

MUNJAL SHOWA

12th ANNUAL REPORT
1996-97

MD	/		BKC	/
CS	/		DPY	/
RC	/		DIV	/
TRA	/		AC	/
AGM	/	/	SHE	/
YE	/	/		/

REPORTJUNCTION.COM



**MUNJAL
SHOWA****BOARD OF DIRECTORS**

Brijmohan Lall
(Chairman)
Yogesh Munjal
(Managing Director)
Takeshi Fukui
(Joint Managing Director)
Akio Kimura
O.P. Vaish
S.D. Khosla
K.N. Malhotra
Ashok Munjal
Pankaj Munjal

COMPANY SECRETARY

Mohit Datta

AUDITORS

M/s S.R. Batliboi & Company
Chartered Accountants
New Delhi

BANKERS

The Bank of Tokyo-Mitsubishi Ltd.
Canara Bank
Standard Chartered Bank
State Bank of Travencore

**TECHNICAL & FINANCIAL
COLLABORATORS**

Showa Corporation
1-14-1, Fujiwara-Cho
Gyoda-Shi, Saitama Ken
Japan

**REGISTERED OFFICE
& WORKS**

9 to 11, Maruti Industrial Area,
Gurgaon (Haryana)-122 015

**SHARETRANSFER
AGENTS**

MCS Limited
Shri Venkatesh Bhawan
212-A, Shahpur Jat
New Delhi-110 016
Tel. : 6495701-04
6494830-32
Fax. : 011-6494152

YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs. in lacs)

	March '97	March '96	March '95	March '94	March '93	March '92 (8 Month Period)
Share Capital	399.97	399.97	399.97	399.96	399.94	399.86
Reserves & Surplus	2883.39	2099.49	1524.12	1116.02	959.96	797.59
Total Shareholders' Funds	3283.37	2499.46	1924.09	1515.98	1359.90	1197.45
Total Term Liability	911.82	331.29	179.99	673.92	1013.74	983.61
Total Assets	4292.73	3482.13	2393.16	2562.55	2670.03	2461.00
Net Sales	10376.17	9188.77	6754.48	4720.59	3713.34	3460.46
(% increase over Previous year)	12.92%	36.04%	43.09%	27.13%	7.31%	*31.35%
Profit Before Interest Deon. & Tax (PBDIT)	1764.85	1633.75	1144.01	747.93	587.86	789.61
Interest	88.35	102.36	162.56	252.51	226.26	229.88
Depreciation	271.08	332.27	181.25	165.14	130.64	125.25
Profit Before Tax (PBT)	1405.42	1199.12	800.20	330.28	230.96	434.48
Profit After Tax (PAT)	915.89	687.35	508.10	235.75	229.36	356.08
Earnings per Share (EPS)	Rs. 22.90	Rs. 17.18	Rs. 12.70	Rs. 5.89	Rs. 5.73	Rs. 8.90
Book Value per share	Rs. 82.10	Rs. 62.49	Rs. 48.10	Rs. 36.66	Rs. 33.08	Rs. 29.94
Dividend %	*30.00	28.00	25.00	20.00	18.00	18.00

* Annualised Basis

* Recommended by Board of Directors



NOTICE IS HEREBY GIVEN THAT THE TWELFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY WILL BE HELD ON THURSDAY, THE 25TH DAY OF SEPTEMBER, 1997 AT 3.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 9-11, MARUTI INDUSTRIAL AREA, GURGAON-122 015 (HARYANA) TO TRANSACT THE FOLLOWING BUSINESS:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon.
2. To declare dividend for the year ended 31st March, 1997.
3. To appoint a Director in place of Mr. Brijmohan Lall, who retires by rotation and offers himself for re-appointment.
4. To appoint a Director in place of Mr. O.P. Vaish, who retires by rotation and offers himself for re-appointment.
5. To appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:-**

"RESOLVED THAT Mr. Takeshi Fukui who was appointed as an Additional Director of the Company with effect from 1st April, 1997 in terms of Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company and in respect of whom the Company has received a notice Under Section 257 of the Companies Act, 1956, together with a deposit of Rs. 500/- as required under the Act, be and is hereby appointed as an Additional Director of the Company.

RESOLVED FURTHER that pursuant to Section 269, 309, 198, 311 and Schedule XIII of the Companies Act, 1956, and all other applicable provisions if any of the said Act and subject to the approval of the Central Government, Mr. Takeshi Fukui be and is hereby appointed as the Joint Managing Director of the Company for a period of five years with effect from 1st April 1997, on the terms and conditions and remuneration as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER that so long as Mr. Takeshi Fukui continues to act as the Joint Managing Director, he shall not be liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:-**

"RESOLVED THAT Mr. Akio Kimura who has been appointed as an Additional Director of the Company with effect from 27th May, 1997 in terms of Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company and in respect of whom the Company has received a notice Under Section 257 of the Companies Act, 1956, together with a deposit of Rs. 500/- as required under the Act, be and is hereby appointed as an Additional Director of the Company."

MUNJAL SHOWA

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:-**

"RESOLVED that pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, of the said Act, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sum or sum(s) of money as they may deem requisite for the purposes of the business of the Company notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount together with the money(s) already borrowed by the Board of Directors shall not exceed the sum of Rs. 50 crores (Rs. Fifty Crores Only) at any time.

RESOLVED FURTHER that the consent of the Company be and is hereby accorded under Section 293(1)(a) of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging/charging "in favour of Financial Institutions/Banks" all the immovable and movable properties of the Company both present and future and the whole of the undertaking of the Company or such of them as may be agreed to between the Board and the Financial Institutions / Banks (hereinafter referred to as lenders) to secure the loans not exceeding Rs. 50 crores (Rs. Fifty Crores Only) together with interest commitment charges costs and other charges and expenses payable by the Company to the lenders in terms of the Loan Agreement to be entered into between the Company and the lenders."

By Order of the Board
For MUNJAL SHOWA LIMITED

Place : New Delhi
Dated : 25th July, 1997

MOHIT DATTA
Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself/herself. The proxy need not be a member. Proxies in order to be valid must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books will remain closed from 14th August, 1997 to 29th August, 1997 (both days inclusive). Dividend, if declared, shall be payable to those members whose names appear in the Register of Members as on 29th August, 1997.
3. Members are requested to intimate to the Company or the share transfer agents, M/s MCS Limited, at an early date, change if any, in their registered address, and also their Bank Account No's and branch names for incorporation of the same on the dividend warrants (As per proforma enclosed).
4. Members are requested to bring their copy of the Annual Report and Attendance Slip to the Annual General Meeting.
5. In accordance with Section 205A of the Companies Act, 1956, unclaimed/unpaid dividend for the financial year ended 31st March 1993 has been transferred to General Revenue Account of the Central Government. Those shareholders who have not yet claimed the dividend for the said year may apply to the Registrar of Companies, NCT of Delhi and Haryana, New Delhi on the prescribed form. The shareholders are also notified that the unclaimed dividend for the year 1993-94 is due for transfer to the Central Government. The shareholders who have not yet claimed the dividend may apply to the Company at the earliest.

EXPLANATORY STATEMENT IN PURSUANCE OF SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Mr. Takeshi Fukui had been nominated by the Collaborators M/s Showa Corporation, Japan to the Board of the Company in place of Mr. Takashi Konda. In pursuance of the above, the Board of Directors in its meeting held on 19.02.97 appointed Mr. Takeshi Fukui as an Additional Director as per the provisions contained Under Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company with effect from 1st April, 1997.

The Company has received a notice Under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs. 500/- signifying his candidature for the office of Director of the Company.

The Board of Directors in its meeting held on 19.02.97 also appointed Mr. Takeshi Fukui as the Joint Managing Director of the Company subject to the approval of The Central Government and of the Shareholders in the General Meeting for a period of five years with effect from 1st April, 1997. Having regard to his wide knowledge and professional competence, the Board considers that his appointment as the Joint Managing Director shall be in the interest of the Company.

The remuneration payable to Mr. Takeshi Fukui with effect from 1st April, 1997 subject to the approval of Shareholders and the Central Government under Section 309 and Schedule XIII of the Companies Act, 1956, is stated hereunder :-

1. **Basic Salary** : Rs. 40,000/- (Rs. Forty thousand only) p.m.
2. **Commission** : The appointee shall be allowed remuneration by way of commission in addition to salary, perquisites, and any other allowance, benefit, or amenity subject to the condition that the amount of commission shall not exceed 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956.

3. **Perquisites :** In addition to the above salary, he shall be entitled to the following perquisites:-

i) **Residential Accommodation :**

- a) **Housing I :** The appointee shall be provided free residential accommodation subject to the condition that the expenditure incurred by the Company on hiring of such accommodation shall not exceed Rs. 1.00 lac (Rupees one lac only) per month; or,
- b) **Housing II :** In case the accommodation owned by the Company, 10% of the salary of the appointee shall be considered as perquisite value; or,
- c) **Housing III :** In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceiling laid down in **Housing - I**.

In addition to the above, the appointee shall be entitled to free use of facilities and amenities such as gas, electricity, water, furnishings, fittings and other amenities.

- ii) **Medical Reimbursement :** Reimbursement of actual Medical Expenses incurred by the appointee and his family.
- iii) **Leave Travel Concession :** For the appointee and his family once in a year incurred in accordance with any rules specified by the Company. In case it is proposed that the leave be spent in home country instead of anywhere in India, return passage may be allowed for self and family in accordance with the rules specified by the Company.
- iv) **Club Fees :** Actual fees of clubs will be reimbursed.
- v) **Personal Accident Insurance :** Actual premium to be paid by the Company.
- vi) **Insurance of House-hold goods :** Actual premium to be paid by the Company.
- vii) **Children's Education Allowance :** In case of children studying in or outside India, an allowance limited to a maximum of Rs. 8000/- per month per child or actual expense incurred, whichever is less is admissible. Such allowance is admissible upto a maximum of two children.
- viii) **Holiday passage for children studying outside India/family staying abroad :** Return holiday passage is admissible once in a year by economy class or once in two years by first class to children from their place of study abroad to India or Japan, as the case may be and to the members of the family from the place of their stay abroad to India if they are not residing in India with the appointee.
- ix) **Reimbursement of expenses incurred for joining duty and returning to home country after completion of tenure :** Actual expenses incurred on travel and packing, forwarding, loading/unloading as well as freight, insurance, custom duty, clearing expenses, local transportation and installation expenses in connection with the moving of personal effects for self and family for joining duty in India. On completion of the tenure, all the expenses referred to herein above for travel and forwarding the personal effects to Japan shall also be allowable on their finally leaving the employment of the Company. If however, they join another branch of the same/related multinational Company, the branch to which they are transferred shall bear these expenses.

Explanation : For the aforesaid purposes "Family" means the spouse, the dependent children and dependent parents.
- x) **Car :** Facility of car with driver to be used for the business of the Company.
- xi) **Telephone :** Free telephone facility at residence to be used for the business of the Company.
- xii) **Leave :** One month's leave with full salary for every 11 months of service subject to the condition that leave accumulated but not availed will not be encashed.

- xiii) **Reimbursement of expenses** : Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred for the business of the Company.

The appointee shall be entitled to the sitting fees for attending the meeting of the Board/Committee of Directors as is payable to the other Directors of the Company.

Provided that the aggregate amount of remuneration payable to the appointee in a particular financial year will be subject to the overall ceiling limits laid down Under Sections 196 and 309 of the Companies Act, 1956.

In case of any loss or inadequacy of profits during any financial year, the remuneration payable to Mr. Takeshi Fukui shall not exceed the limits as prescribed under Part-II of Schedule XIII of the Companies Act, 1956.

None of the Directors except Mr. Takeshi Fukui himself is concerned or interested in the above resolution.

The above may also be treated as the Abstract of the terms of appointment and the Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956.

The Board recommends the resolution at Item No. 6 to the members for their approval.

ITEM NO. 7

Mr. Akio Kimura has been nominated by the Collaborators M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Minoru Atsumi. In pursuance of the above, Mr. Akio Kimura was appointed as an Additional Director with effect from 27th May, 1997, by the Board of Directors in terms of the provisions contained Under Section 260 of the Companies Act, 1956, and Article 89 of the Articles of Association of the Company in the Board Meeting held on the above date.

The Company has received a notice Under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying his candidature for the office of Director of the Company.

None of the Directors except Mr. Akio Kimura himself is concerned or interested in the above resolution.

The Board recommends the resolution at Item No. 7 to the members for their approval.

ITEM NO. 8

In view of the expansion programmes the Company proposes to undertake in the future, the present borrowing limit of the Board under Section 293 (1)(d) stands at Rs. 25 crores, which needs an enhancement in order to enable the Board to borrow funds from Financial Institutions / Banks for financing the expansion programmes. Hence it is proposed that the present borrowing limit be enhanced to Rs. 50 crores.

In addition to the above, a consequential enhancement in powers of the Board is also proposed for enabling the Board to mortgage/create charge(s) on the properties of the Company to the extent of Rs. 50 crores in terms of Section 293(1)(a) of the Companies Act, 1956, for the purpose of acquiring the loans from Financial Institutions/Banks from time to time.

The Board recommends the resolution at Item No. 8 to the members for their approval.

None of the Directors of the Company is concerned or interested in the above resolution.

By Order of the Board
For **MUNJAL SHOWA LIMITED**

Place : New Delhi
Dated : 25th July, 1997

MOHIT DATTA
Company Secretary

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 12th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 1997.

FINANCIAL RESULTS

The salient features of the Company's financial results for the year under review are as follows:

	Year ended 31.03.97 Rs. (Lacs)	Year ended 31.03.96 Rs. (Lacs)
Sales and other Income	12160.06	10834.47
Profit before Depreciation	1676.50	1531.39
Depreciation	271.08	332.27
Net Profit	1405.42	1199.12
Provision for Taxation	489.53	511.77
Profit after Tax	915.89	687.35
Net Profit brought forward	829.04	753.68
Available Profit	1744.93	1441.03
Proposed Dividend	119.99	111.99
Corporate Tax on Dividend	12.00	—
Transferred to General Reserve	800.00	500.00
Surplus carried to Balance Sheet	812.94	829.04

DIVIDEND

The Board of Directors are pleased to recommend a dividend of 30% i.e. Rs. 3.00 per equity share for the year ended 31st March, 1997. The dividend if approved by the shareholders at the Annual General Meeting would be payable to the shareholders whose name appear in the Register of Members on 29th August, 1997.

OPERATIONS

The turnover of the Company has grown from Rs. 108.34 crores in the year 1995-96 to Rs. 121.60 crores in the year 1996-97. The post tax profitability of the Company has soared from Rs. 687.35 lacs in 1995-96 to Rs. 915.89 lacs in 1996-97, thus registering a quantum jump of 33 % over the previous year.

CURRENT YEAR

The current year in particular has been quite encouraging for your Company. In addition to the ISO 9002 Certificate awarded to the Company last year, the Company has now been awarded the QS 9000 Certificate which has certainly added yet another feather to our cap and we wish to share this proud moment with you all.

The sales in the first four months of the current year has been 20% higher than last year's average sales. The same trend continues towards profitability in the first four months of the current year.