Less) : Prior Period Tax Adjustments	1	1
Add / (Less) : Balance Brought Forward	1461	1375
Profit Available for Appropriations	1063	1568
APPROPRIATIONS		
Transferred to Debenture Redemption Reserve	107	107
Balance carried to Balance Sheet	956	1461
Dividend (%)	NIL	NIL
Basic and Diluted Earnings Per Share (EPS) Rs.	(-) 3.83	(+) 1.86

OPERATIONS

During the year under report, your Company has registered turnover of Rs. 12994 lacs as compared to Rs. 14272 lacs in the previous financial year and suffered a net loss before tax of Rs. 785 lacs as compared to net profit before tax of Rs. 215 lacs in the previous financial year.

During the current financial year, the sale of two wheelers of the Company decreased substantially and further there was increase in cost of raw materials and other expenditure which could not be passed on to customers due to recession in Moped Industry. The Company has also made provision for Bad Debts of Rs. 396.66 lacs (previous financial year Rs. Nil) which are not recoverable from customers. Due to these reasons, there is loss during the year ended March 31, 2007.

AMENDMENT OF MAIN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION OF THE COMPANY

You have approved by passing Special Resolutions through Postal Ballot pursuant to the provisions of Section 192A of the Companies Act, 1956 to amend the Main Object Clause of Memorandum of Association of the Company by inserting new Sub Clause 8 in the Clause III (A) Main Objects of Memorandum of Association of the Company which enables the Company to diversify into the business of Food Products and Processing thereof etc.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments, affecting the financial position of the Company that have occurred between the end of the financial year of the Company and the date of signing of this report.

DIRECTORS

Mr. Vijay Munjal and Mr. O.P. Munjal, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Board recommends for their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 :

- that in the preparation of the annual accounts for the year ended March 31, 2007, the applicable accounting standards have been followed;
- that appropriate accounting policies have been selected and applied consistently and judgements and estimates

MAJESTIC AUTO LIMITED

that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at March 31, 2007 and of the net loss of the Company for financial year ended March 31, 2007 ;

- 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 for the year ended March 31, 2007 have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A report in the form of Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement, as a part of this report is annexed hereto as Annexure I.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with The Stock Exchange, adequate steps have been taken to ensure that all the provisions relating to Corporate Governance are duly complied with. A report on Corporate Governance alongwith the Auditors' Certificate on its compliance as a part of this report is annexed hereto as Annexure II.

LISTING

The shares of your Company are presently listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and the Annual Listing Fee for the year 2007-2008 has been paid to it.

FIXED DEPOSITS

During the year under review, the Company has not accepted or invited any deposit under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DEPOSITORY SYSTEM

As per SEBI's letter dated 15.02.2000, the Company's shares are available for dematerialisation w.e.f. 21.04.2000 on NSDL and w.e.f. 02.05.2000 on CDSL. Interested Members are requested to open their accounts with Depository Participants and forward shares through them. Out of total shares, 29.22% shares of the Company have been dematerialised as on March 31, 2007.

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.

PARTICULARS OF EMPLOYEES

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

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, 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 -IV and forms an integral part of this report.

ENVIRONMENTAL MANAGEMENT

With implementation of the Environment Management System (EMS) ISO-14001, the Company continues to pursue its endeavour to operate in harmony with the nature.

QUALITY MANAGEMENT

The Company continues to maintain the ISO/TS:16949 (2002) Quality Management System.

AUDITORS

M/s B.D.Bansal & Co., Chartered Accountants, Auditors of the Company will 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 Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

AUDITORS' REPORT

As regards the Auditors' Report, the respective notes to the accounts are self explanatory and therefore, do not call for any comments.

COST AUDITORS

The Directors have appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as the Cost Auditors for the year to be ended on 31.03.2008. The approval of the Central Government in this regard has also been received. The Cost

MAJESTIC AUTO LIMITED

Auditors' report will be forwarded to the Central Government as required under law.

PERSONNEL

As on March 31, 2007, the total number of employees on the records of the Company was 783. The Company conducts several training programmes to upgrade the skills of its workforce. These programmes have a strong practical approach, and the objective is to derive tangible improvements. Your Directors place on record their appreciation for the dedicated and sincere efforts put in by all employees in the performance of the Company.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

PLACE : Ludhiana

(O. P MUNJAL)

DATE : 24.05.2007

Chairman

Annexure-I to Directors' Report **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

i) INDUSTRY STRUCTURE AND DEVELOPMENT

Two wheeler industry has made the growth at 12% in 2006-2007 after growing at 16% in the previous year. In the two wheeler industry, the motorcycle industry continues to be dominant driver of this growth by notching volumes of 7.09 million. The Motorcycle industry accounted for 83.70 percent of two wheeler sales. The growth of motorcycles has come at the cost of scooters whose sales dipped by 1 per cent at approx. 1.00 million Units. Scooters now make up 11.6% of the two wheeler segment. The Moped industry in India grew at 6.95% during the current year. The total sales volume of Moped industry in India was at 3.56 lacs in comparison to 3.33 lacs in the previous year.

Majestic Auto Limited, is a manufacturer of Mopeds and Spare parts thereof in India. The Company also manufactures Exercisers, Fine Blanking Components, Silencers, Spare Parts for Bicycles and Electricals. The Company has established and applies a quality system for designs, manufacture and supply of two wheel vehicles, two wheeler engines, exercisers, automobile components, fine blanking components and Electricals.

ii) OPPORTUNITIES AND THREATS

OPPORTUNITIES

The Moped Industry has faced recession due to the changing demand patterns because of consumer preferences. The opportunities with the Company may be listed as :

- Vast dealer and distribution network
- Strong Brand
- Backing of Hero Group as Promoters
- Well established Export Market.
- Innovative ideas to launch new products

THREATS

The Moped Industry faces competition from other segments of the industry including Scooter and Motorcycles

iii) SEGMENT / PRODUCT-WISE PERFORMANCE

Moped Division

The number of Mopeds sold during the current year was 22097, while during the previous year, it was 32065 showing decrease of 31.09%

Exercisers

- a) The Company is manufacturing Health Equipments in the name of Allegro, Jogger, Twistepro and Stepper.
- b) The total production of Health Equipments during the current year was 5305 while during the previous year, it was 7159.

The number of Health Equipments sold during the current year was 5396 while during the previous year, the same was 7165 declined by 24.69%.

Fine Blanking Components

The turnover of Fine Blanking Components has increased by 5.54% from Rs. 781 lacs during the year 2005-06 to Rs. 824 lacs during the year 2006-07

MAJESTIC AUTO LIMITED

HERO HONDA SILENCER AND COMPONENTS THEREOF

The turnover of Silencers has increased by 16.85% during the current year from Rs. 4827 lacs during the previous year to Rs. 5641 lacs during the current year.

ELECTRICALS

The turnover / Income from operation of Electricals has decreased by 26.11% during the current year from Rs. 1172 lacs during the previous year to Rs. 866 lacs during the current year.

iv) OUTLOOK

Since the Moped Industry is facing tough competition from other segments of the Industry, the Company is focussing more on other segments/products of the company. The Company is also looking into diversifying into the business of Food products.

v) RISKS AND CONCERNS

The Two wheeler Industry, especially the Mopeds segment has intense competition and price is the most important factor.

The Company may face a further pinch on the material cost due to inflationary trends being witnessed.

Changes in the consumer preference and their expectations also affect the sale of mopeds.

vi) THE INTERNAL CONTROL SYSTEMS

The Company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.

An extensive programme of internal audits and management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose. The internal control system has been designed so as to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The Company has an Audit Committee, comprising of three Non Executive Directors, which interacts with Statutory Auditors, Internal Auditors, Cost Auditors and Auditees in dealing with matters within its terms of reference. The Committee deals with accounting matters, financial reporting and internal controls. The Committee met five times during the year ended 31.3.2007 in this regard.

vii) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

The sale of the Company for the year was Rs. 12994 lacs as compared to Rs. 14272 lacs in the previous financial year. The material cost as a percentage of sales for the year under review showed an increase over the previous year mainly due to increase in raw material price.

viii) HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company had good and cordial relations with its work force during the year under review.

The Company has a forward looking human resources policies. The Company also actively encourages and provides regular training to its work force to ensure that their skills are updated. A separate technical training Cell has been created to look after the technical training needs within the organisation.

As at the close of the year as on 31.3.2007, 783 employees were on the roll of the Company.

ix) CAUTIONARY STATEMENT

Statements made in this 'Management Discussion and Analysis Report' describing the Company's objectives, projections, estimates, assumptions, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations.

Forward Looking Statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate and will be realized by the Company. Actual results may differ materially from those expressed or implied. Important factors that make a difference to the Company's operations include Global and Indian demand and supply conditions, monsoon, changes in Govt. regulations, tax regimes and economic development within India and the countries within which the Company conducts its business and such other factors.

MAJESTIC AUTO LIMITED

Annexure – II to Directors' Report CORPORATE GOVERNANCE REPORT

I. Company's philosophy on the Code of Governance.

The Corporate Governance Code was introduced by the insertion of Clause 49 to the Listing Agreement with the Stock Exchanges as per the directives issued by the Securities and Exchange Board of India. Corporate Governance primarily involves transparency, full disclosure, independent monitoring the state of affairs and being fair to all stake holders.

Your Company, as a part of Hero Group, has always believed in the concept of good Corporate Governance involving transparency, independence, accountability, responsibility and fairness with a view to enhance stake holders value. Towards this end, in this Annual Report, adequate steps have been taken to ensure that all mandatory and non-mandatory provisions of Corporate Governance as prescribed by the Securities and Exchange Board of India (SEBI) and applicable to the Company through listing agreement are complied with in its true spirit.

II. Board of Directors

The business of the Company is managed by the Board of Directors. The Board formulates the strategy and regularly reviews the performance of the Company. The Managing Director manages the day to day operations of the Company. The Board of Directors has composition with more than half of the Directors being non-executive Directors. Since the Company has a non executive Chairman, the Board's composition meets the stipulated requirement of at least one third of the Board comprising of independent Directors who have no professional and / or business relationship with the Company.

None of the Directors on the Board holds the office of Director in more than 15 Companies or memberships in Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees.

A. The constitution of the Board as on March 31, 2007 :

Non-Executive Chairman

Mr. Om Prakash Munjal - Chairman

Executive Directors

Mr. Mahesh Chander Munjal (Managing Director)

Non Executive Directors

Mr. Suman Kant Munjal and Mr. Vijay Munjal

Non-Executive and Independent Directors

Mr. G.P. Sood and Dr. D.R. Singh

B. There is no pecuniary relationship or transaction of the non-executive directors vis-a-vis the Company.

C. Five Board Meetings were held on May 26, 2006, July 29, 2006, September 22, 2006, October 28, 2006, and January 25, 2007 during the Current Accounting Year ended March 31, 2007. Board Members were given agenda papers alongwith necessary documents and information in advance of each Board and other committee meetings. In addition to the regular business items, all other statutory items as recommended by the SEBI Committee on Corporate Governance were placed before the Board / Committee.

The attendance record of the Directors on the Board has been as under :

Directors	No. of Board meetings attended	Attendance at Last AGM
Mr. O. P. Munjal	5	Yes
Mr. G. P. Sood	5	Yes
Dr. D. R. Singh	5	Yes
Mr. Vijay Munjal	3	Yes
Mr. Suman Kant Munjal	5	Yes
Mr. Mahesh Chander Munjal	5	Yes

D. SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name of the Directors	Status	No. of shares held
Mr. O.P. Munjal	Non-executive Director	1471
Dr. D.R. Singh	Non-executive and independent Director	143

Apart from the above, none of the Directors hold any shares (in his own name or on behalf of other person on beneficial basis) in the Company.

E. The details of directors of the Company having directorship in other companies, membership / Chairmanship of Committees across all companies in which they are directors are given below (as prescribed under Corporate Governance) :

MAJESTIC AUTO LIMITED

Director	Total number of Committee Membership held (excluding Private Companies)	Total number of Committee Chairmanship held (excluding Private Companies)	Total number of outside Directorship held (excluding Private Companies)
Executive			
Mr. Mahesh Chander Munjal (Mg. Director)	1	–	2
Non-Executive			
Mr. O. P. Munjal (Non-Executive Chairman)	–	–	10
Mr. Vijay Munjal	4	–	6
Mr. Suman Kant Munjal	4	–	1
Non-Executive and Independent			
Mr. G.P. Sood	6	3	1
Dr. D. R. Singh	4	2	4

Information Supplied to the Board

Board members are given agenda along with necessary documents and information in advance of each meeting of the Board and Committee(s). In addition to the regular business items, the following are being regularly placed before the Board to the extent applicable :

- Annual operating plans and budgets, capital budget and updates;
- Purchase and disposal of major fixed assets;
- Quarterly and half yearly results of the Company;
- Minutes of the Audit Committee and other Committee meetings;
- Information on recruitment and remuneration of senior management just below the Board level including appointment or removal of CFO and Company Secretary;
- Any material defaults in financial obligations to and by the Company or substantial non-payments;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Materially important show cause, demand, prosecution and penalty notices;
- Details of foreign exchange exposures and steps taken by the management to limit the risks of adverse exchange rate movement;
- Sale of material nature, of investments and assets, which are not in the normal course of business;
- Details of Joint Ventures and Agreements or variations thereof;
- Quarterly Statutory Compliance Report;
- Directors' Overseas travelling expenses;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder's service such as non payment of dividend, delay in share transfer etc.;
- Investments strategy / plan;
- Any issue which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company; and
- Significant labour problems and their proposed solutions. Also any significant developments in Human Resources/ Industrial relations front like signing Wage Agreement, implementation of Voluntary Retirement Schemes etc.

CODE OF CONDUCT

The Company has adopted a "Code of Conduct" for all Board members and senior management of the Company. The code of conduct is available on the website of the Company www.heromajestic.com. All Board members and senior management have affirmed compliance with the Code of Conduct. The declaration signed by the Managing Director of the Company to this effect is enclosed as Annexure-V.

RISK MANAGEMENT

The Company has established an effective risk assessment and minimization procedures, which are reviewed by the Board periodically. There is a structure in place to identify and mitigate various risks faced by the Company from time to time. New risks are identified, and after their assessment their controls are designed, put in place with specific responsibility of the concerned person for its timely achievement.

III. Audit Committee

(Constitution as at 31.3.2007)

Members

Mr. G.P.Sood	Chairman	(Non-Executive and Independent Director)
Dr. D.R.Singh	Member	(Non-Executive and Independent Director)
Mr. Suman Kant Munjal	Member	(Non-Executive Director)