

# MUNJAL AUTO

27th Annual Report & Accounts 2011-12



**Munjali Auto Industries Limited**



## **BOARD OF DIRECTORS**

### **CHAIRMAN**

Satyanand Munjal

### **MANAGING DIRECTOR**

Sudhir Munjal

### **WHOLE TIME DIRECTORS**

Anju Munjal

Anuj Munjal

### **DIRECTORS**

Om Prakash Munjal (Ceased w.e.f. 24.09.2011)

Vikram Shah

Naresh Chawla

Mahendra Sanghvi

Ramkisan Devidayal

Sudesh Kumar Duggal

Jal Ratanshaw Patel

### **FINANCE TEAM**

S. K. Sharma, GM – Finance

Rakesh Johari, 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

### **REGISTERED OFFICE & PLANT - I**

187, GIDC Industrial Estate,

Waghodia 391760

Dist. Vadodara (Gujarat)

### **PLANT II**

Plot No.37, Sector 5

Phase II, Growth Centre

Bawal – 123501

Dist. Rewari (Haryana)

### **PLANT III**

Plot No.11, Industrial Park -2

Village: Salempur, Mehdood

Haridwar – 249402 (Uttarakhand)

## **CONTENTS**

Directors' Report	2
Annexure 'I' to Directors Report	4
Annexure 'II' to Directors Report	6
Annexure 'III' to Directors Report	6
Auditors' Report	7
Balance Sheet	10
Profit & Loss Account	11
Cash Flow Statement	12
Notes on Accounts	14
Notes to Balance Sheet	17
Notes to Statement of Profit & Loss	21
Corporate Governance Report	28

## DIRECTORS' REPORT

To  
The Members  
Munjial Auto Industries Limited

Your Directors have pleasure in presenting the 27<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended March 31, 2012.

### FINANCIAL RESULTS

	(Rs. in Lacs)	
Year ended March 31,	2012	2011
Sales & Other Income	73185.63	57224.59
Profit before Finance Cost & Depreciation	6609.56	4534.67
Depreciation	1003.05	807.99
Finance Cost	778.72	448.63
Profit before Taxation	4827.79	3278.05
Provision for Taxation (Deferred & Current)	395.90	791.34
Profit after Taxation	4431.89	2486.71
Prior Period Expenditure	-	3.73
Profit available for Appropriations	4431.89	2482.98
<b>Appropriations</b>		
Proposed Dividend on Equity Shares	1000.00	750.00
Tax on Dividend	162.22	121.66
Transfer to General Reserve	443.19	248.29
Profit remaining after Appropriation/s	2826.48	1363.01

### DIVIDEND

The Board of Directors of the Company is pleased to recommend a dividend of 100% i.e. Rs.2/- on equity share of Rs. 2 each for the fiscal ended 31<sup>st</sup> March, 2012. The dividend, if approved by the Members in the ensuing Annual General Meeting, would absorb Rs.1162.22 lacs (Rs.871.66 lacs previous year) out of the distributable surplus.

The Register of Members and Share Transfer Books will remain closed from September 17, 2012 to September 22, 2012 (both days inclusive).

### APPROPRIATIONS

After setting aside the amount of Rs.1162.22 lacs for dividend including dividend distribution tax and after transferring an amount of Rs. 443.18 lacs (Rs.248.29 lacs previous year) to General Reserve, the balance amount of Rs.2826.48 lacs (Rs.1363.01 lacs previous year) is being retained in the Profit and Loss Account.

### PERFORMANCE

The Company has achieved a record sales turnover of Rs. 728.22

Creore registering a growth of 27.63% per cent. Profit before tax is Rs.48.28 Crore and profit after tax at Rs. 44.32 Crore during the year as against Rs.32.78 Crore and 24.86 Crore respectively in the previous year. A rise of 47 per cent in PBT and 78 per cent in PAT over that of FY 11 is commendable.

### CREATION OF ADDITIONAL CAPACITIES & PLANT OPERATIONS

All three units of the Company at Waghodia (Gujarat), Bawal (Haryana) and Haridwar in Uttarakhand are running well and operating at a satisfactory level of efficiency.

During the year, the Company has commissioned its own modern Central Tool Room located at Bawal unit. Also its new plant at Waghodia to make fuel tanks for TATA NANO cars is fully operational now.

### DIRECTORS

Mr. Ramkisan Devidayal and Mr. Jal Ratanshaw Patel, retire by rotation in the forthcoming Annual General Meeting. Both of them, being eligible, offer themselves for reappointment.

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

### QUALITY:

Being an ISO / TS 16949:2009 certified company, the goals of defect prevention, continual improvement and reduction of variations/wastes in the supply chain are interwoven in the system and hence an ongoing process to achieve excellence in manufacturing by adopting a principle of lean manufacturing.

Various initiatives have been taken like launching quality circles for involvement of the grass root level employees in problem-solving and various improvements. The Company has, besides taken help of Quality Circle Forum of India, Vadodara Chapter for regular training, guidance and facilitation.

Your Company has completed more than 53,600 Kaizens [Continual Improvement by all level of employees] till date, as a part of journey seeking all round betterment of the eco-system in the company.

Customer satisfaction is being achieved by striving toward zero-defect approach with measures such as - Focus on defects prevention [through Poka-Yoke], implementation of combined improvement programs and adhering to targets/expectations and being responsive/deadline driven in meeting with the commitments made to the customers.

For quality improvements, your Company has taken several steps such as robotic welding in manufacturing process, installing gas manifold system and setting up a new modern "Paint Shop" at Waghodia plant with all modern facilities.

The company has received a recommendation for certification of Occupational, Health and Safety Assessment Series (OHSAS) 18001:2007 from Bureau Veritis.



## FINANCE

Your Company was able to raise the short-term/long term funds needed for its working capital related requirements & term loans for establishment of the new Fuel Tank plant at Waghodia and Central Tool Room at Bawal, Haryana at optimal rates despite a prevalent environ of hardened interest rates in the Indian Financial System. Excellent credit ratings for both long and short tenure borrowings enjoyed by the company were enablers. Effective use of available financial resources has helped the Company to further contain the finance costs during the year.

## CORPORATE GOVERNANCE

In terms of the Listing agreement, Management Discussion and Analysis Report is annexed and forms part of the Annual Report. A report on Corporate Governance along with the Auditors Certificate on its compliance is also annexed forming part of the Annual Report.

## FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year and hence, no amount of principal or interest was outstanding as on 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, 2012 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.

## AUDIT COMMITTEE RECOMMENDATION

During the year, there has not been any recommendation of the Audit Committee, which was not accepted by the Board. Hence, there is no need for any disclosure of the same in this report.

## RATINGS

The Company has been reaffirmed by rating agency ICRA as LAA-(stable) for Rs.73.90 Cr. for its long term loan including cash credit and A1+ for commercial papers of Rs.15 Cr. And A1+ for short term loans for non fund/ fund based limits for Rs.16.10 Cr.

## AUDITORS

The Auditors, 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.

## SUB DIVISION OF SHARE

Equity Shares of the Company are listed on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) and are actively traded. The market price of the Equity Shares of the Company has witnessed significant increase over the last few years. In order to improve liquidity of the Company's shareholders in the stock exchanges and to facilitate participation of small investors by making the shares affordable to them, every 1 (One) existing equity share of Rs. 10/- (Ten only) each was subdivided into 5 (Five only) Equity Shares of Rs. 2/- (Two only) each pursuant to Section 94 (1) (d) of the Companies Act, 1956 w.e.f.31st December, 2011 resulting into paid up share capital of 5,00,00,000 Equity share of Rs.2 each .

## ENVIRONMENT

The Company has received Environment Excellence Award,2012 1<sup>st</sup> prize in Medium scale category from Vadodara News Magazine(VNM) local News channel.

The company has received merit & participation award in case study on small, medium enterprise development from INSAAN (Indian Suggestion Summit Association).

The company has also received Business Excellence Award,2010 from Baroda Management Association.

Rain water harvesting systems are in place at all possible points across the complexes in all the three plants of the company as a conscious and ongoing commitment of the company for water conservation/ improvement in the water tables in the surrounding areas of its plants.

The Company is committed for reducing the impact on environments from its organizations activities as a part of social responsibilities and actively supporting the 'Green Vendor Development Program' initiated by its principal customer HMCL. This is ensured by improving operational efficiencies at all levels and in particular, by identifying six pillars of improvements as follows;

1. Water Management
2. Energy Management
3. Waste Management
4. Prevention of Pollution
5. Substitute of Hazardous Substance, and
6. Compliance of Environmental Legal Requirement.

Concrete steps for improving the environment have been initiated, some of which are set out below:

1. Reduction of consumption of hazardous chemicals by doing process improvement.
2. Elimination of hazardous substances by using environment friendly materials at phosphating hence eliminated the sludge generated from the process.
3. Reduction of water consumption at various places by recirculation through cooling tower and by using treated water for toilet flushing.
4. Reduction of power consumption by engaging in process improvements and loading pattern in the paint shop.
5. New ETP is being constructed considering the future requirements of the organization and initiatives towards zero discharge.

The journey is being continued by involvement of suppliers in improving the environmental sustainability.

## CORPORATE SOCIAL RESPONSIBILITY

The Company is proactively pursuing measures and reaching out to the communities surrounding the areas of its operations by extending support and lending a helping hand to some very credible social institutions that are committed to address social causes.

## 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 at all of its units.

## HEALTH AND SAFETY

Your Company is committed for safety and health of its employees and other persons who may be affected by its operations. Your Company believes 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. 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

The Company would like to thank its Stakeholders including Suppliers, Vendors, Investors, Bankers and its Customers in particular to its principal customer Hero MotoCorp Limited for their consistent, abiding support throughout the year.

Your Company also records its appreciation of the contributions made by employees at all levels. Their commitment, cooperation and support are indeed the backbone of all endeavours of the Company.

The 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 the 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  
Munjial Auto Industries Limited

Date : 07.08.2012

Place : Waghodia

Sudhir Munjal  
Managing Director

## ANNEXURE 'I' TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION ANALYSIS

### Opportunities and Threats

#### Automotive Sector

Auto industry in India has had a consistent and sustained high growth of 15 percent CAGR in the first decade of a new millennium. It was primarily driven by an unprecedented streak of high growth witnessed by Indian Economy in almost all years of this decade. Couple of favorable variables stemming from this high-growth era of the economy like rising middle class and its lifestyle aspirations, low existing penetration of vehicles and a demographically advantageous population profile are the main contributors to the auto sector's spectacular growth story. SIAM (Society of Indian Automobile Manufacturers) estimates that the growth of the auto industry in

coming years will moderate to some extent on a high base of the numbers and prevalent uncertainty of Economic environ – worldwide and a considerable deceleration in India's Growth in GDP and other economic indicators in the recent past, which is expected to be continuing in FY 12-13.

However, the Auto sector and in particular, its two-wheeler segment will grow a healthy rate in coming years in India due to the several factors weighing in its favor and therefore significant growth opportunities lie ahead for the Industry. As a result, the Indian automobile industry, which has emerged as one of the fastest growing markets in the world in recent years will have an abiding growth over a medium-term horizon.



Given the importance of the automobile industry to the economy and its potential for employment and due to its backward and forward linkages with many sectors, the Government in India is keen to support the development of the industry. Rising fuel prices in recent years and prevalent Global uncertainty will confront Auto Industry as road blocks. Growing environmental consciousness among consumers, government regulations to manage traffic congestion as well as improvement in public transport infrastructure are trends which will have significant impact on the future of the automobile industry. Auto component manufacturers such as your company have to monitor such trends carefully and adapt to them quickly.

### **Risks and Concerns – Automotive Sector**

Any company's business is inherently exposed to many internal and external risks. Your Company has put in place robust systems and processes, along with appropriate review mechanisms to actively monitor, manage and mitigate these risks. Some of the risks are listed below:

- **Raw Material**

Financial Year 2011-12 saw a continuing pressure in commodity prices on account of high inflation that continues to besiege India. Going forward in FY 12-13, company will have to cope with uncertain scenario on raw material pricing front. Fallout of this will be an increased pressure on margins; your Company will have to rely with increased focus on cost re-engineering/operational efficiencies to minimize adverse impact.

- **Environment Regulations**

Stringent regulatory norms are being introduced to safeguard the environment, especially in the area of emissions.

- **Fuel prices and Its Adverse Impact**

Fuel prices increase witnessed of the biggest scale and extent in last two years is taking a toll on the entire Auto Industry and is acting as the biggest dampener and the most worry-causing phenomenon. Geo-political tensions creating regular ripples in crude prices and coupled with that Indian currency's steep decline in external value since last quarter of 2011 has only added to the woes of fuel prices that have already skyrocketed. It's hurting everyone cutting across all sections of the society – public and private transport being a very vital cog in the modern way of human living.

While an increase in prices of fuel brings about some shift in auto sector – from four-wheeler to two-wheeler – continuous price increase in fuel of the kind seen in last two years, acts as a dampener even for the two-wheelers with which your Company's future is intertwined.

- **Financial market conditions**

With the unabated threat of inflation, Reserve Bank of India has raised its policy interest rates significantly in last 24 months. It seems Government of India is quite seized with the inflationary pressure that has built up considerably in India since 2009. Dear Money Policy has already set in to rein in inflation and is expected to continue well into Year 2013 as per present reckoning.

Depreciation in Indian Rupee, pretty sharp and almost sudden, happened in last 12 months has acted like a *double whammy* and accentuating inflation/cost pressures in business arena.

### **Future Outlook**

Given the constant changes occurring in the environment as stated above, it is inevitable that we, as a part of the environment, also change. As you have already seen there have been significant improvements in the performance of the company over the past few years. This has been possible due to certain quantum measures initiated by your company, and we are confident that these will take us forward a long way:

- **Research and Development:**

As times are becoming more competitive, it is imperative that we move away from being a commodity supplier towards becoming a system supplier. For this your company is actively working towards setting up its own R&D center. For this we are currently looking for global partners.

- **Increase Product Range:**

Your Company is also constantly working on broadening its product portfolio. From manufacturing Mufflers till three years back, your company today manufactures, other than mufflers, fuel tanks for cars, and chassis components like impact beams. Also within mufflers, we are studying opportunities of higher cc motorcycles for exports.

- **Continuous improvement and automation:**

As the business environment gets more competitive, it is imperative that we constantly look for better ways of doing work. In the past year, your company has gone in for various automations like robotic welding, spray phosphating, tool manufacturing and upto 1000 ton presses. Also through technical partnerships with certain expert organisations, we have worked towards increasing efficiencies and reducing operational costs.

To sum up, your company fully recognizes the opportunities and challenges the changing paradigm is posing and is leaving no stone untouched in making sure it is prepared for the future.



## 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

The Management is deeply involved in the areas for conservation of energy which is being utilised in manufacturing processes like power, fuel (LPG and furnace oil), oils and lubricants. Many initiatives have been taken, as follows;

- Conversion of LPG to propane and ultimate goal to use the natural gas (clean fuel).
- As a part of conserving hydraulic oils, filtration units have been installed to use the oil after filtration resulted into reduction in the qty. of oil consumed.
- All street lights have been connected with timer control switch to avoid the excess running of lights.
- At manufacturing process levels, optimization of motor capacities have been done based upon process requirements and actions have been initiated by reducing the HP of the motors without effecting the functional requirements.
- Energy Audits have been carried out and actions required to implement important recommendations have been initiated.

Actions are underway to actualize a felt need to develop the internal team of Energy Auditors for exploring the more possibilities for energy conservation.

### 2. Technology Absorption, Adaptation and Innovation

As a part of Continual Improvement Journey, enhancing customer satisfaction by quality improvements and need of the competitive edge. Following initiatives have been taken during the financial year.

- Implementation of environment friendly process through spray pre treatment process in place of conventional phosphating process that will eliminate the impact on environment by elimination of sludge generation.
- Complete spot welding lines with all prevention controls and PLC controls have been established for a consistent product quality, reliability and capability of the process for fuel tank manufacturing.
- To improve the product realization, complete modification along with automation in Paint Plant is undertaken for productivity, quality improvements and optimization on energy conservation.
- Automation in welding process by installation of Special Purpose Machines [SPM's] have been done at many process.

### 3. Foreign Exchange Earnings and outgo

(Rs. in Lacs)

	2011-12	2010-11
(a) Total Foreign Exchange Earnings	—	—
(b) Total Foreign Exchange Outgo	446.50	613.98

## 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, 2012

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	2,48,36,400	42	66	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Ms. Anju Munjal B.A.	Whole Time Director	1,69,92,000	26	62	01.01.1995	Munjal Auto Industries Ltd. Chief Executive
3.	Mr. Anuj Munjal MBA	Whole Time Director	1,13,31,815	15	38	01.06.2010	Hero Cycles Limited Chief Executive

Notes:

1. Remuneration comprises basic salary, allowances, commission 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 and Mr. Anuj Munjal, Whole Time Director are related to each other and also to Mr. Satyanand Munjal, Chairman of the Company.

## 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 31<sup>st</sup> March, 2012 and Statement of Profit and Loss 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 in paragraph 3 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Statement of Profit and Loss 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 31<sup>st</sup> March, 2012, and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31<sup>st</sup> March, 2012 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 and the notes thereon appended thereto, 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 31<sup>st</sup> March, 2012;
    - ii) in the case of the Statement of Profit and Loss, 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  
Firm Registration No.112894W

SURENDRA MODIANI  
PARTNER  
Membership No.047966

Place : Vadodara  
Date : 26-05-2012



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 31<sup>st</sup> March, 2012**

- 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 control system.
- 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 except demand of Rs.1028890/- under Income-tax Act against which appeal is pending before the Commissioner (Appeals).
- 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 of claim made but not accepted by the company are as per notes on accounts;



- 12) The Company has not granted any loans or advances on the basis of any security.
- 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.
- 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.
- 15) The Company has not given any guarantee for loans taken by others.
- 16) In our opinion and according to the information and explanations given to us, the new term loans have been applied for the purpose for which they were raised.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment by the Company.
- 18) The Company has not made any preferential allotment of shares during the year.
- 19) The Company has not raised funds by way of debentures in respect of which any security was required to be created.
- 20) The Company has not raised any money by public issue during the year.
- 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.

For VAKIL JAIN & HINDOCHA  
Chartered Accountants  
Firm Registration No.112894W

SURENDRA MODIANI  
PARTNER  
Membership No.047966

Place : Vadodara  
Date : 26-05-2012