

MUNJAL AUTO

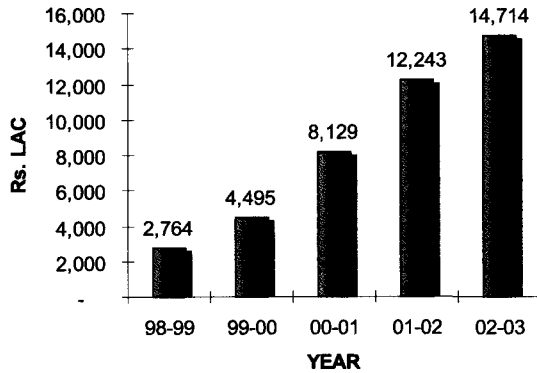
18th Annual Report & Accounts 2002-03



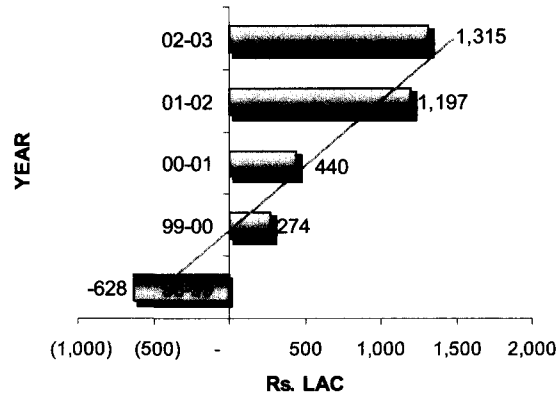
Munjali Auto Industries Limited

PERFORMANCE AT A GLANCE

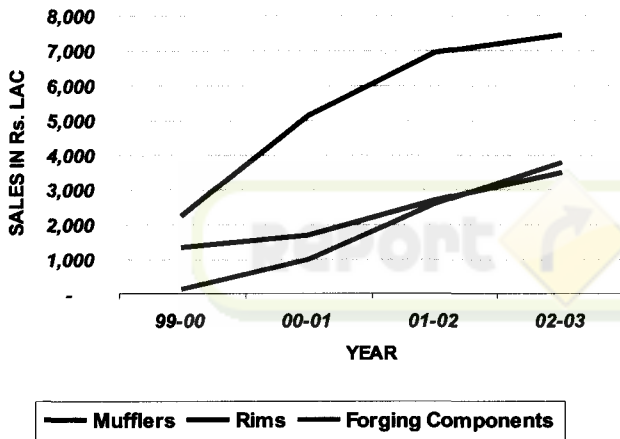
TOPLINE GROWTH



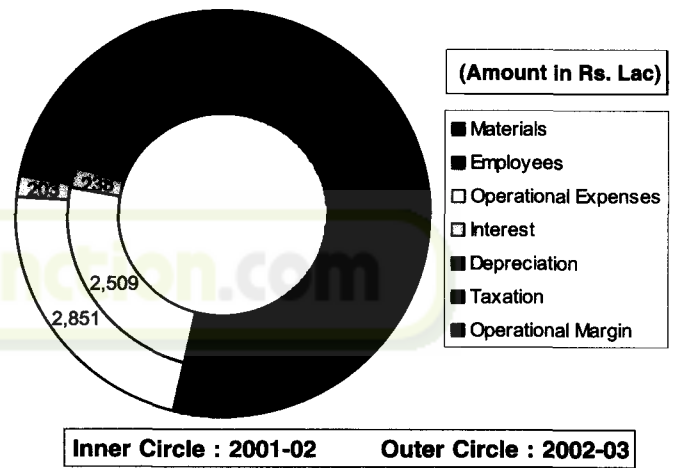
PAT GROWTH



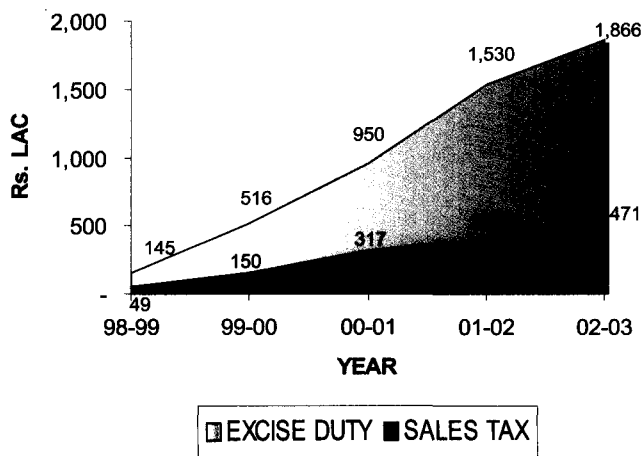
PRODUCT MIX



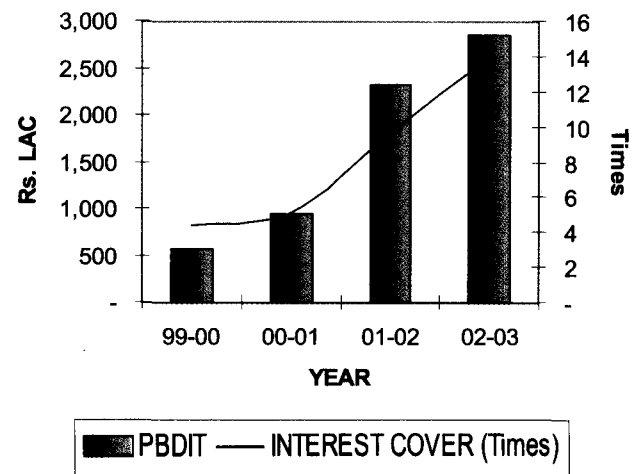
ALLOCATION OF INCOME



CONTRIBUTION TO EXCHEQUER



PBDIT & INTEREST COVER



BOARD OF DIRECTORS**CHAIRMAN**

Satyanand Munjal

MANAGING DIRECTOR

Sudhir Munjal

WHOLE-TIME DIRECTORS

Anju Munjal

Neeraj Munjal

DIRECTORS

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Vikram Shah

Naresh Chawla

Mahendra Sanghvi

S. N. Mathur, *BIFR Appointee (Upto January 21, 2003)***FINANCE TEAM**Ravi Sharma, *AGM - Finance*Sameer Kumar, *Sr. Manager - Finance***COMPANY SECRETARY**

Alok Nidhi Gupta

AUDITORS

Vakil Jain & Hindocha

Chartered Accountants

Vadodara

BANKERS

State Bank of India

Punjab National Bank

REGISTERED OFFICE

187, GIDC Estate

Waghodia - 391 760

Dist. : Vadodara (Gujarat)

WORKS**Waghodia Unit**

187, GIDC Estate

Waghodia - 391 760

Dist. : Vadodara (Gujarat)

Binola Unit

Munjhal Auto Components

58 KM Stone

Delhi-Jaipur Highway

Village : Binola - 122 413

Dist. : Gurgaon (Haryana)

CONTENTS

Directors' Report	2
Annexure I to Directors' Report	4
Annexure II to Directors' Report	6
Annexure III to Directors' Report	7
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Cash Flow Statement	12
Schedule to Balance Sheet	14
Schedules to Profit & Loss Account	18
Notes on Accounts	20
Balance Sheet Abstract & General Business Profile	27
Report on Corporate Governance	28



DIRECTORS' REPORT

Your Directors have pleasure in submitting the Eighteenth Annual Report on the business and operations of your Company together with the Annual Accounts for the year ended March 31, 2003:

Financial Results	2002-03 Rs. Lac.	2001-02 Rs. Lac.
Sales & Other Income	14,765.08	12,397.50
Profit before Depreciation and Interest	3,032.73	2,503.25
Depreciation	572.83	421.63
Interest	203.41	238.92
Profit before Taxation	2,256.49	1,842.70
Provision for Taxation (Deferred & Current)	941.87	645.55
Profit after Taxation	1,314.62	1,197.15
Prior Period Expenditure	(8.77)	3.42
Profit After Prior Period Expenditure	1,323.39	1,193.73
Deferred Tax Assets at the Beginning of the Year	-	1,077.49
Transfer from Capital Reserve	25.50	-
Profit available for appropriations	1,348.89	2,271.22
Appropriations		
Transfer to Capital Redemption Reserve	380.35	-
Proposed Dividend		
- On Preference Shares (Including Arrears of Dividend)	-	308.09
- On Equity Shares	400.00	-
Tax on Dividend	51.25	-
Transfer to General Reserve	99.25	-
Profit after Appropriation	418.04	1,963.13

Dividend

Directors are pleased to recommend a maiden dividend of 20% on equity shares of the Company for the year 2002-03. The dividend, if approved by the Members at the Annual General Meeting, would absorb Rs. 451.25 lac (inclusive of corporate dividend tax of Rs. 51.25 lac) out of the profits available for the year.

Performance

The performance of your Company during the year 2002-03 has registered further improvement over the previous year. Sales during the year grew by 20.18% from Rs. 122.43 crore in 2001-02 to Rs. 147.14 crore in 2002-03. Profit Before Tax (PBT) has shown an increase of 22.46% at Rs. 22.56 crore over previous year's Rs. 18.42 crore. Profit After Tax (PAT) also witnessed an increase of 10.86% from Rs. 11.94 crore in 2001-02 to Rs. 13.23 crore 2002-03. This continual improvement in the performance of your Company could mainly be attributed to the healthy growth of motorcycle segment within two wheeler industry in the country. Higher capacity utilization especially at Binola unit, ongoing emphasis on productivity and efficiency improvement in all areas of operations at both Waghodia and Binola units, coupled with cost containment measures and better utilization of resources - that have kept the interest cost under control - have helped the Company to stay competitive and maintain a healthy growth in operations and profitability over the last few years.

Redemption of Preference Shares

During the year under review, the Company redeemed 380,351 nos. of 13.5% Cumulative Redeemable Preference Shares of Rs. 100/- each by exercising the call option available as per the terms of their issue.

Your Company - Out of Purview of BIFR

Directors take immense pleasure in informing that consequent upon the net worth of the Company becoming positive at the end of financial year 2001-02 and satisfactory implementation of the Rehabilitation Scheme, it is now out of the purview of BIFR. The Hon'ble BIFR Vide its Order dated January 21, 2003 declared that Company had ceased to be a sick industrial company within the meaning of Section 3(1)(o) of the SICA, 1985.

Board of Directors

Mr. S. N. Mathur ceased to be a Director on the Board of the Company following the Order of the Hon'ble BIFR on January 21, 2003. The Directors acknowledge the services rendered by him during his tenure on the Board.

Mr. Om Prakash Munjal, Mr. Vijay Munjal and Mr. Naresh Chawla, retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment, which your Directors recommend.

The present term of Mr. Sudhir Munjal as a Managing Director of the Company is expiring on October 29, 2003. It would be worthwhile to mention here that it is primarily the efforts of Mr. Sudhir Munjal that have helped transform operations of the Company from bicycle manufacturing to auto components manufacturing. He also steered a successful turnaround of the Company in the year 1999-2000. Directors feel his continuance as a Managing Director of the Company is desirable and hence commend his reappointment for a further term of five years. An appropriate resolution to that end is set out at item no. 7 of the accompanying Notice of the Annual General Meeting.

Quality Accreditations

Both Waghodia & Binola units of the Company continue to be accredited with QS-9000 certifications confirming Company's commitment to the cause of quality management. The involvement of Company's employees at all levels to achieve Total Productivity Maintenance by formation of cross-functional teams to improve overall effectiveness of machines, equipments and processes within their areas of working, to achieve zero defects, zero breakdown and to lay emphasis on cost reduction, wherever possible, are all producing excellent results. The involvement and enthusiasm of all the workers / employees of the Company has resulted in the overall improvement in efficiency, productivity and work culture. Further, adoption / inculcation of concepts like *Kaizens*, *Gemba Kaizen*, *Jishu hozen* etc. in work practices have come very handy in this process.

Presently, Waghodia Unit of the Company is in process to upgrade the quality systems of the Company from ISO 9002 & QS 9000 to TS 16949.

Finance & Accounts and Capital Expenditure

Your Company has restructured its term liabilities in the past and also repaid / refinanced high interest bearing term debts. This has resulted in lowering the overall interest cost. Capital expenditure incurred during the year 2002-03 aggregated to Rs. 14.15 crore.

Management Discussion and Analysis

In terms of Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report is appended as *Annexure 'I'* of this report.

Corporate Governance

Your Company always strives to incorporate the appropriate standard for good corporate governance. As a listed company, necessary measures are taken and systems put in place to comply with the Listing Agreement with the Stock Exchanges.

A separate Report on Corporate Governance along with a Certificate of compliances from the Auditors forms part of this Report.

Directors' Responsibility Statement

Statement under Sub-section (2AA) of Section 217 of Companies Act, 1956 in preparation of the Annual Accounts:

- i) applicable Accounting Standards have been followed and wherever required, proper explanations relating to material departures have been given.
- ii) directors have selected such Accounting Policies, applied them consistently and made judgment / estimates as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and its profit for that period.
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) accounts have been prepared on a going concern basis.

Auditors

M/s. Vakil Jain & Hindocha, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Environmental Compliance

The Company has formulated a comprehensive safety, health and environment policy to ensure safe & clean environment at its plants located at Waghodia and Binola. Company is in the process of obtaining ISO 14001, which is a certification for the Environment Management System. The Company is conscious of the need to integrate environment friendly measures and cleaner production methods in its business processes and practices to achieve better efficiency and improved environmental performance.

Apart from receiving necessary environmental consents / approvals for air, water and hazardous waste discharge from the respective Pollution Control Boards for its Waghodia and Binola units, the Company is conscious of its responsibilities to maintain cleaner environment in and around the areas of its operations and accordingly, its effluents and waste are treated properly and

monitored on an ongoing basis before safely disposing them off in conformity with the environmental regulations prescribed by the statutory authorities. Some of the major initiatives / measures taken by the Company during the year under review are enumerated below:

Waghodia Unit

- Improved dust collection and treatment system introduced in Polishing Section has improved the quality of air in that area and thereby enhanced the work environment and also the machines' life.
- Due care is taken in selection of equipments, planning of layout and segregation of kitchen area while commissioning a new canteen as a part of the welfare measure during the year. This has not only ensured good aesthetic but is also enabling in maintaining good hygiene, cleanliness and provide a pleasant environment to all the employees who regularly take their meals at the new canteen.

Binola Unit

- As water is an important resource, at this unit, the Company has begun the rainwater harvesting initiatives. Roof top area of the plant is covered for rainwater harvesting by installing a unit that meets with the requirements of water inside the plant and is also charged into the ground to improve the water table in the area.
- Effluent generation in phosphating plant is checked / monitored regularly and treated efficaciously in the effluent treatment plant before the effluents are discharged safely.

Energy, Technology & Foreign Exchange

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the *Annexure 'II'* that forms part of this Report.

Particulars of Employees

The statement under Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this Directors' Report is given in *Annexure 'III'*.

Industrial Relations

Industrial relations at both Waghodia and Binola plants continued to remain cordial. Employees of the Company at all levels have been putting dedicated efforts and showing commendable commitment and contribution to ensure high level performance and healthy growth of the operations of the Company in the last couple of years, including the year under reference.

Acknowledgements

The Directors place on record their appreciation of the contribution of employees at all levels, customers, suppliers, bankers and all other stakeholders towards the performance of the Company during the year under review.

Waghodia
July 30, 2003

By Order of the Board of Directors
Satyanand Munjal
Chairman



ANNEXURE 'I' TO DIRECTORS' REPORT

Management Discussion and Analysis Report

Auto Components Industry has come of an age and now forms an important constituent of the Indian economy. Overall, Industrial sector has performed well in the year 2002-03, registering a growth of 6% over the previous year and the auto component sector has grown even more impressively notching up a double digit growth. More interestingly, the Indian auto component industry has captured the attention of and business from leading auto makers of the world. Strong export demand, a development of the last few years along with a robust growth in the automobiles within the country - both in two wheelers and four wheelers segments - have developed buoyant conditions in the auto component industry.

Industry Structure and Development

As you are aware, your Company's prospects are closely linked with and aligned to the scenario of two-wheeler industry and in particular motorcycles. Compound annual rate of growth (CAGR) achieved in the decade between 1994 and 2003 by two wheeler industry in India is indeed impressive but the growth of motorcycles during the same period at the rate of 42% per year is amazing and explosive.

Your Company's turnaround, as reported last year, can be attributed to the change in focus of business from bicycle manufacturing to auto component manufacturing in the year 1999. This watershed development in the history of the Company has occurred during the exponential growth phase of two wheeler industry. This has enabled the Company erase its poor financials of the past and achieve a sustained improvement in its operations and the resultant profitability.

Opportunities and Threats

Given the critical role of motorcycles in the development of your Company, it is essential to assess what opportunities and threats confront the Company. Being an ancillary to an industry leader Hero Honda Motors Limited (HHML) is a great opportunity to the Company to closely align its operations and systems to that of the said company. As HHML continues to stride the Indian market of motorcycles, the volume of business for the Company continues to be healthy. However, there are signs of fatigue in the ramped up growth of two-wheeler market in India, caused in part by the poor monsoons and lower farm incomes of rural India. This impacted the volumes in last quarter of the year 2002-03. Plus the ever-intensifying competition in the industry is already straining the margins and putting pressure on price realization on all components and ancillary manufacturers. Thus the opportunities for more business in the near future will have to factor principally the continuing pressure on the prices of the components. Company is geared up to face challenges in future with ongoing emphasis at both the plants on Total Productivity Management (TPM) and continuing cost containment and rationalization measures.

Segment wise Performance

During the year, the Company continued to manufacture sheet metal and forging components at its plants located at Waghodia and Binola respectively. The details of contribution made / developments taking place at both the plants are mentioned hereunder:

Sheet Metal Components

The Waghodia unit continues to put its renewed focus in sheet metal components mainly all kinds of mufflers and rims for motorcycles by utilizing its modern infrastructural set up, which includes well-equipped plating as well as painting facilities. During the year, the unit had developed new variants of mufflers for the motorcycles as per the specifications of the customer. It is able to develop, at a short notice, mufflers and rims to cater to the requirement of new models of motorcycles of Hero Honda. During the year under review, sales of Waghodia unit grew by 13.28% from Rs. 9,652 lac in the previous year to Rs. 10,933 lac.

Forging Components

The expansion carried out during the year under review has enabled the unit ramp up operations to meet with the growing demand of Hero Honda to supply gear blanks for its motorcycles. Further expansion of the unit is underway that would entail Rs. 1,700 lac for procuring state-of-the-art machinery, which would enhance the capability of the unit to supply the gear blanks in finished forms to its customer. The gains of all round improvements in operations and capacity were evident as the unit contributed Rs. 3,781 lac to the total turnover of the Company as against Rs. 2,592 lac achieved in the previous year reflecting an impressive increase of 45.87%.

Outlook

Whilst your Company has expanded its operations in the last few years by successfully transforming its business activities to manufacture auto components, the operational and financial parameters have kept pace with the growth due to its emphasis on Total Productivity Maintenance. But being an auto component manufacturer primarily for the two-wheeler, growth of your Company in the years to come would largely depend on the growth of two-wheeler industry and in particular the motorcycle segment of the industry. As per the current market trends and available indications, the growth in sales of motorcycles is expected to be healthy, although it may not be as spectacular as seen in the last few years. Your Company is also exploring opportunities to develop and widen its customer base beyond the two-wheeler industry.

The Company's consistent focus has always been to understand the requirements of its customer. Considering this, a further

ANNEXURE 'I' TO DIRECTORS' REPORT (Continued)

expansion of Binola unit with an outlay of Rs. 1,700 lac is underway. This expansion would enable the Company to supply the gears with value added activities i.e. finishing the gears. The Company is able to develop and adapt quickly sheet metal components at Waghodia to be attuned to the needs of new models of motorcycles.

In the backdrop of above and Company's ongoing efforts on cost reduction, productivity and efficiency improvements in all areas of operations, that should help the Company stay in good stead to continue growing at a healthy rate in the years to come.

Risks and Concerns

The Company operates in the economic environment, where any slowdown in the economy would have its impact on the new business opportunities for the Company and consequently on its growth. The growing competition in the motorcycle segment of two-wheeler industry could further squeeze margins in future.

The Company's growth plans are likely to be hampered by any major change in external environment that could adversely impact the two-wheeler industry, like government policies, change in duty / tax structure, reduction in disposable income of the middle class segment of the population in India etc. Continuing initiatives in cost containment and observance of sound financial discipline would retain Company's preparedness to combat such risks / concerns and minimize / soften their impact.

Internal Controls and Adequacy

The Company has an adequate system of internal controls commensurate with the size and nature of business of the Company to ensure adequate protection of the Company's resources, provision of accurate and timely financial statements and reports, compliance with the Company policies and procedures and legal obligations.

The Company has an Audit Committee comprising four non-executive directors with majority of independent directors, who meet periodically with the management, Internal Auditors and Statutory Auditors to review the Reports of Internal Audit and the internal control systems.

Both Waghodia and Binola units of the Company have implemented first phase of BaaN ERP system, which have brought improvement in business processes and efficiency levels. The information systems solutions are being continuously enhanced to a comprehensive MIS reporting system, documented processes and authority structure within and across the functional areas / divisions in the Company. Policies and procedures on commercial, safety and environment matters are in place and regularly reviewed / updated.

Financial Performance

The total sales for the year ended March 31, 2003 increased to Rs. 14,714 lac as against Rs. 12,243 lac in the previous year registering a growth of 20.18%. The Profit Before Tax (PBT) for the year 2002-03 grew by 22.46% from Rs. 1,843 Lac in the previous year to Rs. 2,256 lac. The Profit After Tax (PAT) witnessed an increase of 10.86% from Rs. 1,194 lac to Rs. 1,323 lac. The better utilization of financial resources has resulted into reduction in interest cost from Rs. 238.92 lac in 2001-02 to Rs. 203.41 lac on enhanced level of operations in 2002-03.

Human Resources / Industrial Relations

Human Resource is the Company's most valuable asset. Every initiative, every improvement, every strength is the result of the aggregate people strengths within the organization. The performance of the Company depends on the creativity, motivation and initiatives of the individuals. Individuals are instrumental in bringing about the improvements in the manufacturing process thereby reducing operating costs and maximizing gains. In 2002-03, the Company embarked on creating a mindset amongst the employees at all levels to suggest improvements, howsoever small these may be, at all fronts, which we name them *kaizen* - a Japanese word. The key objective in promoting *kaizen* activities in the organization is to empower employees to think like leaders by providing them with a platform to communicate their ideas. It helped harness their latent potential that has helped the Company reduce costs, increase productivity and the resultant increase in profitability. The employees are being motivated and rewarded for their active involvement in bringing forth new ideas to inculcate a sense of belonging and being part of the implementation process. During the year under review, as many as 2487 *kaizens* were received and implemented by all levels of employees.

The training needs of employees at all levels are identified in order to develop and enhance the skills of the employees. During the year under review, various training programs were organized by inviting outside agencies / professionals and also in-house training programs, which were conducted by the department heads according to the training needs and relevance of certain skills. The main focus of training was concept of multi-skilling to optimize manpower, enhance skill sets and to facilitate cross-functional development.

As on March 31, 2003, the total number of persons employed in the Company was 1053.

Cautionary Statement

Statements / averments made in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forwarded looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.



ANNEXURE 'II' TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988.

1. Conservation of Energy

Conservation of energy continues to be one of the important objectives of the Company, particularly, in the processes of manufacturing. Various steps to reduce consumption of power, fuel, oil and other energy resources were taken during the year to improve power factor and indoor shop lighting etc. Some of the specific measures / steps in this direction include:

A) Waghodia Unit

- Benefits out of actions taken last year in improving the power factor by automation of control capacitor panel are continuing.
- The machinery / equipments are run at optimal level to conserve the resources like materials, consumables, power etc., keeping in mind the varying levels of production to suit the customers' demand.
- Conventional lighting system in the factory area is being replaced by Energy Efficient Lighting System in phases.
- The conveyor jigging was modified for externally painted mufflers, which improved the utilization of paint shop / oven baking. This improved utilization has resulted in savings of LPG consumption by 30%.

B) Binola Unit

- Direct cooling chambers have been installed using the components heat during forging operation for normalizing process. This control cooling has eliminated the extra heat requirement for normalizing the components in forging process.
- A mix of generators of varying capacities operated / connected with the machines in accordance with their power requirements continues to yield optimized power consumption. The power requirement of Binola Plant is still met with generators of different capacities only.
- Installation of reactive capacitor panels to take care of kick loads of presses resulting into optimum utilization of generator output.
- Use of Superior LDO in place of conventional High Speed Diesel for operating power generators is cost effective because it reduces the per unit cost of power generation.
- Tests are being carried out to use microprocessor based motor controller for high kilowatts motors to save energy cost by 10 to 15%.

2. Technology Absorption, Adaptation and innovation

The Company does not have a separate Research & Development department. However, at both the plants, the Company is having quality assurance departments equipped with sophisticated instruments and a close monitoring process to seek improvement in the thrust area of quality.

The following measures were adopted at Waghodia unit during the year under review:

- Capacity of muffler electroplating plant was increased by 7% by modifying the jigs.
- New technology of surface treatment, by tempering of stainless steel, introduced during the year was fully absorbed.
- Nickel shearing arrangement has been established, which has resulted into reduction of effective landed sheared cost.
- 'Single piece flow' of material has been introduced in the muffler line resulting into drastic reduction in work-in-progress from average 40 components per station to 3 components per station.

The Binola plant has absorbed the cold and warm forging technology from Japan to produce near net shape components with least machining. This technology is state-of-the-art and at par with the technology employed for forging components in advanced countries. In-house Tool Room facilities are also being used for developing new tools for the manufacture of new components by using innovative methods, resulting into substantial foreign exchange as well as cost savings.

3. Foreign Exchange Earnings and outgo

(Amount in Rs. Lac)

	2002-03	2001-02
(a) Total Foreign Exchange Earnings	-	3.11
(b) Total Foreign Exchange Outgo	794.28	648.00

ANNEXURE 'III' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Sl No	Name and Qualification	Designation	Remuneration (In Rs.)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1.	Mr. Sudhir Munjal B.A.	Managing Director	6,408,000	33	57	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Ms. Anju Munjal B.A.	Whole-time Director	3,570,745	17	53	01.01.1995	Munjal Auto Industries Ltd. Chief Executive
3	Mr. Neeraj Munjal B.Com., DIBM	Whole-time Director	3,545,305	13	36	01.02.2000	Hero Exports Chief Executive

Notes:

- Information has been furnished on the basis of employees employed throughout the financial year, who were in receipt of remuneration for the year which, in aggregate was not less than Rs. 2,400,000/- (Rupees Twenty Four Lac).
- Remuneration includes salary, allowances, commission and expenditure incurred on perquisites and Company's contribution to provident fund and other funds.
- All the above appointments are on contractual basis.
- Mr. Sudhir Munjal, Managing Director and Ms. Anju Munjal, Whole-time Director are related to each other and Mr. Satyanand Munjal, Chairman of the Company. Mr. Neeraj Munjal, Whole-time Director is related to Mr. Satyanand Munjal.



AUDITORS' REPORT

TO
THE MEMBERS OF
MUNJAL AUTO INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **MUNJAL AUTO INDUSTRIES LIMITED** as at 31st March, 2003, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;

- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Vakil Jain & Hindocha
Chartered Accountants

Vadodara
June 28, 2003

Narendra Hindocha
Partner