



MAJESTIC

AUTO LIMITED

A HERO GROUP COMPANY



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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 |
| Mahesh 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 |
| Mahesh Chander Munjal | Member |

**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.

REGISTERED OFFICE

C-48, Focal Point,
Ludhiana - 141 010

WORKS

C-48, Focal Point,
Ludhiana - 141 010

C-59, Focal Point,
Ludhiana - 141 010

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MAJESTIC AUTO LIMITED

NOTICE

Notice is hereby given that the 33rd Annual General Meeting of the members of Majestic Auto Limited will be held on Friday, the 22nd September, 2006 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, 2006 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. Suman Kant Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr. D.R. Singh, 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 RESOLUTIONS AS SPECIAL RESOLUTIONS :**

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and 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 Chander Munjal, as the Managing Director of the Company for a period of 3 years w.e.f 29.10.2006 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 re-appointment and / or agreement including remuneration payable to the Managing Director in such manner as may be agreed to between the Board of Directors and Sh. Mahesh Chander 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 Managing Director, the remuneration by way of salary and perquisites as specified in said draft agreement is payable to the Managing 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 Chander 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 Managing 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."

By Order of the Board of Directors
For Majestic Auto Limited

Place : Ludhiana
Date : 26.05.2006

(R.K. Agrawal)
Company Secretary

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

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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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to Special Business is given below.
3. The Register of Members and the Shares Transfer Books of the Company will remain closed from Saturday, 16.9.2006 to Friday, 22.9.2006 (both days inclusive).
4. The relevant details of Item Nos. 2, 3 and 5 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
5. 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.
6. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting.
7. Members / Proxies should bring the Attendance slip sent herewith duly filled in for attending the Annual General Meeting.
8. 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.
9. 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.
10. Members are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses.

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

The Board of Directors of the Company in its meeting held on 26.05.2006, has re-appointed Sh. Mahesh Chander Munjal, as the Managing Director of the Company subject to the approval of Shareholders for a period of 3 year w.e.f. 29.10.2006 to 28.10.2009 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. Basic Salary

Salary @ Rs. 1,45,000/- per month in the scale of 1,45,000 - 20,000 - 2,05,000/- per month.

2. Bonus

As per Company Rules.

3. Commission

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

4. Perquisites and allowances

In addition to the above Basic Salary, Bonus and Commission, he shall also be entitled to the following perquisites and allowances:-

- i) **Residential Accommodation** : The appointee shall be provided rent free furnished residential accommodation with free use of all the facilities and amenities provided by the Company ;
- ii) **Medical Reimbursement** : Reimbursement of actual Medical Expenses incurred by the appointee and his family ;
- iii) **Club Fees** : Actual fees of clubs will be reimbursed ;

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- iv) **Personal Accident Insurance** : Actual premium to be paid by the Company;
- v) **Insurance of House-hold goods** : Actual premium to be paid by the Company ;
- vi) **Car** : Facility of Car with driver to be used for the business of the Company ;
- vii) **Telephone** : Free telephone facility at residence to be used for the business of the Company;
- viii) **Reimbursement of expenses** : Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred for the business of the Company;
- ix) **Life Insurance** : Actual premium on the lives of the appointee, his wife and children to be paid by the Company.
- x) **Contribution to Provident Fund, Superannuation Fund or Annuity Fund** : Company's contribution to Provident, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- xi) **Gratuity** : Not exceeding half month's salary for each completed year of service.
- xii) Encashment of leave at the end of the Tenure.

5. Leave Travel Concession :

For the appointee and his family once in a year incurred in accordance with the rules specified by the Company.

6. Minimum Remuneration :

If in any financial year during the tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to remuneration by way of salary, perquisites, allowances, not exceeding the ceiling limit of Rs. 3,00,000/- per month in terms of Clause (B) of paragraph 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 as minimum remuneration.

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.

7. Sitting Fees :

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board or Committee thereof."

The Board of Directors of your Company recommends passing of the Special Resolution as contained under Item No. 5 above.

The aforesaid terms and conditions may be treated as an abstract of the terms of the contract and memorandum of the nature of the concern or interest of directors pursuant to Section 302 (2) of the Companies Act, 1956.

None of the directors except S/ Shri O.P. Munjal, Vijay Munjal and Suman Kant Munjal of the Company is concerned or interested in passing of this Special Resolution.

By Order of the Board of Directors
For Majestic Auto Limited
(R.K. Agrawal)
Company Secretary

Place : Ludhiana
Date : 26.05.2006

STATEMENT CONTAINING THE INFORMATION REQUIRED TO BE GIVEN TO THE SHAREHOLDERS OF THE COMPANY PURSUANT TO CLAUSE (B) OF PARAGRAPH 1 OF SECTION II OF PART II OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 :

I. General Information :

- 1) Nature of Industry : Manufacturing Company
- 2) Date of commencement of commercial production : 21.05.1973
- 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : N.A.

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- 4) Financial performance based on given indicators

| | <u>2005-2006</u> (12 Month) | <u>2004-2005</u> (6 Month) |
|------------|--------------------------------|-------------------------------|
| Sales(Net) | Rs. 125.06 Cr. | Rs.58.15 Cr. |
| Net Profit | Rs. 2.15 Cr. | Rs. 1.70 Cr. |

- 5) Export performance and net foreign exchange collaborations :

| | <u>2005-2006</u> (12 Month) | <u>2004-2005</u> (6 Month) |
|------------------------------------|--------------------------------|-------------------------------|
| a) Export | Rs. 12.75 Cr. | Rs. 5.56 Cr. |
| b) Foreign exchange Collaborations | None | None |

- 6) Foreign investments or collaborators, if any :

None

II. Information about the appointee :

- 1) Background details

: Mr. Mahesh Chander Munjal was appointed as a Director of the Company w.e.f. 29.6.1993 and was appointed as an Executive Director of the Company w.e.f. 29.10.1993 and re-designated as the Managing Director of the Company w.e.f. 29.7.1999. He was re-appointed as the Managing Director of the Company w.e.f. 29-10-2003 for a period of 3 years. Before joining as a Director of the Company, Mr. Mahesh Chander Munjal was Executive Director of Munjal Auto Industries Limited formerly known as Gujarat Cycles Limited. He is a Graduate Engineer and M.B.A.

- 2) Past remuneration :

Rs.25,44,623/- (Accounting Year 2005-2006)

- 3) Recognition of awards :

None

- 4) Job profile and his suitability :

Job Profile :

Mr. Mahesh Chander Munjal is having rich experience of 27 years of running Two Wheelers Industries as below :

- He has worked as Assistant Works Director, Chief Executive (Works) during the period from 1979 to 1986 in Hero Cycles Limited, Ludhiana.
- He has worked as Executive Director in Munjal Auto Industries Limited formerly known as Gujarat Cycles Limited during the period from 1986 to 1993.
- He is working as Executive Director/ Managing Director of the Company since 1993.

Suitability :

Your Board considers that the re-appointment of Sh. Mahesh Chander Munjal having such wide experience in Two Wheeler Industries will be in the best interests of the Company and therefore, recommends passing of the Special Resolution as stated above.

- 5) Remuneration proposed :

As per Resolution.

- 6) Comparative remuneration profile with respect to industry, size of the company, profile of position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) :

As per information available, there is no other Company of comparable size and business. The increase in remuneration is marginal.

- 7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any. :

Except remuneration as mentioned above, he has no other pecuniary relationship directly or indirectly with the Company. He is son of elder brother of Sh.O.P.Munjal, the Chairman of the Company.

III. Other Information :

- 1) Reasons of loss or inadequate profits :

Not Applicable

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- 2) Steps taken or proposed to be taken for improvement. : The Company has diversified into Auto Components Business and Electricals.
- 3) Expected increase in productivity and profits in measurable terms. : The productivity and profitability is expected to improve marginally in the year 2006-2007 in comparison to the year 2005-2006.

By Order of the Board of Directors
For Majestic Auto Limited

Place : Ludhiana
Date : 26.5.2006

(R.K. Agrawal)
Company Secretary

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

Mr. Suman Kant Munjal

Mr. Suman Kant Munjal joined the Company on 16.12.1981. Since then, he is making useful contribution in the meetings of the Board of Directors and Committee thereof, from time to time. His qualification is B.Com. . He also participates actively in the meetings of CII, ACMA and Rotary International. Mr Suman Kant Munjal is not holding any Equity Shares of the Company. At present he is on the Board of following Companies and Committees thereof:-

- | | |
|---|--|
| ● Majestic Auto Limited Director Member - Audit Committee Member - Shareholder / Investor Grievance Committee Member - Remuneration Committee | ● Rockman Industries Ltd. Director ● Dayanand Munjal Investment Pvt. Ltd. Director ● Rockman Auto Pvt. Ltd. Director ● Puja Investment Pvt. Ltd. Director |
| ● Hero Investment Pvt. Ltd. Director | |

Dr. D.R. Singh

Dr. D.R. Singh joined the Company on 25.9.1986. He has been regularly making useful contribution in the meetings of the Board of Directors and Committee thereof, from time to time. His qualification is M.Com, Ph.D. . He possesses experience in the filed of Academic, Editing, Finance, Taxation, Accounts. He is former Dean of College of Basic Science and Humanities, Punjab Agricultural University, Ludhiana, former Director of Punjab Institute of Management and Technology, Mandi Gobindgarh, of J.D. Institute of Management and Technology, Mukatsar and of Lala Lajpat Rai Memorial Institute of Management and Technology, Dudeke (Moga). Presently, he is Dean of GNA-Institute of Management Technology, G.T. Road, Phagwara.

Dr. D.R. Singh is holding 143 Equity Shares of the Company.

At present he is on the Board of following Companies and Committees thereof:-

- | | | |
|---|--|--|
| ● Majestic Auto Limited Director Chairman - Shareholders / Investors Grievance Committee Member - Audit Committee Member - Remuneration Committee | ● MVT Spinning Ltd. Director ● Highway Industries Limited Director ● Jain Uday Industries Director | ● Hero Cycles Limited Director Chairman-Audit Committee |
|---|--|--|

Mr. Mahesh Chander Munjal

Mr. Mahesh Chander Munjal joined the Company on 29th June, 1993 and was appointed as an Executive Director of the Company w.e.f. 29.10.1993 and re-designated as the Managing Director of the Company w.e.f. 29.07.1999. He was re-appointed as the Managing Director of the Company w.e.f 29.10.2003 for a period of 3 years. He carries with him enriched experience of 27 years of running Two Wheeler Industries. He is a Graduate Engineer and M.B.A. Before joining as a Director of the Company. Mr. Mahesh Chander Munjal was Executive Director of Munjal Auto Industries Limited formerly known as Gujarat Cycles Limited. Mr. Mahesh Chander Munjal is not holding any Equity Shares of the Company. At present he is on the Board of following Companies and Committees thereof :

- | | | |
|--|---|--|
| ● Majestic Auto Limited Director Member - Shareholder / Investors' Grievance Committee | ● Amtier Infotech Limited Director | ● M & M Auto Industries Limited Director |
| ● Aayush Finance & Investment Pvt. Ltd. Director | ● Bahadurchand Investment. Pvt. Ltd. Director | |

MAJESTIC AUTO LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting to you the Thirty Third Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2006.

FINANCIAL RESULTS

(Rs.in lacs)

| | Year ended 31-03-2006 (12 Month) | Period ended 31.03.2005 (6 Month) |
|--|--|---|
| Sale | 14272 | 6654 |
| Profit before Depreciation and Financial charges | 948 | 478 |
| Less : Financial Charges | 381 | 156 |
| Depreciation | 352 | 152 |
| Net Profit Before Tax | 215 | 170 |
| Less : Provision for Taxation | | |
| - Current Tax | - | 15 |
| - Deferred Tax | - 4 | 16 |
| : Provision for Wealth Tax | 7 | 7 |
| : Provision for Fringe Benefit Tax | 20 | - |
| Profit After Tax | 192 | 132 |
| Add / (Less) : Prior Period Tax Adjustments | 1 | 2 |
| Add / (Less) : Balance Brought Forward | 1376 | 1363 |
| Profit Available for Appropriations | 1569 | 1497 |
| APPROPRIATIONS | | |
| Transferred to Debenture Redemption Reserve | 107 | 62 |
| Proposed Dividend | - | 52 |
| Tax on Proposed Dividend | - | 7 |
| Balance carried to Balance Sheet | 1462 | 1376 |
| Dividend (%) | NIL | 5 |
| Basic and Diluted Earnings Per Share (EPS) Rs. | 1.86 | 1.29 |

OPERATIONS

During the year under report, your Company has registered turnover of Rs. 14272 lacs. During the previous period of 6 months, the registered turnover of the Company was Rs.6654 lacs. The Company earned a net profit before tax of Rs. 215 lacs during the current accounting year. During the previous accounting period of 6 months, there was a net profit of Rs.170 lacs.

ACCOUNTS

The figures of Current Accounting Year ended 31.03.2006 consist of 12 months and figures of Previous Accounting Period ended 31.03.2005 consist of 6 months. In view of above, the figures of Current Accounting Year and Previous Accounting Period are not comparable.

DIVIDEND

To sustain internal accruals for the future growth of the Company, your directors are not recommending any dividend for the Current Accounting Year.

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.Suman Kant Munjal and Dr. D.R. Singh, 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. During the year under review Mr. S.D. Khosla, a director of the Company has expired on 5th November, 2005. The Board places on records its appreciation for the valueable services rendered by Late Mr. S.D. Khosla during his tenure as a director of the Company.

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DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts for the year ended March 31, 2006, 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 as at March 31, 2006 and of the net profit earned by the Company for financial year ended March 31, 2006 ;
- 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, 2006 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' Certificate on its compliance is annexed hereto as Annexure II.

LISTING/DE-LISTING

The shares of your company are presently listed on the Bombay Stock Exchange Limited, Mumbai (BSE). The Company's Equity Shares of Rs. 10/- each have been de-listed from the Ludhiana Stock Exchange Association Limited w.e.f. 06.10.2005.

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

As per SEBI's letter dated 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, 20.95% shares of the Company have been dematerialised as on March 31, 2006.

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.

ENVIRONMENT COMPLIANCE

Majestic Auto Limited is an ISO: 14001 Company since July, 2004, and is committed to maintain high environmental standards. Its water and effluent treatment plants are one of the best in India. The Company has also an in-house laboratory for testing water effluents for ensuring that all regulatory requirements are complied with. The treated water from these plants is mostly used for manufacturing processes and horticulture. Lot of water consumed is recycled for reuse thereby leading to significant water conservation. Additionally, adequate and efficient Air Pollution Control devices have been installed wherever found necessary. The plant of the Company has a hazardous waste clearance site to dump wastes so that nothing is discharged outside the factory premises.

A) ENVIRONMENTAL MANAGEMENT

The Company has been certified for its environmental management system as per ISO:14001. The integration of environment friendly measures and cleaner production practices in the business processes has resulted in better efficiency of operations and also improved the environmental performance.

B) ENVIRONMENTAL COMPLIANCE

All applicable environmental regulations are complied with. The Company has defined its own environmental

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standards, which are more stringent than the prescribed norms. A state-of-the art Environmental Laboratory has been set up to monitor pollution control strictly as per standards.

C) POLLUTION PREVENTION AND RESOURCE MANAGEMENT

The Company is committed to conserve resources particularly the pollution causing resources i.e. oils, water, energy, paints and chemicals. A number of Environmental Management Programs have been implemented and new practices have been introduced to ensure the optimal consumption of these resources. The consumption of such resources has consistently been reduced over the years. The carbon mono-oxide emission on account of moped production is calculated and monitored vigorously to ensure better energy performance.

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.

AUDITORS' REPORT

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

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 transactions are authorised, recorded and reported correctly.

An extensive programme of internal audits and management reviews supplement 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 accounting year ended 31st March, 2006 in this regard.

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 31.03.2007. 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

As on March 31, 2006, the total number of employees on the records of the Company were 889. 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 significant contribution made by all the employees, who through their competence, hard work, solidarity, co-operation and support, have enabled the Company to cross new milestones on a continual basis. Industrial relations, as always, have remained cordial throughout the year.

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
DATE : 26.05.2006

(O. P MUNJAL)
Chairman