

MUNJAL AUTO

29th Annual Report & Accounts 2013-14



Munjali Auto Industries Limited

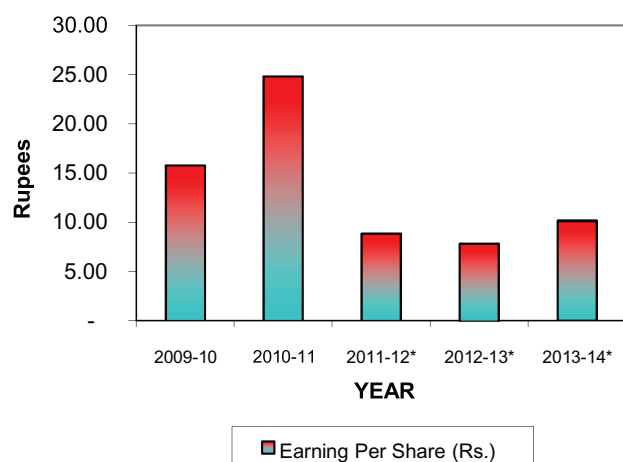
FINANCIAL STATISTIC

FIVE YEARS' TRACK RECORD

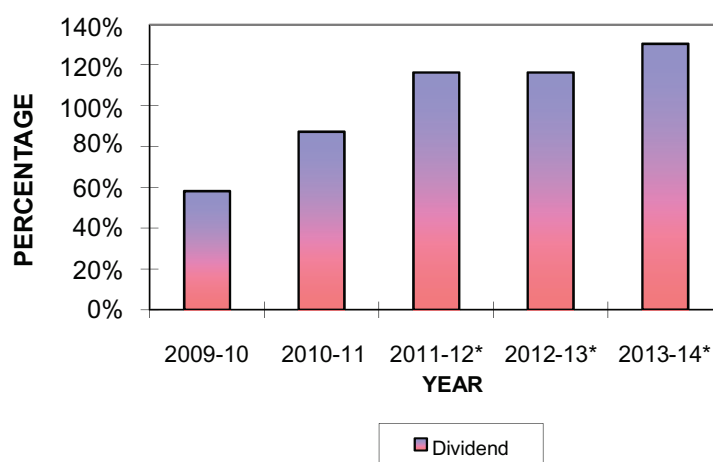
(Rs. In Lacs)

	2009-10	2010-11	2011-12*	2012-13*	2013-14*
Equity Share Capital	1,000	1,000	1,000	1,000	1,000
Reserves & Surplus	6,671	8,282	11,551	14,330	17,634
Deferred Tax Liability / (Assets)	235	348	524	646	657
Secured Loans	3,714	6,182	6,153	6,008	7,697
Total External Liability	5,105	8,867	11,643	10,355	12,937
Total Assets	16,725	24,679	30,871	32,339	39,925
Sales	32,693	57,225	73,582	78,622	89,192
YoY Growth	17.21%	75.04%	28.58%	6.85%	13.44%
Profit Before Depreciation, Interest & Tax (PBDIT)	2,860	4,483	6,610	5,999	6,803
Interest	81	397	779	687	619
Depreciation	527	808	1,003	1,138	1,245
Profit before Tax	2,252	3,278	4,828	4,174	4,939
Profit after Tax	1,575	2,487	4,432	3,949	4,766
Earning Per Share (Rs.)	15.79	24.83	8.86	7.90	9.53
Dividend	50%	75%	100%	100%	125%

EARNING PER SHARE



DIVIDEND



* Indicated EPS is of Face Value of Rs.2/- each. Every 1 (One) Equity Share of Rs.10/- (Ten) each subdivided into 5 (Five) Equity Shares of Rs.2/- each w.e.f. 31st December, 2011.

BOARD OF DIRECTORS**CHAIRMAN**

Satyanand Munjal

MANAGING DIRECTOR

Sudhir Munjal

WHOLE TIME DIRECTORS

Anju Munjal

Anuj Munjal

DIRECTORS

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)

PLANT IV

Plot No. 32A, Industrial Area,

Phase II, Dharuhera - 122106

Dist. Rewari, State: Haryana

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DIRECTORS' REPORT

To
The Members
Munjal Auto Industries Limited

Your Directors have pleasure in presenting the 29th Annual Report along with the Balance Sheet and Profit and Loss Account for the year ended March 31, 2014.

FINANCIAL RESULTS

	(Rs. in Lacs)	
Year ended March 31,	2014	2013
Sales & Other Income	89192.42	78622.38
Profit before Finance Cost & Depreciation	6802.66	5999.28
Depreciation	1244.86	1137.88
Finance Cost	619.14	686.98
Profit before Taxation	4938.66	4174.42
Provision for Taxation (Deferred & Current)	172.88	225.46
Profit after Taxation	4765.78	3948.96
Profit available for Appropriations	4765.78	3948.96
Appropriations		
Proposed Dividend on Equity Shares	1250.00	1000.00
Tax on Dividend	212.44	169.95
Transfer to General Reserve	476.58	394.89
Profit remaining after Appropriation/s	2826.76	2384.12

DIVIDEND

Your Directors have pleasure to recommend a dividend of 125% i.e. Rs.2.50/- on equity share of face value of Rs. 2/- each for the fiscal year ended 31st March, 2014. The dividend, if approved by the Members in the ensuing Annual General Meeting, would absorb Rs.1,462.43 lacs (Rs.1,169.95 lacs previous year) out of the distributable profits available.

The Register of Members and Share Transfer Books will remain closed from August 04, 2014 to August 08, 2014 (both days inclusive).

APPROPRIATIONS

After setting aside the amount of Rs.1,462.43 lacs toward dividend including dividend distribution tax and after transferring an amount of Rs. 476.58 lacs (Rs. 394.89 lacs previous year) to General Reserve, the balance amount of Rs.2,826.76 lacs (Rs. 2,384.12 lacs previous year) is being retained in the Profit and Loss Account.

PERFORMANCE

The Company has achieved sales turnover of Rs. 881.33 Crore registering a modest growth of 13.70% per cent. Profit before tax is Rs.49.39 Crore and profit after tax at Rs. 47.66 Crore during the year as against Rs.41.74 Crore and Rs.39.49 Crore respectively in the previous year.

CAPACITY UTILIZATION & PLANT OPERATIONS

All three units of the Company at Waghodia in Gujarat, Bawal in Haryana and Haridwar in Uttarakhand are running well and continue to operate at a satisfactory level of efficiency. The fourth unit at Dharuhera in Haryana has just become operational with an investment outlay of INR 32 crore. This new facility will further boost company's prospects to widen product range and exports.

DIRECTORS

In terms of the Articles of Association of the Company and the applicable provision of Companies Act, 1956, one-third of the Directors retires by rotation, if eligible, offer themselves for re-election at the Annual General Meeting of shareholders. Accordingly, Mr. Vikram Shah, Mr. Ramkisan Devidayal and Mr. Jal Ratanshaw Patel shall retire by rotation at this Annual General Meeting, being eligible, offer themselves for reappointment.

Your Board recommends the re-appointments of Mr. Vikram Shah, Mr. Ramkisan Devidayal and Mr. Jal Ratanshaw Patel as Independent Directors of the Company in terms of Section 149 and 152 of Companies Act, 2013, who in opinion of the Board fulfills the condition specified in the Act and rules made thereunder and are independent of Management.

In the opinion of the Board, all existing Non- Executive and Independent Directors of the Company viz. Mr. Vikram Shah, Mr. Naresh Chawla, Mr. Mahendra Sanghvi, Mr. Ramkisan Devidayal, Mr. Sudesh Kumar Duggal and Mr. Jal Ratanshaw Patel fulfills the conditions for their appointment as specified in the act and the listing agreement hence, the Board recommends appointment of aforesaid existing Directors as Independent Directors in terms of Section 149 and 152 of Companies Act, 2013.

Brief resume/details of the Directors, who is/are to be appointed/ re-appointed as mention herein above has been furnished along with the Explanatory Statements to the Notice of the ensuing Annual General Meeting.

QUALITY

Your Company is focusing on quality, right from new product development stage such as design of processes, manufacturing of tools, fixtures & dies to ensure, quality output. This attribute of your Company that has enabled it remain a consistent quality producer over the years.

AWARDS AND RECOGNITION

Your Company is known for its scrupulous adherence to high class manufacturing practices at all its plants and continues to receive accreditations/recognitions regularly over the years. In current FY, it received following recognitions:

- 1) 2nd Prize in 1st ACMA (Western Region) in Kaizen competition in Gujarat zone held in September, 2013.
- 2) Automotive Components Manufactures Association (ACMA), Center of Technology, has conferred an award for outstanding performance in Inventory Turnover Ratio to our Haridwar plant during Cluster VII (Oct-2011 to Sept-2013).

FINANCE AND ACCOUNTS

Your Company continued to focus on cash generation. The focus on managing optimal levels of inventory, sound business performance, operating efficiencies and cost saving across the organisation helped generate healthy cash flow. Your Company managed investments prudently by developing cash surplus in a balanced portfolio defined to offer primacy to safety and liquidity of the investments.

Your Company was able to raise the short-term/long term funds needed for its working capital related requirements & term loans for new capital expenditure at reasonable rates. Your Company continues to enjoy excellent credit ratings for both long and short tenure borrowings and maintains impeccable debt-servicing track record, which helps it retain excellent rapport with all of its bankers.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreements entered into with the Stock Exchanges, Corporate Governance Report with Auditor's certificate thereon and Management Discussion and Analysis are attached and form part of this report.

FIXED DEPOSITS

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

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, 2014 and the profit 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, The Board has accepted all recommendation of Audit Committee and accordingly no disclosure is required to be made in respect of no acceptance of the recommendation of the Audit Committee by the Board.

RATINGS FOR BORROWING

The long term ratings for bank facilities of your Company have been reaffirmed at AA- with stable outlook. The short term rating for short term bank facilities and commercial paper is also reaffirmed at A1+ by rating agency ICRA.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is enclosed as per Annexure -I and forms part of this report.

PARTICULARS RELATING TO ENERGY, TECHNOLOGY AND 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, requisite 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.

ENVIRONMENT, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY

Your Company is committed in maintaining the highest standards of environment compliances and therefore adopted a systematic approach towards environment management by embedding a vision of being an 'Injury Free' and 'Zero Environment Incident' organisation. Over the past many years, your Company has been progressing well in terms of reducing injury frequency rates and has improved the safety records.

Your Company is environment-conscious and committed to making a positive contribution to the communities where it operates. The Company has been 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.

ACKNOWLEDGEMENTS

The Company would like to thank all of its Stakeholders, including inter alia Suppliers, Vendors, Investors and Bankers, a special mention and appreciation to all its customers 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 endeavors of the Company.

The Company would like to acknowledge Government of India, Customs and Excise Departments, Income Tax Department, Industrial & Labour Departments, Government of Gujarat, Government of Haryana, Government of Uttarakhand 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
Munjtal Auto Industries Limited

Date : 19.05.2014

Place : Waghodia

Sudhir Munjal
Managing Director



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

Opportunities and Threats

Indian Economy and Business Outlook

Indian Economy's growth continued to be muted with the second successive year of sub 5% GDP growth. The year also saw the steepest currency depreciation since 1991; an environment permeated in large measure where industrial activity remained in contraction mode, consumption demand continued to weaken, while lackluster capital goods production pointed to stalled investment demand.

With sluggish growth across most of the tracts of economy, further compounded by high consumer inflation and weak sentiment, market growth all across the spectrum moderated throughout the year in both volume and value terms. The discretionary spending power was compressed due to increases in food prices. The operating context for the year therefore for the business sector was challenging, given the backdrop of a market slowdown, a volatile input cost environment and heightened competitive intensity.

Peaceful and fair conduction of recent General Elections in May, 2014 in India was not only a vindication yet again to suggest that the *largest liberal democracy* in the world is here to stay and has established its strong roots in India. A stable government at the centre, in the wake of a decisive mandate emerging from the elections, is a good augury for the interference-free governance. Hopefully, it will usher in the *feel good factor* followed by some concrete outcomes to bolster the sagged growth of Indian Economy

Your Company's performance for the year 2013-14 has to be viewed in the context of aforesaid macro environment.

Automotive Sector

Demographically and economically, India's automotive industry is well-positioned for growth. Servicing both domestic demand and increasingly export opportunities. A predicted increase in India's working-age population is likely to help stimulate the burgeoning market for private vehicles. Rising prosperity, easier access to finance and increasing affordability is expected to see four-wheelers gaining volumes, although two wheelers will remain the primary choice for the majority of purchasers, buoyed by greater appetite from rural areas, the youth market and women. Domestically, some consolidation or alliances might be expected, driven by the need for access to better technology, manufacturing facilities, service and distribution networks. The component sector is in a strong position to cash-in on India's cost-effectiveness, profitability and globally-recognized engineering capabilities. As the benefits of collaborations become more apparent, super-specialists may emerge in which the automobile is treated as a system with each specialist focusing on a sub-system, akin to the IT industry. Though this approach is radical, it could prove an important step in reducing complexity and investment requirements, while promoting standardization and meeting customer demands. Manufacturers are already planning for the future by advocating of

technological and distribution alliances yielding generally positive results, enabling domestic OEMs to access global technology and experience, and permitting them to grow their ranges with fewer financial risks.

This exciting outlook for the industry is set against a backdrop of two potentially game-changing transportation trends; the gradual legislative move towards greener, gas-based public transport vehicles and a greater requirement for urban mass mobility schemes to service rapidly-expanding cities, low cost car penetration, rising prosperity and the increasing affordability of private vehicles offer a healthy prognosis for the Indian automotive industry.

The Companies benefiting most from this evolving landscape will be those who forge judicious alliances and resource-sharing agreements, who prepare for the growing importance of green technologies and who remain flexible enough to respond to the twin needs of private light transport and mass transport schemes.

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, Conversion Costs & Pressure on Margins

Financial Year 2013-14 too, as has been the trend of last couple of years, saw a continuing pressure in commodity prices on account of high inflation that has continued to besiege India. Unabated pressure of rising prices all around will continue to challenge the Company face headwinds on raw material pricing front. High content of raw material & components in the final cost of Company's products will mean an increased pressure on margins. To control over other conversion costs despite stringent cost controls, is an ongoing battle with little elbow room for further much reduction.

Margins have been under pressure for quite some time, notwithstanding, increased profitability numbers on the back of increased turnover year-after-year.

- 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 which is a recurring feature in India for some years now has been pretty severe and crippling in last three years. It has curtailed along with the massive increase in food prices, the discretionary spending of even relatively affluent sections of the Indian Society. It's becoming, together with the

high interest rates, a big scourge for an entire Auto Industry – across every spectrum. Geo-political tensions, near-boiling situation in almost entire Middle-East countries and the consequential uncertainty is increasing volatility in Crude prices. To add to the misery, the Indian Currency's steep decline in external value since last year has turned the ambitious demand projections made by all analysts few years back for automobiles have turned on their heads. 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.

In the absence of a good *energy security*, India continues to be among the most vulnerable major economies of the World by any surge in oil prices; be it due to demand-supply disequilibrium or geopolitical disturbance.

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 2014 as per present reckoning.

New government at centre has promised to take measures to kick-start the investment cycle, which has been in rather low ebb for over two years now.

Future Outlook

While India remains predominately a cost conscience market, profitable niches are available for the products which address specific needs. This may be sustained by the example of growth in Scooter market, most of the scooters are 75-125 cc sub segment and gearless which are targeted at young people and women in particular. The growing population, significant proportion of which will be working age over the next decade is another source of demand to most automobile companies.

Amid fluid geopolitical situation, downturn in Indian Economy in last two years, considerably weakened India's macro-variables, there is a silver lining in the form of a new, stable government in place at centre. It though has its plate full of challenges, but the resilient spirit of Indians in general proactive stance of new government, the *animal spirit* of the Indian Businesses should activate in next few years.

Your Company's DNA attributes – *thrift in operational costs, accent on quality manufacturing and forward-looking policies* – will help it stay in good stead.

- 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. Company has outsourced the R&D capability by entering into a tie up with a reputed European firm.

- Increase Product Range

Company is also constantly working on broadening its product portfolio. From manufacturing exclusively Rims and Mufflers until few years back, your Company today manufactures, other than mufflers, fuel tanks for cars and chassis components like impact beams etc.

- 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, robotic painting, tool manufacturing and installation of Presses up to 1000 ton. The new Central Tool Room set up at Bawal in Haryana at an investment of INR 30 crore will further pave the way for improvement and quality ingredients for various components that company manufactures.

- Forward Looking Statements

Statements forming part of the Management Discussion and Analysis covered in this report may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include demand and supply conditions, changes in government regulations, exchange rates, tax laws, monsoon, natural hazards, economic developments within the country and other factors.



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 perusing energy conservation with considerable focus and commitment. Effective use of energy, particularly in the hard core manufacturing processes of the Company. Optimal utilization of various energy resources like power, fuel and oil is ensured by ongoing measures/steps that improve power factor and other consumption.

The Company has processes to measure, monitor and improve environmental performance through various initiatives i.e. focusing on energy, water and waste. Water efficiency and conservation initiatives, rainwater harvesting systems, domestic sewage treatment and recycling facilities are a part of design in all its units towards becoming zero water discharge.

2. Foreign Exchange Earnings and outgo

	(Rs. in Lacs)	
	2013-14	2012-13
(a) Total Foreign Exchange Earnings	833.10	2.07
(b) Total Foreign Exchange Outgo	622.61	371.58

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, 2014.

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	2,39,47,041	44	68	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Ms. Anju Munjal B.A.	Whole Time Director	1,71,99,110	28	64	01.01.1995	Munjal Auto Industries Ltd. Chief Executive
3.	Mr. Anuj Munjal MBA	Whole Time Director	1,38,29,433	17	40	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.

INDEPENDENT AUDITOR'S REPORT

To
**THE MEMBERS OF
MUNJAL AUTO INDUSTRIES LIMITED**

Report on the Financial Statements

1. We have audited the accompanying financial statements of Munjal Auto Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2014;
 - (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.

Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
7. As required by section 227(3) of the Act, 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 purpose 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 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 March 31, 2014, and taken on record by the Board of Directors, none of the Director is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

SURENDRA MODIANI
PARTNER
Membership No.047966

Place : Vadodara
Date : 19-05-2014

ANNEXURE TO AUDITOR'S REPORT

Annexure referred to in paragraph 6 of the Auditor's Report to the members of Munjal Auto Industries Limited for the year ended 31st March, 2014

- 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 of 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 granted any loans to and has also not taken any loans 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 (Auditor's 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 major weaknesses in internal control system.
- 5) To the best of our knowledge and belief and 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) 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 its size and nature of its business.
- 8) We have broadly reviewed the cost records maintained by the Company pursuant to the Rules prescribed by the Central Government 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. However, we have not made a detailed examination of the cost records with a view to determine whether these are accurate and complete.
- 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) There are no dues of Income-tax / Sales 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.
- 12) The Company has not granted any loans or advances on the basis of any security.
- 13) The Company is not a nidhi / mutual benefit fund / society and is not engaged in business of chit fund. 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 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;