

MUNJAL AUTO

24th Annual Report & Accounts 2008-09

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Munjral Auto Industries Limited

BOARD OF DIRECTORS**CHAIRMAN**

Satyanand Munjal

MANAGING DIRECTOR

Sudhir Munjal

WHOLE TIME DIRECTOR

Anju Munjal

DIRECTORS

Brijmohan Lal Munjal

Om Prakash Munjal

Vijay Munjal

Vikram Shah

Naresh Chawla

Mahendra Sanghvi

Ramkisan Devidayal

Sudesh Kumar Duggal

Jal Ratanshaw Patel

FINANCE TEAM

S. K. Sharma, GM – Finance

Sambit Dash, Company Secretary

AUDITORS

Vakil Jain & Hindocha

Chartered Accountants

38, Gautam Nagar, Race Course,

Vadodara - 390 007

PRINCIPAL BANKERS

State Bank of India

IDBI Limited

HDFC Bank Limited

ABN AMRO Bank N. V.

REGISTERED OFFICE & PLANT

187, GIDC Industrial Estate,

Waghodia - 391 760.

Dist.: Vadodara (Gujarat)

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DIRECTORS' REPORT

To the members,

Your Directors have pleasure in presenting the 24th Annual Report along with the Balance Sheet and Profit and Loss Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

(Amounts in Rs. Lac)

Year ended March 31,	2009	2008
Sales & Other Income	27892.53	26219.16
Profit before Depreciation and Interest	2242.52	2,103.58
Depreciation	587.82	502.18
Interest	58.10	65.93
Profit before Taxation	1596.60	1,535.47
Provision for Taxation (Deferred & Current)	487.85	498.72
Profit after Taxation	1108.75	1,036.75
Prior Period Expenditure	(16.51)	21.14
Profit available for appropriations	1125.26	1,015.61
Appropriations		
Proposed Dividend on Equity Shares	250.00	150.00
Tax on Dividend	42.49	25.49
Transfer to General Reserve	112.53	50.78
Profit after Appropriation	720.24	789.34

DIVIDEND

Directors are pleased to recommend a dividend of 25 % i.e. Rs. 2.50 on equity shares of Rs. 10/- each for the fiscal 2009. The dividend, if approved by the Members in the ensuing Annual General Meeting, would absorb Rs. 292.49 lacs (inclusive of corporate dividend tax of Rs. 42.49 lacs) out of the profits available for the year.

The Register of Members and Share Transfer Books will remain closed from August 24, 2009 to August 29, 2009 (both days inclusive).

ECONOMIC SCENARIO

The growth rate of the Indian economy decelerated in 2008-09 to 6.7%. This represents a decline of 2.1% from the average growth rate of 8.8% in the previous five years. A decline in all major elements of demand, including exports and consumption, necessitated a compensating deviation from the fiscal deficit targets set under the FRBM legislation. The fiscal deficit in the year ended March, 2009 has reached 6.8 percent, which is a cause for concern and a challenge for the Central Government in the next few years. The global financial meltdown and consequent economic recession in developed economies have been a major factor in India's economic slowdown. Given the origin and dimension of the crisis in the advanced countries, every developing country has suffered to varying degrees. No country, including India, has remained completely immune to the global

economic outlook. Despite a slowdown in growth, investment has been relatively buoyant, growing at a rate higher than the GDP.

AUTOMOBILE INDUSTRY

The Indian automotive market managed to stand up to the vagaries of the economic meltdown to show slightly positive growth during fiscal 2008-09. Overall automotive sales grew by 0.71 percent from 96.54 lakh units in 2007-08 to 97.23 lacs units in 2008-09.

Two-wheeler sales in India are dominated by the domestic market and, within it, by motorcycles. Development in the Automobile Industry and in particular, that of motorcycles, is of relevance for your company as its business operations are intricately linked with that of motorcycles market in the country. Since 2007, the two-wheeler market in India has hit a roadblock after having grown at a fast clip from late 90's. While there was an actual fall in motorcycles sales volume in 2007-08 by 7.8 percent, in 2008-09 there is a modest increase in the volume by 4 percent to 6.81 million units. Like mentioned in last year's Report, the demand for motorcycles remained sluggish through most of the year. However, from last quarter of 2008-09, the fiscal stimulus packages of the Government in the form of reduction in Excise Duty and Service Tax, accelerated depreciation etc. among others, seems to have helped in reviving the demand of the Automobile Industry in India - across its segments in varying degree and number - in the first quarter of this year.

PERFORMANCE

Your company continues to be a beneficiary of the trend-setting performance of its main customer Hero Honda, which continues to straddle like a colossus in the motorcycle industry in the country. It has not only bucked the recessionary trend but has clipped a healthy growth of 12.5 percent in its volume sales to reach 3.64 million units in 2008-09; and that means a whopping market share of over 53 percent.

As a sequel to such a growth in the sales of Hero Honda, company's turnover during the year has increased to Rs. 276.31 crore from Rs. 260.85 crore in the previous year, which is respectable under the current trying circumstances. Profit before tax stood at Rs. 15.97 crore and profit after tax at Rs. 11.09 crore during the year as against Rs. 15.35 crore and Rs. 10.36 crore respectively in the previous year.

DIRECTORS

As per the Articles of Association Mr. Satyanand Munjal, Mr. Om Prakash Munjal, Mr. Brijmohan Lall Munjal and Mr. Vikram Shah retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for reappointment.

Mr. Sudesh Kumar Duggal and Mr. Jal Ratanshaw Patel were appointed as Additional Directors' effective from October 25, 2008 and March 30, 2009 respectively. In accordance with the provisions of the Companies Act, 1956, Mr. Sudesh Kumar Duggal and Mr. Jal Ratanshaw Patel, will cease to hold office as Additional

MUNJAL AUTO

Directors' at the forthcoming Annual General Meeting and are eligible for appointment.

Attention of the Members are invited to the relevant items in the Notice of the Annual General Meeting and Explanatory Statement thereto.

QUALITY

Your company has maintained the certificates/accreditation for ISO TS 16949 and ISO 14001. The company's foremost emphasis has always been to maintain quality of its products to its customer's satisfaction and adoption of a systematic approach of manufacturing process. At micro level, individual employees participation and involvement with attention to details is improving on an ongoing basis with more knowledge, better habits imparting with tools like KAIZEN'S, Five 'S', Cause and Effect Matrix (C&E) etc.

Improvements and innovation in manufacturing processes have been consistent features of the Company through deployment of improvement tools i.e. KAIZENS, LCA [Low Cost Automation], Poka Yoke, TPM up to down the level of employees. Further, the journey towards Lean Manufacturing is continued with an implementation of ACMA (Automotive Components Manufacturers' Association) ACT Cluster, aiming Total Employee Involvement in a structured manner. The Quality Culture Building within the Company is being established with the aim to convert a visual factory. Some of the recognition for company's performance includes, "Best House Keeping Award" from Baroda Productivity Council & "Business Excellence Award" from Baroda Management Association. This has further encouraged the employees towards achieving World Class manufacturing practices.

FINANCE

Short-term funds were procured by the company at competitive rates for the working capital and other operational requirements during the year. It has not raised any long-term funds.

FUTURE PLANS

Company is in the midst of setting up a new plant at Bawal village in Haryana State for mufflers and other components for motorcycles, which will be operational in the current year 2009-10. Also a plan to set up another plant close to new plant of Hero Honda in Haridwar, Uttarakhand is underway. Total investments in both plants would be Rs. 700 million and they would be funded by a mix of term debts and internal accruals.

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 is committed in following the highest standards of Corporate Governance. In this pursuit, your Company has a

structure of corporate governance in place that ensures compliance of the provisions of Clause 49 of the Listing Agreement.

For fiscal 2009, the compliance report is provided in the Corporate Governance Report section of this annual report. The auditor's certificate on compliance is annexed to this report.

FIXED DEPOSITS

The company has not accepted any fixed deposits during the year and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with regard to the Directors' responsibility statement, the Board of Directors confirms that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure;
- b) the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and the profit & loss account of the Company for the year ended on that date;
- c) 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;
- d) the Annual Accounts have been prepared on a going concern basis.

AUDITORS

The auditors, M/s. VAKIL JAIN & HINDOCHA, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the Auditor's office, if reappointed.

ENVIRONMENT

Your Company is committed in maintaining the highest standards of environment compliances and therefore has adopted a systematic approach towards environment management.

Environment is always a part of all activities in your company including the operational control, business decisions, compliance of statutory requirements; this has been achieved by taking benefits of implementation of ISO 14001:2004 [Environmental Management Systems]. During the period the company has contributed towards a reduction in emission level of gasses by an innovative approach for Energy Reduction Projects. Also, due respect for the customer's requirements e.g. 'Green Vendor



Development Programme' under Green Supply Chain Management initiated by HHML and the same has been recognized, in the next year. The journey will continue through extension of the Environmental Improvement Initiatives up to suppliers also.

With a view to have an effective water management, preserve natural resources and meeting socio environment responsibility and on being offered the river water availability by Sardar Sarovar Nigam Ltd (SSNL), from Narmada canal on contractual basis, the company has opted this facility by erection of pipelines for 11 kms and constructing a reservoir with a treatment plant, which can store the water up to 10 million ltrs. The company now has started using this river water in place of the bore well water for its daily requirement.

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

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the **ANNEXURE - III** included in this report.

INDUSTRIAL RELATIONS

Industrial relations have remained cordial throughout the year in the Company.

HEALTH AND SAFETY

Safety is every employee's responsibility and concern. Your Company is committed for safety and health of its employees and

other persons who may be affected by its operations. It's company's belief that safe working practice leads to motivated workforce and higher productivity and to that end, all possible safety measures are put in place to eliminate accidents at the factory. Employees are encouraged to report the incidents. Even small incidents are investigated and analysed to prevent reoccurrence and improve upon safety record. Safe working culture across the company is ensured by:

Integrating safety and health in all activities.

Ensuring compliance with all applicable legislative requirements.

Encouraging employees to ensure safety at their workplaces.

Continuous improvements in safety performance through precautions besides participation & training of employees

ACKNOWLEDGEMENTS

Company would like to thank its clients, vendors, investors and bankers, in particular to its principal customer Hero Honda Motors Limited for their continued support during the year.

Company also records its appreciation of the contribution made by employees at all levels. Their diligent hard work, cooperation and support is a backbone of all endeavours of the company.

Company would like to acknowledge Government of India, Customs and Excise Departments, Income Tax and Industrial & Labour Departments, Government of Gujarat and other government agencies for their support the company has been receiving over the years, and is looking forward to their continued support/ guidance in times to come.

For and on behalf of the Board
Satyanand Munjal
Chairman

Waghodia
June 24, 2009

ANNEXURE 'I' TO DIRECTORS' REPORT

Management Discussion and Analysis Report

INDUSTRY STRUCTURE & DEVELOPMENT

The automotive industry is increasingly becoming the cynosure of the manufacturing sector across the globe. The attention and importance to the automotive industry in the economic development and planning policies of Government and its agencies has also witnessed significant up rise. The industry has been evolving over the years, meeting up with challenges as diverse as transitions, consolidations and restructuring, and thereby adapting to the new market conditions. Indian automotive industry has undergone constant evolution ever since its establishment in 1942.

The evolution of Indian auto component industry is closely associated with the trends in the automobile industry due to the strong inter-industry linkages. Over a period of time, the auto components industry has grown from a size of few million US dollars to US \$ 18 billion in 2007-08. Auto components manufacturers in India have established tie-ups with multinational

players for technology up-gradation. Earlier a large amount of components were imported from other countries; but at present, most of the manufacturers have started sourcing components locally. Moreover, India at present, is being looked upon as major outsourcing destination by the auto-majors of the world.

In 2008-09, automobile industry grew 2.96 per cent to 11.17 million units but the components industry outpaced the vehicle manufacturers with a 6 per cent growth. The total value of auto parts sold was Rs. 76.3 billion.

AUTO COMPONENTS IN INDIA

(In Rs. billion)

	2007-08	2008-09	Growth(%)
Turnover	72	76	6
Exports	14	15	7
Imports	20	27	35

ANNEXURE 'I' TO DIRECTORS' REPORT (Continued)**OPPORTUNITIES AND THREATS**

With the collapse of Lehman Brothers and other Wall Street icons, there was growing recession which affected the US, the European Union (EU) and Japan and other countries. The financial system was paralyzed by collapse of certain large Financial Institutions in the second half of 2008. The failure of major financial institutions had a devastating impact on the real economy with widening credit spreads, liquidity crunch, steep fall in demand and falling margins. The de-coupling theory of developing economies remained unaffected with the recession /slow down in the advanced economies. However developing economies constitute 25 percentage share in the global economy in terms of normal GDP. The growth in the developing economies even though at a slower pace is expected to cushion the impact of global melt down in the world economy.

Although at one time it was thought that this crisis would not affect the Indian economy, later it was found that the Foreign Direct Investment (FDI) started drying up and this affected investment in the Indian economy. It was therefore, felt that the Indian economy will grow at about seven per cent in 2008-09 and at six per cent in 2009-10. The lesson of this experience is that India must exercise caution while liberalising its financial sector.

To lift the economy out of the recession the Government announced stimulus package of Rs 35,000 crores in the first instance on December 7, 2008. In short, the fiscal package is aimed at boosting growth in exports, real estate, auto, textiles and small and medium enterprises. The aim was to encourage growth and boost employment which has been threatened by the recession in the world economy, more especially in the United States.

However, the long-term picture of Auto and Auto Component Industry in India is very encouraging. According to Auto Component Manufacturers Association of India (ACMA), the size of the Indian auto components industry is estimated to be around US \$ 18 billion in 2007- 08. Though there may be a slowdown in auto-component production in 2008-09, due to recessionary trends in the world and sluggish new vehicle demand, in the long term, India is estimated to have the potential to become one of the top auto component economies by 2020, according to a study by IBM. According to another study, the auto component industry in India has potential to grow at a CAGR of 13% to reach US \$ 40 billion by 2015.

Despite of the challenging environment in the overall two wheeler industry, Hero Honda, principal customer of the Company has made up for the erosion of sales volume for other two-wheeler makers. Hero Honda clocked 36.40 lakh units, a growth of 12.5 per cent.

OUTLOOK

FY 2009 began with positive 'year on year' growth for the Indian Two-wheeler Segment albeit on a low base. In FY 2008, the Segment reported 4.9% 'year on year' fall in Sales volume due to high Inflation, rising Interest rates and contraction in availability of Finance. Growth started picking up in first half of FY 2009

aided by the overall 12.6% 'year on year' growth in Motorcycle sales. While tight availability of Finance did impact purchases, cash purchases increased due to higher agricultural income in the Northern states and return of customers who had deferred purchases in FY 2008. Nonetheless, inventory buildup hit Two-wheeler volumes in second half of FY 2009, and industry growth for FY 2009 stood at a mere 4.5% 'year on year'. Though the substantial ownership base of Two-wheelers results in reduced headroom for higher growth rates and increases dependence on replacement demand to sustain volumes, the rural markets are expected to register better growth on account of the new demand arising from the relevant rural population, which is expected to help the Two-wheeler companies to maintain their growth.

Your company looks forward to challenging, exciting times ahead as it prepares itself to brace with new opportunities and challenges that abound and preparing itself to respond and tune in to the dictates of the environ. This would call for freshness of approach and concerted efforts on an ongoing basis to grapple with the changes that lie ahead. In order to meet the rising demand from our main customer, the Company has planned to invest Rs. 70 crore in setting up two new plants at 'Bawal' (Haryana) and 'Haridwar' (Uttarakhand).

Continuing growth of the motorcycle segment of two-wheeler industry expected in future as well. The management's attitude of continuous monitoring and addressing operational issues will help the company stay in good stead.

RISKS AND CONCERNS

Risks are inherent in every business, be it external or internal. Economic slowdown and erratic monsoon could impact most segments of the economy, including the two-wheeler industry.

Motorcycles contribute almost 80% of total two-wheeler production. Focused on 'value for money' and 'economy for users', motorcycles segment remains the most sensitive one to price changes as also interest rate hikes.

The main concerns are:

- A further slowdown in the growth of Indian Economy in 2009-10 to about 6 percent in the wake of a global melt down;
- Demand squeeze for automobiles, particularly two-wheelers stemming from any variation in the environment, natural calamities, erratic monsoon causing to restrict disposable income of the rural populace and any unforeseen shift in the priority of the consumers;
- Slowdown in the market conditions - particularly the motorcycle segment of two-wheeler industry - due to high interest rates and reduction in availability of the finance for purchase of a motorcycle to a prospective buyer;
- Continuing upward spiral of the commodities and other inputs/ conversion costs cascading into squeezing margins for the OEM component suppliers; and
- Volatility in the price of petrol can have an impact on the sensitivity of new vehicle purchases.



ANNEXURE 'I' TO DIRECTORS' REPORT (Continued)

In order to mitigate the risks, costs are closely monitored and wherever possible and prudent to cut down on costs, it was given effect to. Focus on financial discipline and effective management of net working capital has helped / will help to overcome these risks and concerns partially.

INTERNAL CONTROLS AND ADEQUACY

Management of your Company continuously reviews internal control systems and procedures to ensure orderly and efficient conduct of business. The review includes inter alia adherence to the management policies, safeguarding assets of the company and ensuring preparation of timely and accurate financial information. Emphasis on internal control is given across functions and processes, covering the entire gamut of activities including finance, secretarial, supply chain, sales and personnel. Policies and procedures on commercial, safety and environment matters are in place and regularly reviewed / updated.

FINANCIAL PERFORMANCE

Financial performance, which has been highlighted in Director's

Report need to be viewed in the above backdrop. Judicious net working capital level has continued to keep the interest burden of the company at a minimal level

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Human Resource is the most important asset for a company. Therefore, all importance is given to systematic training and development for each employee of the company at all levels. In this regard, the employees are encouraged and supported in preparing a personal training and development plan, which is assessed and reviewed throughout the year. Systematic survey is conducted to identify the areas for improvement and action thereon for each employee.

CAUTIONARY STATEMENT

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

ANNEXURE 'II' TO 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

The Management is perusing energy conservation with considerable focus and commitment. Conservation of Energy in all aspects e.g. Fuel, Electrical Energy, Water is evident in the Company through a major initiatives through innovation and improvements. To continue the efforts, Energy Audit has also been carried out by an Expert External Agency to optimize the usage of energy.

2. Technology Absorption, Adaptation and innovation

Company is having dedicated team for new developmental activities. Engineering department of the Company is continuously working on development of components for new models of automobile and also development of alternate processes to enhance quality and to reduce cost.

3.Foreign Exchange Earnings and outgo

(Rs. In Lac)

	2008-09	2007-08
(a) Total Foreign Exchange Earnings	—	—
(b) Total Foreign Exchange Outgo	502.95	748.04

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, and forming part of the directors' report for the year ended March 31, 2009

Sr. 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	89,03,094/-	39	63	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Mrs. Anju Munjal B.A.	Whole-time Director	89,03,094/-	23	59	01.01.1995	Munjal Auto Industries Ltd. Chief Executive

Notes:

1. Remuneration comprises basic salary, allowances and taxable value of perquisites.
2. All the above appointments are on contractual basis.
3. Mr. Sudhir Munjal, Managing Director & Mrs. Anju Munjal, Whole-time Director are related to each other and also to Mr. Satyanand Munjal, Chairman of the Company.

MUNJAL AUTO**AUDITORS' REPORT**

TO
THE MEMBERS OF
MUNJAL AUTO INDUSTRIES LIMITED

1. We have audited the attached Balance sheet of Munjal Auto Industries Limited as at 31st March, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. 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 whether the financial statements are free of material misstatement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, 2004, ("the Order") 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 the Paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) 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;
 - b) 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 those books;
 - c) the Balance sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956;
 - e) on the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2009 from being appointed as a director, in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with significant accounting policies, the notes there on, 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:
 - i) in the case of the Balance sheet, of the state of affairs of the company as at 31st March, 2009;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) 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

Surendra Modiani
Partner

Membership No. 47966

Place: Vadodara
Date : June 24, 2009



ANNEXURE TO AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report to the members of Munjal Auto Industries Limited for the year ended 31st March, 2009

- 1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) These fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification;
- (c) The Company has not disposed off substantial part of fixed assets.
- 2) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3) The Company has not either granted or taken any loans to/from companies, firms or other parties covered in the register maintained under section 301 of the Act and therefore, the matters referred in paragraph 4 (iii) of the Companies (Auditors' Report) Order, 2003 are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5) According to the information and explanations given to us,
 - (a) The particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section;
 - (b) In our opinion and according to the information and explanations given to us, the transactions, exceeding the value of five lac rupees in respect of any party during the year, made in pursuance of such contracts or arrangements, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) The Company has not accepted deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable to the company.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- 9) According to the information and explanations given to us and as shown by our examination of the books of accounts:
 - (a) The company is regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it and no undisputed amounts payable in respect thereof were in arrears, as on the last day of the financial year, for a period of more than six months from the date they became payable.
 - (b) The Company has not deposited disputed Sales Tax demand of Rs.25.50 lacs pertaining to the Financial Year 2002-03. The company has preferred appeal against the order of the Assessing Officer and the matter is pending before the Joint Commissioner of Sales Tax (Appeals), Vadodara.

There are no dues of Income-tax / Wealth-tax / Service-tax / Custom duty / Excise duty / Cess which have not been deposited on account of any dispute.
- 10) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year and in the immediately preceding financial year.
- 11) The company has not defaulted in repayment of dues to a financial institution or bank or debenture holders. The details

MUNJAL AUTO**ANNEXURE TO AUDITORS' REPORT (Continued)**

of claim made but not accepted by the company are as per notes on accounts.

company, we report that no funds raised on short-term basis have been used for long term investment by the company.

- | | |
|---|---|
| <p>12) The Company has not granted any loans or advances on the basis of any security.</p> <p>13) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.</p> <p>14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.</p> <p>15) The Company has not given any guarantee for loans taken by others.</p> <p>16) In our opinion, the term loans have been applied for the purpose for which they were raised.</p> <p>17) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the</p> | <p>18) The Company has not made any preferential allotment of shares during the year.</p> <p>19) The Company has not issued any debentures in respect of which any security was required to be created.</p> <p>20) The Company did not raise any money by public issue during the year.</p> <p>21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.</p> |
|---|---|

For Vakil Jain & Hindocha
Chartered Accountants

Surendra Modiani
Partner
Membership No. 47966

Place: Vadodara
Date: June 24, 2009