

ANNUAL REPORT 2001-2002



Majestic Auto Limited

MAJESTIC AUTO LIMITED**BOARD OF DIRECTORS**

O. P. Munjal
Chairman

S. D. Khosla

Javed Yunus
IFCI Nominee

G. P. Sood

Vijay Munjal

Suman Kant Munjal

Dr. D. R. Singh

Mahesh Chander Munjal
Managing Director

Pankaj Munjal
Managing Director

AUDIT COMMITTEE

G. P. Sood

Dr. D. R. Singh

Javed Yunus
IFCI Nominee

REMUNERATION COMMITTEE

S.D. Khosla

G.P. Sood

Dr. D.R. Singh

Javed Yunus
IFCI Nominee

SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

Dr. D. R. Singh

Suman Kant Munjal

Mahesh Chander Munjal

LEGAL ADVISOR

S. K. Mehta

COMPANY SECRETARY

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.)

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MAJESTIC AUTO LIMITED

NOTICE

Notice is hereby given that the 29th Annual General Meeting of the members of Majestic Auto Limited will be held on Saturday, the 28th September, 2002 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, 2002 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.O.P Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Sh. G.P. Sood, 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 the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/ or charging of all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/ or conferring power to takeover the management of the business and concern and undertaking of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise), to or in favour of :-

On First Pari Passu Charge basis with existing chargeholders -

1. Punjab National Bank for its Rupee Term Loan of Rs. 200 lacs for Silencer Project over the Land and Building of Silencer Project of the Company situated at C-48, Focal Point, Ludhiana.
2. UTI Bank Ltd. as Trustee in connection with subscription to non-convertible debentures not exceeding Rs. 250 million (Rupees Two hundred fifty millions only) subscribed and/or agreed to be subscribed by ICICI Bank Ltd. in non-convertible debentures of the Company.

On Second Pari Passu Charge basis with existing chargeholders -

1. Punjab National Bank for Term Loan of Rs. 141 lacs for Fine Blanking Project on all the assets of the Company.
2. Punjab National Bank for Term Loan of Rs. 200 lacs for Silencer Project on all the assets of the Company except of the Silencer Project.

RESOLVED FURTHER THAT the mortgage/ charge created/ to be created and/or agreements/documents executed/ to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified."

By Order of the Board of Directors
for Majestic Auto Limited

Place : Ludhiana
Date : 29.07.2002

(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 16.9.2002 to 28.9.2002 (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 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 Company had applied for Term Loans of Rs.141 lacs and Rs.200 lacs to Punjab National Bank to finance its Fine Blanking and Silencer Projects respectively. Punjab National Bank has sanctioned and disbursed aforesaid Term Loans. As per one of the terms and conditions, the Company is required to create mortgage/charge in favour of Punjab National Bank as contained in the resolution at Item No.5 above.

The Company had also applied for issue of Non Convertible Debentures of Rs. 250 millions to ICICI Bank Ltd. for the purpose of meeting the on going fund requirements of the Company. The Company has received sanction of the ICICI Bank Ltd. for issue of NCD to it and has appointed UTI Bank Ltd. as Debenture Trustee for the said issue of Non Convertible debentures of Rs. 250 millions to ICICI Bank Ltd. As per one of the terms and conditions, the Company is required to create mortgage/charge in favour of UTI Bank Ltd. as contained in the aforesaid resolution.

The consent of the shareholders of the Company is required under Section 293 (1) (a) of the Companies Act, 1956 for creating aforesaid mortgage/charge over the Fixed Assets of the Company in favour of Punjab National Bank and UTI Bank Ltd.

The Board of Directors of your Company 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.

MAJESTIC AUTO LIMITED

By Order of the Board of Directors
for Majestic Auto Limited

Place : Ludhiana
Date : 29.7.2002

(R.K. Agarwal)
Company Secretary

INFORMATION PURSUANT TO CLAUSE 49 VI (A) (c) OF THE LISTING AGREEMENT.

Name of other companies in which the directors who are being re-appointed hold directorship and membership of Committees of the Board.

Mr. Om Prakash Munjal

Mr. Om Prakash Munjal is the founder director of the Company. He is the Co-chairman and C.E.O. of Hero Cycles Limited largest producer of Bicycles in the world. He carries with him enriched experience and due to his rare administrative and entrepreneurial skills, Hero Cycles has carved a niche in Guinness Book of Records. In the year 1990 he was awarded the Indira Gandhi National Unity Award by the President of India. He is also on the Board of following Companies :

- **Hero Cycles Limited**
Co-Chairman cum Managing Director
- **Hero Honda Motors Ltd.**
Director
- **Highway Cycle Industries Limited.**
Director
- **Hero Financial Services Ltd.**
Director
- **Roma Investments Ltd.**
Director
- **Munjal Auto Industries Ltd.**
Director
- **Hero Honda Finlease Ltd.**
Director
- **Munjal Bros. (Pvt.) Ltd.**
Director
- **Hero Briggs & Stratton Auto Pvt. Ltd.**
Director
- **Hero Global Design Pvt. Ltd.**
Director

Mr. G.P. Sood

Mr. G.P. Sood joined the Company on May 28, 1994 and since then he has been regularly making useful contribution in the meetings of the Board of Directors and Committees thereof held, from time to time. His qualification is M.A., LL. B., CAIIB. He possesses specialization in the field of banking, finance and laws. He is the Ex- Deputy General Manager of Bank of India. He is also on the following Committees of the Board of the Company:-

- **Chairman - Audit Committee**
- **Member - Remuneration Committee**

MAJESTIC AUTO LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting to you the Twenty Ninth Annual Report and the Audited Accounts for the financial year ended 31st March 2002.

FINANCIAL RESULTS

(Rs.in lacs)

Year ended	Year ended 31-03-2002	Year ended 31-03-2001
Sale	18450	23433
Profit/(Loss) before Depreciation and Financial charges	(429)	1031
Less : Financial Charges	773	846
Depreciation	634	583
Net Profit/(Loss)	(1836)	(398)
Less : Provision for tax	1	1
Prior year adjustment	11	143
Prior year tax adjustment	- 1	- 6
	(1847)	(536)
Add : Profit B/F from previous year	(312)	-
Profit/(Loss) transferred to General Reserve	-	(224)
Profit/ (Loss) Balance carried to Balance Sheet	(2159)	(312)

OPERATIONS

During the year under reference, your Company has registered turnover of Rs. 18450 lacs as compared to Rs. 23433 lacs in the previous financial year consequentially suffered a net loss of Rs. 1836 lacs as compared to net loss of Rs. 398 lacs in the previous financial year. The major reasons for fall in the turnover were recession prevailing in the Moped Industry and tough competition from other segments of two wheeler Industry.

DIVIDEND

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

DIRECTORS

Sh. O.P. Munjal and Sh. G.P. Sood, Directors of the Company retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends for their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956:

MAJESTIC AUTO LIMITED

- i) that in the preparation of the annual accounts of the year ended March 31, 2002, the applicable accounting standards have been followed ;
- ii) that appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs and of the profit of the Company for financial year ended March 31, 2002;
- 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, 2002 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 Stock Exchanges 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' Statement on its compliance is annexed hereto as Annexure II.

HERO HONDA SILENCER AND OTHER COMPONENT PROJECTS

Company's Hero Honda Silencer Project at Ludhiana has been implemented and its production started during the year 2001-2002. With the start of this Project, profitability of the Company is expected to improve.

The Company has also started manufacturing Silencer components viz. AVS Plastic components at Gaziabad for Hero Honda Motors Ltd. during the year 2001-2002. The Company is also in the process of finalizing for manufacturing of some more components for said Company.

LISTING

The Shares of your Company are listed on Ludhiana, Delhi, Mumbai and Ahmedabad Stock Exchanges and the Annual listing fee for the year 2002-2003 has been paid to them well before the due date i.e. April 30, 2002.

FIXED DEPOSITS

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

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, 15.94% shares of the Company have been dematerialised as on March 31, 2002 .

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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 EARNINGS 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) Ruls, 1988 is annexed hereto as Annexure- IV and forms an integral part of this report.

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 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 the section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

COST AUDITORS

The Board have re-appointed M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi as the Cost Auditors of the Company for the year 2002-2003. The approval of the Central Government in this regard has also been received. The Cost Auditors' report will be forwarded 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 : 20.6.2002

(O.P.MUNJAL)
Chairman

MAJESTIC AUTO LIMITED**Annexure - 1 to Director's Report****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****i) INDUSTRY STRUCTURE AND DEVELOPMENT**

Two Wheeler Industry has the largest market in India with a market share of over 76% of the overall Automobile Industry. Total Two Wheelers Sale is over 3.75 million in Year 2001-2002. This segment had shown a Cumulative Average Growth Rate of approx 15% in 1970-1990, but it has substantially slackened since then.

While Bajaj Auto leads the Scooter segment with average 45% market share, Hero Honda tops the manufacturing and marketing of Motor Cycle with around 47% share.

The market in India is divided into Scooter, Motorcycles and Mopeds with Motorcycle sales being the largest with a share of 56% followed by Scooters 25% and Mopeds 19%.

Two Wheeler Industry in the country has witnessed great change of scenario as the distinct shift of consumer preference from the scooter segment to the motorcycles which is being looked upon as the savvy urban transport vehicle today. As a result, the motorcycle segment is witnessing tremendous growth and its composite market share has grown from 20-25% in the past to over 37% now, while the Scooter Segment which earlier commanded such high market share is now on the decline.

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

The Moped industry in general, during the year 2001-2002 was witnessing a negative growth, stock pile up in trade, tough competition etc. Consequently, the net sale of the Company has gone down by 22.13% from Rs. 20639 lacs in the year 2000-2001 to Rs. 16071 lacs in the year 2001-2002 and the net loss of the Company has increased from Rs. 398 lacs in the year 2000-2001 to Rs. 1836 lacs in the year 2001-2002.

ii) OPPORTUNITIES AND THREATS**Opportunities**

The Two Wheeler Industry has witnessed a major shake up 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 Rs. 7000 Crore Hero Group as Promoters.
- Well established Export Market, being the Top Two Wheeler Exporter from India.
- Innovative Ideas to launch new products.
- Planning Entry into other segments with promised growth potential - Rural Moped.

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- Manufacturing of 4 stroke engine for two wheeler industry.

In addition to this, the stringent emission norms set by the Government of India have forced all the players to stop the use of 2 stroke engines and move on to 4 stroke. This calls for newer vehicles with new technically advanced features, styling and designs. The Company looks forward to unleash its new products in such an expectant market and reap rich benefits.

Threats

- The major threats arise from the competitors, as there is low entry barrier especially in the Mopeds Segment.
- The Chinese threat of very low priced vehicles, which may pose a direct impact on the Company's performance.
- The Moped Industry faces competition from other segment of the industry including Scooter and Motorcycles because the excise duty is 16% in all the cases.

iii) SEGMENT-WISE/PRODUCT-WISE PERFORMANCE.

Moped Division

The sale of Mopeds at 69715 was lower by 23.98% over the previous year sale of 91703 Mopeds. The production was affected due to recession in Moped Industry and weak monsoon during the year 2001-2002. During the year, the Company has launched several new models of its Mopeds and it has also introduced 4 strokes vehicles in the market. The Company has also developed 4 stroke power train with high fuel efficiency in collaboration with Briggs and Stratton, U.S.A. for its model of Hero Puch. The Company has launched new style of head light, tale light and blinkers and developed new Chasis for modern style for different models in collaboration with IDEA, Italy. Since the main market of Moped Industry is in rural area and good monsoon are expected across the country, it is expected that the sale of Mopeds would increase during the year 2002-2003.

Scooter Division

The sale of Scooter has decreased substantially by 54.89% from 17015 during the year 2000-2001 to 7675 during the year 2001-2002.

Exercisers

- The Company is manufacturing Health Equipments in the name of Allegro, Jogger, Twistpro and Stepper.
- The total production of Health Equipments has decreased by 19.59% from 27614 during the year 2000-2001 to 22204 during the year 2001-2002.
- The turnover of Health Equipment has decreased by 20.57% from 27837 during the year 2000-2001 to 22112 during the year 2001-2002.

The Company has also developed folding Jogger for the domestic range of Exercisers and receiving a good response from the market and it is expected that the sale of the Exercisers will increase during the year 2002-2003.