

MAJESTIC AUTO LIMITED

BOARD OF DIRECTORS

Mahesh Chander Munjal
G. P. Sood
Dr. M.A. Zahir
Harjeet Singh Arora
Major Shavinder Singh Khosla
Ashima Munjal

Chairman & Managing Director
Non Executive & Independent Director
Non Executive & Independent Director
Non Executive & Independent Director
Non Executive & Independent Director
Non Executive Director

VICE PRESIDENT (FINANCE) CUM - COMPANY SECRETARY

Rajesh Kumar Dang

STATUTORY AUDITORS

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

BANKERS

Canara Bank
Punjab National Bank
IDBI Bank Ltd.
State Bank of Patiala
The Catholic Syrian Bank Ltd.
Yes Bank Ltd.
Standard Chartered Bank
HDFC Bank

REGISTERED OFFICE

C-48, Focal Point,
Ludhiana - 141 010

WORKS

C-48, Focal Point,
Ludhiana - 141 010
C-59, Focal Point,
Ludhiana - 141 010
B-6, B-7 & B-9, Ecotech-1 Extn.,
Greater Noida.

REGISTRAR & TRANSFER AGENT

Alankit Assignments Ltd.
Alankit House, 2E/21, Anar Kali Market,
Jhandewalan Extension, New Delhi-110055
Phones (011) 23541234, 42541234
Fax : (011) 23552001, E-mail : rta@alankit.com

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38th ANNUAL GENERAL MEETING

Day	:	Thursday
Date	:	29 th September, 2011
Time	:	11.00 A.M.
Place	:	At the premises of Mohini Resorts, Near Sector-32, Chandigarh Road, Ludhiana-141010

MAJESTIC AUTO LIMITED

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the members of Majestic Auto Limited will be held on Thursday, the 29th September, 2011 at 11.00 a.m. at the premises of Mohini Resorts, Near Sector-32, Chandigarh Road, Ludhiana-141010 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the Profit and 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. Harjeet Singh Arora, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Maj. Shavinder Singh Khosla, 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 APPOINTMENT OF RELATIVE OF DIRECTOR TO AN OFFICE OF PROFIT AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 314 (1B) read with Director's Relatives (Office or Place of Profit) Rules, 2003 and other applicable provisions of the Companies Act, 1956, the consent of the shareholders be and is hereby accorded to the appointment of, Mr. Aayush Munjal son of Shri Mahesh Chander Munjal, the Chairman cum Managing Director of the Company and brother of Ms. Ashima Munjal, the director of the company, as Chief Technology Officer of the company w.e.f. 1st June, 2011 at a monthly Salary of Rs.75,000/- in the scale of Rs.75,000-15,000-1,20,000/- plus other allowances, perquisites and benefits as per company rules as per the terms and conditions mentioned in the service agreement."

"RESOLVED FURTHER THAT the Board of directors be and is hereby authorised to increase the remuneration of Mr. Aayush Munjal within the pay scale mentioned above as the Board may decide from time to time subject to the condition that the total monthly remuneration does not exceed Rs.2,50,000 per month."

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

**Place : Ludhiana
Date : 13.08.2011**

**(Rajesh Kumar Dang)
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 Saturday, 24.09.2011 to Thursday, 29.09.2011 (both days inclusive).
3. The relevant details of Item Nos. 2 & 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.

MAJESTIC AUTO LIMITED

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.
11. The Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 dated April 21, 2011, has taken a "Green Initiative" by allowing paperless compliances by the companies to serve the requisite documents to its members vide e-mode, in pursuance to Section 53 of the Companies Act, 1956.

In case you wish to support your Company's concern to prevent global environment degradation, you are requested to please register your E-mail ID with your DP, if you hold the Company's shares in electronic form, under intimation to the Registrar & Transfer Agent through your registered E-mail ID. The Company proposes to send all shareholder communications, henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. However, if you hold the shares in physical form then you may register your E-mail ID with the Registrar & Transfer Agent of the Company by sending a letter under your Registered signature at the below mentioned address:-

M/s Alankit Assignment Limited

Corporate Office, Alankit House, 2E/21, Anarkali Market, Jhandewalan Extension, New Delhi-110 055.

Phones (011) 23541234, 42541234, Fax (011) 23552001, e-mail : rta@alankit.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO.5 OF THE SPECIAL BUSINESS:

Due to increase in operations at Company within its current locations and expanding to a new plant in Greater Noida, the Board of Directors decided to expand its management bandwidth by recruiting Mr. Aayush Munjal as Chief Technology Officer. He is Bachelor of Science in Computer Science from Washington University in St. Louis, USA, where his course work included classes in management, economics, marketing, accounting, and robotics. Since his graduation, Mr. Munjal had worked at Microsoft Corporation as a Software Development Engineer at its headquarters in Redmond, Washington, USA. At Microsoft he was involved in improving product quality, productivity, project management, response time and recruitment. Throughout his academic and professional career he has wide variety of experiences. Mr.Munjal's expertise will help in optimizing utilization of both technological and human resources of the company.

The Board of directors have approved on 11th April,2011, the appointment of Mr. Aayush Munjal who is son of Shri Mahesh Chander Munjal, the chairman cum managing director of the company and brother of Ms. Ashima Munjal, the director of the company as Chief Technology Officer of the company w.e.f. 1st June, 2011 at a monthly Salary of Rs.75000/- in the scale of Rs.75,000-15,000-1,20,000/- plus other allowances, perquisites and benefits as per company rules and as per the terms and conditions mentioned in the service agreement.

A copy of the service agreement entered into with Mr. Aayush Munjal is available for inspection for the members between 9.30 a.m. to 6 p.m. on any working day at the registered office of the company.

The Directors recommend the resolution for approval of shareholders.

MAJESTIC AUTO LIMITED

Memorandum of Interest:

None of the directors except Shri Mahesh Chander Munjal chairman and managing director and Ms. Ashima Munjal, the Director of the company, being the relative of the appointee, may be deemed to be concerned or interested in the proposed resolution.

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

Mr. Harjeet Singh Arora

Mr. Harjeet Singh Arora joined the Company on 27.01.2009. His qualification is FCA & FCS. He is having very rich experience in the field of corporate finance & financial services. After holding key positions in the corporate world, he ventured as freelance consultant for financial services in 1985. At present he is holding the membership of the Board/Committee(s) of the following Companies :

Prime Industries Limited Director Chairman - Shareholders'/Investors' Grievance Committee Member - Audit Committee	Master Commodity Services Limited Director H.K. Arora Real Estate Developers Limited Director Arora Financial Services Limited Director Master Projects (Pvt.) Limited Director Eminent Buildwell (Pvt.) Limited Director	Master Portfolio Services Ltd. Director Majestic Auto Limited Director M & M Auto Industries Limited Director Master Capital Services Limited Managing Director Master Trust Limited Managing Director
Master Insurance Brokers Limited Director Master Share & Stock Brokers Limited Director Master Infra.&Real Estate Developments Ltd Director		

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

Mr. Harjeet Singh Arora does not have any relationship with any Director of the Company.

Maj. Shavinder Singh Khosla

Maj. Shavinder Singh Khosla joined the Company on 28th January, 2010. He was born on September 12, 1934. He is Post Graduation in Business Administration. He is having very rich experience of more than 16 years in the field of financial services. After retiring from Army he has been involved in Financial Business career as an independent agent & financial adviser. He is Government of India qualified Financial Advisor. At present he is holding the membership of the Board/Committee(s) of the following Companies :

Majestic Auto Limited

Director

Chairman - Share Holder/Investors' Grievance Committee

Member - Audit Committee

Member - Remuneration Committee

Maj. Shavinder Singh Khosla does not hold any share of the Company (in his own name or on behalf of other person on a beneficial basis).

Maj. Shavinder Singh Khosla does not have any relationship with any Director of the Company.

MAJESTIC AUTO LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting to you the Thirty Eighth Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2011.

FINANCIAL RESULTS :

	Year ended 31.03.2011	(Rs.in lacs) Year ended 31.03.2010
Operational Income (Gross)	16951	14186
Profit before Depreciation and Financial charges	2487	3341
Less : Financial Charges	748	349
Depreciation	926	686
Net Profit Before Tax	813	2306
Less : Provision for Taxation		
- Deferred Tax	97	220
: Provision for Wealth Tax	7	7
Profit After Tax	709	2079
Less: Prior Year Expenses	1	8
Add : Prior Year Income	-	5
Add : Prior Years Tax Adjustments	1	4
Add : Balance Brought Forward	3656	1576
Profit Available for Appropriations	4365	3656
APPROPRIATIONS		
Balance carried to Balance Sheet	4365	3656
Basic and Diluted Earnings Per Share (Rs.)	6.82	20

OPERATIONS

During the year under report, your Company has registered turnover of Rs. 16951 lacs as compared to Rs. 14186 lacs in the previous financial year. The Company earned a net profit before tax of Rs.813 lacs as compared to a net profit before tax of Rs.2306 lacs in the previous financial year. During the year the company has enhanced its existing capacity in the electrical & other segments and during the year the total capital outlay was Rs.8712 lacs. The Funds requirements are being met by way of term loans and internal accruals. Due to the substantial capital out lay financial expenses have increased from Rs.349 lacs in the previous year to Rs.748 lacs in the current year and depreciation has also increased from Rs. 686 lacs to Rs. 926 lacs. The company is hopeful of receiving rich dividends from the present capital outlay in the forthcoming years.

DIVIDEND

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

MATERIAL CHANGES AND COMMITMENTS

The company has commenced the civil work at Greater Noida (U.P.) and it is proposed to shift its electrical segment operations to Greater Noida from its existing location at Ludhiana(Punjab). There were no other 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

Sh. Harjeet Singh Arora and Maj. Shavinder Singh Khosla, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. Sh. Vijay Munjal, the Director of the Company has resigned from directorship w.e.f. 14th May, 2011. The Board places on record its deep appreciation for his valuable contribution during his tenure.

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, 2011, the applicable accounting standards have been followed;
- That appropriate accounting policies have been selected and applied consistently and judgments 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, 2011 and of the net profit earned by the Company for financial year ended March 31, 2011 ;
- 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;
- That the annual accounts for the year ended March 31, 2011 have been prepared on a going concern basis.

MAJESTIC AUTO LIMITED

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.

HOLDING COMPANY

Consequent to the inter-se transfer of shareholding amongst the Promoters, Anadi Investments Private Limited has become the holding company of your company with effect from 31st March, 2011. The shareholding of Anadi Investments Private Limited in the Company is 77,57,688 equity shares of Rs. 10/- each equivalent to 74.61% of the paid up capital of the company as on 31st March 2011.

SUBSIDIARY COMPANY

The Company had one Wholly Owned Subsidiary namely Majestic IT Services Limited (MITSL), which is engaged in the business of providing a broad range of information and technology related services. MITSL has commenced its operations in the area of NCR Delhi. MITSL has yet to pick up its operations.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the provision of Section 212(8) of the Companies Act, 1956 the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement pursuant to Section 212 of the Companies Act, 1956 containing brief financial details of the Company's subsidiary for the financial year ended March 31, 2011 is included in the Annual Report. The annual accounts of the subsidiary and the related detailed information will be made available to any member of the Company/its subsidiary seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiary at the registered office of the Company and at the registered office of the subsidiary company. The Company shall furnish a copy of details of annual accounts of subsidiary to any member on demand. The Consolidated Financial Statements consolidating the financials of the Company and MITSL duly audited by the Statutory Auditors of the Company are published in this Annual Report.

LISTING

The shares of your Company are presently listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and the Annual Listing fees for the year 2011-2012 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.

PARTICULARS OF EMPLOYEES

None of the employees has received a salary of Rs.60.00 lac per annum or Rs. 5.00 lac per month or more during the financial year 2010-2011. Accordingly, no particulars of employees are to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011.

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) Rules, 1988 is annexed hereto as Annexure -III and forms an integral part of this report.

ENVIRONMENTAL & QUALITY MANAGEMENT

With implementation of the Environment Management System (EMS) ISO-14001:2004, the Company continues to pursue its endeavor to operate in harmony with the nature, conservation of natural resources and reduction in Global warming. The Company continues to maintain the ISO/TS:16949(2009) Quality Management Systems to ensure effectiveness of all functions.

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(1-B) 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. During the year the company has migrated to a new ERP system i.e. Oracle EBS 12.1 wherein stocks have been valued on "Moment Moving weighted average Basis" as against the "Monthly Moving Weighted average" for more appropriate and relevant presentation of the financial statements. The impact resulting from such change is not ascertainable due to huge volume of transactions.

PERSONNEL

As on March 31, 2011, the total number of employees on the records of the Company was 741. 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. Industrial relations were cordial throughout the year. 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
Date : 13.08.2011

(Mahesh Chandar Munjal)
Chairman & Managing Director

MAJESTIC AUTO LIMITED

ANNEXURE - I TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

i) INDUSTRY STRUCTURE AND DEVELOPMENT

The Company is mainly engaged in the manufacture of Silencers, Fine Blanking components, Bicycle spokes and Electric motors. The motorcycle industry continues to dominate the structure of the Two Wheeler Industry. The company being the supplier of motorcycle silencers to Hero MotoCorp Limited world's largest Two Wheeler Company, is hopeful to get benefit from the growth of this market leader of the industry. The Indian consumer goods industry is also expected to provide significant growth opportunities.

The economy in general is susceptible to possible changes in fiscal, monetary and economic policies of the government especially with regard to fuel, power and freight costs as well as infrastructure.

ii) OPPORTUNITIES AND THREATS

The Indian Economy registered improved growth and was amongst the better performers amid emerging market economies. We expect two wheelers demand to remain robust, given strong off take in both rural and urban areas. The higher disposable income, easy finance options are driving well both auto and consumer goods segment. The company has facilities for tool design and tool making which enables the company to meet-up the expectations of the automobile manufacturers in the country by supplying high quality Fine Blanking components on schedule.

However, continuing uncertainty about energy and commodity prices may vitiate the investment climate, posing a threat to the current growth trajectory. Inflation remains a challenge for the Indian Economy and the key risks are tighter monetary conditions and rising prices eating into the consumer's disposable income.

Although intense competitive pressures and interest rates remains an area of concern at all times, the company is hopeful of being able to continuously achieve good results by strengthening its operations.

iii) SEGMENT / PRODUCT-WISE PERFORMANCE

SILENCER AND COMPONENTS THEREOF

The turnover of Mufflers has increased by 20.64% from Rs. 7518 lacs during the previous year to Rs.9070 lacs during the current year.

FINE BLANKING COMPONENTS

The turnover of Fine Blanking Components has increased by 27.26% from Rs.1592 lacs during the year 2009-10 to Rs. 2026 lacs during the year 2010-11.

ELECTRICALS

The turnover / Income from operations of Electricals has increased by 3.17% from Rs. 2241 lacs during the previous year to Rs.2312 lacs during the current year.

iv) FUTURE OUTLOOK, RISKS AND CONCERNS

We look forward to the future with optimism as we execute our growth plans. Your Company has been steadily growing in volumes. We expect that its decision to shift its electrical business to the new location at Greater Noida will have locational and logistical advantages. Our efforts in improving process-efficiency will enable us to improve profitability, sustain growth, and stay competitive. We are exploring various methods of increasing the range of our product offerings in the Electrical division in order to cater to market demand and this will be a new focus area for us. Your company intends to become pioneer in its line of business and its main thrust is to meet the requirements of existing and potential customers in a timely manner. As the company's growth is primarily determined by overall growth of Automotive & Consumer goods industry, the risk of any adverse development in these industries may affect your company's performance.

After having recorded a strong double-digit volume growth over the last two years, the auto and auto components industry may face strong headwinds in 2011-12 leading to moderation in growth contributed by firming up of commodity prices, rising fuel costs and interest rates.

v) THE INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal control so as to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. An extensive programme of internal audits and management reviews supplement the process of internal control. 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 formed an Audit Committee, comprising of three Non Executive Independent Directors and one Non Executive Director, which interacts with Statutory Auditors, Internal 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 four times during the year ended March 31, 2011 in this regard.

vi) 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) prevalent in India. The Company has complied with the requirements of all mandatory accounting standards. The detailed financial performance has already been discussed in the Directors' Report.

vii) HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company had good and cordial relations with its work force during the year under review. The Company has forward looking human resources policies. The Company also actively encourages and provides regular training to its work force in order to ensure that their skills are updated. A separate technical training Cell has been created to look after the technical training needs within the organization. As at the close of the year as on 31.3.2011, 741 employees were on the roll of the Company.

viii) 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 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.

Corporate Governance primarily involves transparency, full disclosure, independent monitoring the state of affairs and being fair to all stake holders. Your Company 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, adequate steps have been taken to ensure that all 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 two third of the Directors being non-executive independent Directors. 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 Four Board Meetings were held on May 26, 2010, August 14, 2010, November 8, 2010 and February 14, 2011 during the Accounting Year ended March 31, 2011. 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 Composition of the Board of Directors and Directors attendance at the Board Meetings and last annual general meeting of the Company and the details of directors of the Company having directorship in other companies, membership / Chairmanship of Committees across all companies in which they are directors during the financial year 2010-11 are given below :

Name of the Director	No. of Board meetings attended	Attendance at Last AGM	Total number of Committee Membership held (excluding Private Companies)	Total number of Committee Chairmanship held (excluding Private Companies)	Number of other Directorship held (excluding Private Companies)
Executive					
Mr. Mahesh Chander Munjal (Managing Director)	4	Yes	1	-	4
Non-Executive					
Ms. Ashima Munjal	3	Yes	2	-	2
Mr. O. P. Munjal*	1	No	-	-	-
Mr. Vijay Munjal#	1	No	-	-	-
Mr. Suman Kant Munjal*	-	No	-	-	-
Non-Executive and Independent					
Mr. G.P. Sood	4	Yes	6	4	1
Dr. M. A. Zahir	4	Yes	10	3	10
Mr. Harjeet Singh Arora	2	Yes	2	1	11
Maj. Shavinder Singh Khosla	4	Yes	3	1	-

Sh. O.P. Munjal, is the Promoter of the Company. Sh. Mahesh Chander Munjal, Sh. Suman Kant Munjal and Sh. Vijay Munjal are brother's son of Sh. O.P. Munjal and are cousin brothers among themselves. Independent Directors have no relationship with other Directors of the Company. Ms. Ashima Munjal is daughter of Mr. Mahesh Chander Munjal the Chairman and Managing Director of the Company.

* Mr. O.P. Munjal & Mr. Suman Kant Munjal have resigned from the Board w.e.f. 27th May, 2010.

Mr. Vijay Munjal has resigned from the Board w.e.f. 14th May, 2011.

Chairmanships/Memberships of Board Committees include only Audit and Shareholders/Investors Grievance Committees.

- B. There is no pecuniary relationship or transaction of the non-executive directors vis-a-vis the Company. The non-executive directors are paid sitting fees for attending the Board and committee meetings.
- C. None of the present Directors hold any shares (in his own name or on behalf of other person on beneficial basis) in the Company except Mr. Mahesh Chander Munjal, who is holding 40421 equity shares of the Company.

MAJESTIC AUTO LIMITED

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). The information as required to be placed before the Board in terms of Clause 49 of the Listing Agreement is placed before the Board.

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-IV.

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

In the Current Accounting Year ended 31st March, 2011, four meetings of Audit committee were held on May 26, 2010, August 14, 2010, November 8, 2010 and February 14, 2011. The Composition of the Audit Committee and attendance record of members of the Audit Committee for the financial year 2010-11 is as under:

Name of the Director	Category	No. of Audit Committee Meetings Attended
Mr. G. P. Sood (Chairman)	(Non - Executive and Independent Director)	4
Mr. Suman Kant Munjal*	(Non - Executive Director)	-
Dr. M. A. Zahir**	(Non - Executive and Independent Director)	1
Maj. Shavinder Singh Khosla	(Non - Executive and Independent Director)	4
Ms. Ashima Munjal#	(Non - Executive Director)	2

* Mr. Suman Kant Munjal has resigned from the Board w.e.f. 27th May, 2010.

** Dr. M.A. Zahir has been appointed as member of the Audit Committee w.e.f. 8th November, 2010.

Ms. Ashima Munjal has been appointed as member w.e.f. 14th August, 2010.

The Company Secretary acts as the Secretary of the Audit Committee. The Managing Director, Finance Head, Internal Auditors, and Statutory Auditors attend the Audit Committee meetings.

The genesis of Majestic Auto Limited's Audit Committee can be traced back to the Audit Sub-Committee, constituted in 1994. Since then it has been dealing with matters prescribed by the Board of Directors on a case by case basis. The nomenclature, constitution and terms of reference of the Committee were revised on January 30, 2001 and an Audit Committee was set up as per the provisions of the Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement of the Stock Exchange(s). As on March 31, 2011, the Committee had three Non-Executive Independent Directors and one Non-Executive Director in accordance with the prescribed guidelines. All the members have sound knowledge in the field of finance, accounting and law. The "terms of reference" of the Audit Committee included the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications, if any, in the draft audit report.

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- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function including the appointment of internal auditors, reporting structure, coverage and frequency of internal audit.
- Reviewing reports furnished by the internal auditors, discussion with Internal Auditors on any significant findings and ensuring follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- Discussing with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Compliance with Stock Exchange and legal requirements concerning financial statements.
- Directors' Overseas Travelling expenses.
- Review of Foreign Exchange exposure.
- Reviewing the Company's financial and risk management policies.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

PRESENTATION BEFORE AUDIT COMMITTEE (WHEN EVER NECESSARY)

- A statement in summary form of transactions with related parties in the ordinary course of business.
- Details of material individual transactions with related parties which are not in the normal course of business.
- Details of material individual transactions with related parties or others which are not on arm's length basis alongwith management's justification for the same.

IV. Remuneration Committee

The Composition of the remuneration Committee as on 31.03.2011 is as under:

Mr. G.P. Sood	Chairman	Non-Executive and Independent Director
Maj. Shavinder Singh Khosla	Member	Non-Executive and Independent Director
Dr. M.A. Zahir	Member	Non-Executive and Independent Director

A Remuneration Committee as per the guidelines set out in the Listing Agreement was set up on 29.01.2002 to review and recommend the payment of salaries, commission, execution of service agreements and other employment conditions for Executive Director(s) / Managing Director(s). The Committee while approving the remuneration takes into account, financial position of the Company, trend in the Industry, appointee's qualification, experience, past performance, past remuneration etc. and brings about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders. All the members of the Committee are Non-executive Independent Directors. The members of the Committee are persons of repute and have sound knowledge of management practices. During this financial year, no meeting of the committee was held. The power and role of the Remuneration Committee is as per guidelines set out in the listing agreement.

REMUNERATION POLICY:

The Managing Director is paid remuneration recommended by remuneration committee and approved by the Board of Directors. In the Board Meeting, the remuneration (subject to the subsequent approval by the shareholders at the general meeting and such other authorities as the case may be) is fixed by the Non-Executive Directors. Executive / Interested Directors do not participate in the discussion / voting in the meeting. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the corporate world, financial position of the Company etc. The remuneration structure comprises of basic salary, perquisites and allowances, contribution to provident fund and other funds. Besides that, there is a provision for payment of fixed commission @ 1% of net profit computed in accordance with Section 198 of the Companies Act, 1956.

In the event of loss or inadequacy of profits in any financial year during the currency of the tenure of Managing Director, the payment of salary, perquisites and other allowances is restricted to the amount as per terms of Section II of Part II of Schedule XIII to the Companies Act, 1956 as minimum remuneration.

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees of Rs.7500/- for each meeting of the Board and Committees thereof attended by them.

The Remuneration Committee fixes the remuneration as per the guidelines set out by the Central Government/ Listing Agreement, from time to time. The details of remuneration paid / provided to Directors are furnished below: