

14th ANNUAL REPORT

1998-1999

MUNJAL SHOWA

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POISED FOR GREATER HEIGHTS IN THE COMING MILLENNIUM

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BOARD OF DIRECTORS**Brijmohan Lall**

(Chairman)

Yogesh Munjal

(Managing Director)

Takeshi Fukui

(Joint Managing Director)

Akio Kimura

(upto 27.05.99)

Yoshitaka Terazawa

(wef. 27.05.99)

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

**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 - 122 015 (Haryana)

**SHARE TRANSFER
AGENTS****MCS Limited****Shri Venkatesh Bhavan**

212 - A, Shahpurjat

New Delhi - 110 049

Tel : 6495701 - 04

6494830 - 32

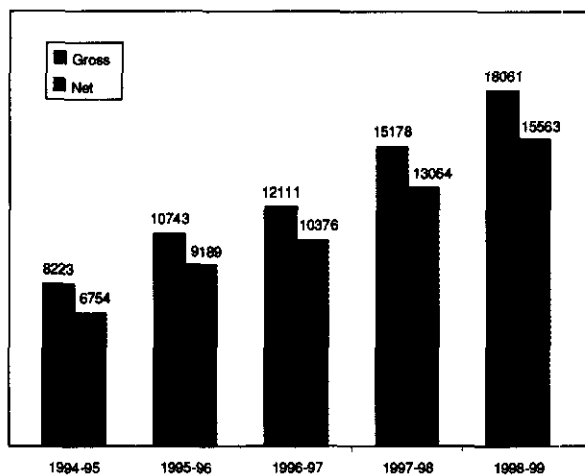
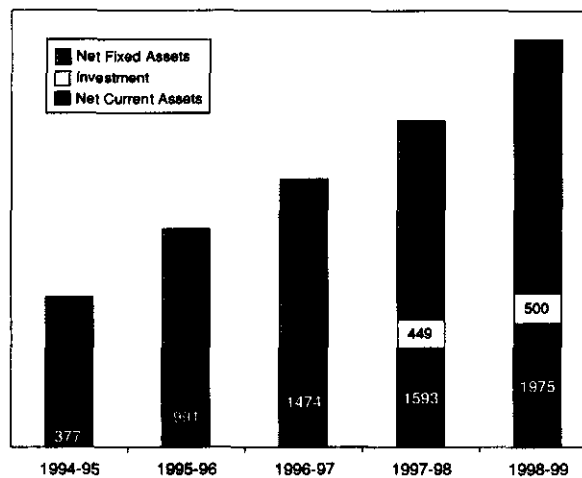
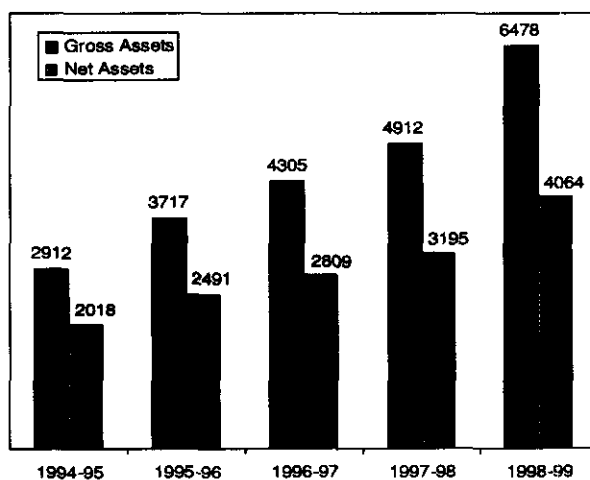
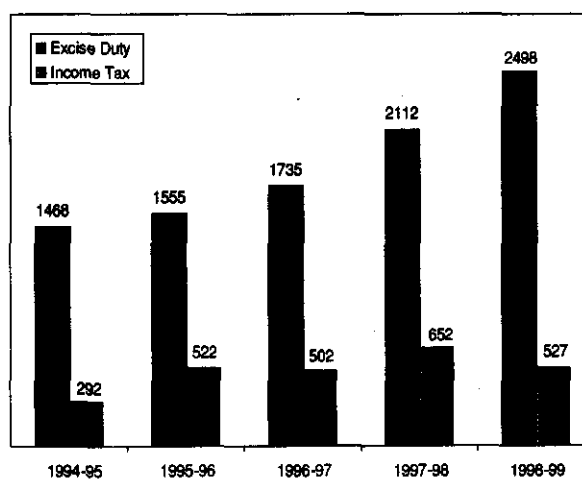
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YEARLY FINANCIAL RESULTS AT A GLANCE

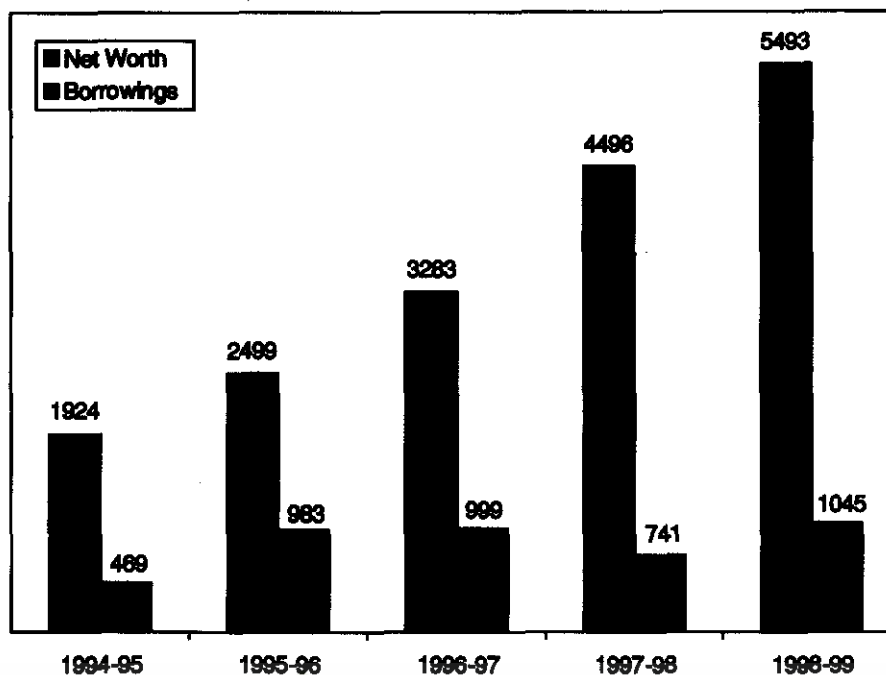
	(Rs.in lacs)					
	March'99	March'98	March'97	March'96	March'95	March'94
Share Capital	799.92	399.97	399.97	399.97	399.97	399.97
Reserve & Surplus	4693.41	4095.96	2885.39	2099.49	1524.12	1116.02
Total Shareholder's Funds	5493.33	4495.94	3283.37	2499.46	1924.09	1515.98
Total Term Liability	837.16	511.09	911.82	331.29	179.99	673.92
Total Assets	6538.29	5236.50	4282.73	3482.13	2393.16	2562.55
Net Sales	15562.67	13063.80	10376.17	9188.77	6754.48	4720.59
(% Increase over Previous year)	19.13%	25.90%	12.92%	36.04%	43.09%	27.13%
Profit Before Interest						
Depn. & Tax (PBDIT)	2080.76	2361.97	1783.61	1633.75	1144.01	747.93
Interest	57.50	66.40	107.11	102.36	162.56	252.51
Depreciation	299.79	287.93	271.08	332.27	181.25	165.14
Profit Before Tax (PBT)	1723.47	2007.64	1405.42	1199.12	808.20	330.28
Profit After Tax (PAT)	1210.25	1366.55	915.89	687.35	508.10	235.75
Earnings per Share (EPS)	* 15.13	34.17	22.90	17.18	12.70	5.89
Book Value per Share	* 68.68	112.41	82.10	62.49	48.10	36.66
Dividend %	# 35.00%	35.00%	30.00%	28.00%	25.00%	20.00%

Recommended by Board of Directors.

* On post Bonus Equity

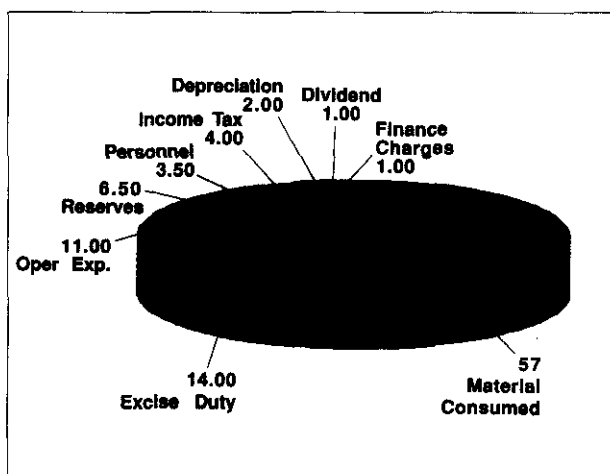
MUNJAL SHOWA LIMITED
Sales (Rs. In Lacs)**MUNJAL SHOWA LIMITED**
Application of Funds (Rs. In Lacs)Report  junction.com**MUNJAL SHOWA LIMITED**
Fixed Assets (Rs. In Lacs)**MUNJAL SHOWA LIMITED**
Contribution of Exchequer (Rs. In Lacs)

MUNJAL SHOWA LIMITED
Borrowings & Net Worth (Rs. in Lacs)

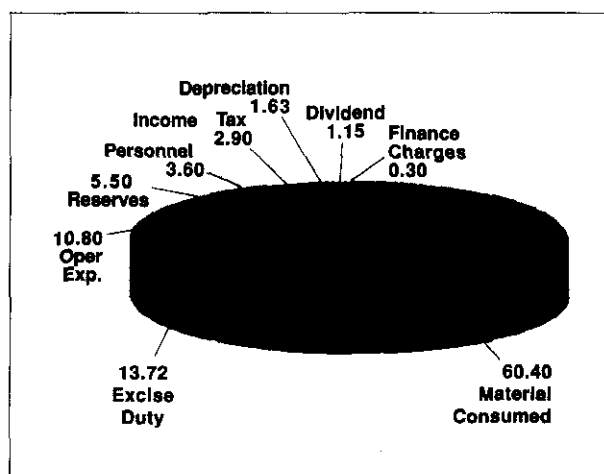


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MUNJAL SHOWA LIMITED
Distribution of Revenue (1997-98)



MUNJAL SHOWA LIMITED
Distribution of Revenue (1998-99)



NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY WILL BE HELD ON FRIDAY THE 20TH DAY OF AUGUST, 1999 AT 3.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 9 TO 11, MARUTI INDUSTRIAL AREA, GURGAON-122015 (HARYANA) TO TRANSACT THE FOLLOWING BUSINESS :-

ORDINARY BUSINESS

1. To receive consider and adopt the Audited Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date together with the Directors' and the Auditors' Reports thereon.
2. To declare dividend for the financial year ended 31st March, 1999.
3. To appoint a Director in place of Mr. K. N. Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashok Munjal, who retires by rotation and being eligible, 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 a **Special Resolution** :-

AMENDMENT IN ARTICLES OF ASSOCIATION

"RESOLVED THAT pursuant to the provisions of Section 31 and the applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:-

After Article 35 the following new Article be inserted as Article 35A and be read as follows:

35A - Notwithstanding anything contained in Articles 34 & 35 or in any other law for the time being in force, where a nomination has been made in the manner prescribed in Section 109A of the Act, purporting to confer on any person the right to vest the shares in, or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or as the case be on the death of the joint holders, become entitled to all the right in the shares or debentures of the Company or as the case may be all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Section 109A and 109B of the Act shall be applicable to such cases."

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

"RESOLVED THAT Mr. Yoshitaka Terazawa who has been appointed as an Additional Director of the Company with effect from 27th May, 1999 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 a Director of the Company and that he shall be liable to retire by rotation."

By order of the Board
For **MUNJAL SHOWA LTD.**

Place : Gurgaon
Date : 27th May, 1999

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 9th August, 1999 to 18th August, 1999 (both days inclusive). Dividend, if declared, shall be payable to those members whose names appear in the Register of Members as on 18th August, 1999.
3. Members are requested to bring their copy of the Annual Report and Attendance Slip to the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 6**

An amendment has been made to the Companies Act, 1956 through the Companies Amendment Act, 1999, to permit the holders of every shares in or holders of debentures of the Company, to nominate in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death.

In order to bring the Articles of Association of the Company in conformity with the provisions of the amendment made to the Companies Act, a new Article is being added, subject to the approval of the Shareholders in the General Meeting.

The Board of Directors of your Company recommends passing of the aforesaid Special Resolution at Item No. 6.

None of the Directors is concerned or interested in the passing of this Special Resolution.

INSPECTION

A copy of the Articles of Association of the Company together with proposed alternations, will be available for inspection of the members at the Registered Office of the Company between 11 A.M. and 1 P.M. on any working day of the Company.

ITEM NO. 7

Mr. Yoshitaka Terazawa has been nominated by the Collaborators M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Akio Kimura. In pursuance of the above, Mr. Yoshitaka Terazawa was appointed as an Additional Director with effect from 27th May, 1999, 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. Yoshitaka Terazawa himself is concerned or interested in the above resolution.

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

By order of the Board
For **MUNJAL SHOWA LTD.**

Place : Gurgaon
Date : 27th May, 1999

MOHIT DATTA
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 14th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 1999.

FINANCIAL RESULTS

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

	Year Ended 31.03.99	Year Ended 31.03.98
	Rs.(Lacs)	Rs.(Lacs)
Sales and other Income	18198.07	15266.40
Profit before Depreciation	2023.25	2295.57
Depreciation	299.79	287.93
Net Profit	1723.46	2007.64
Provision for Taxation	513.21	641.09
Profit after Tax	1210.25	1366.55
Net Profit brought forward	825.51	812.94
Available Profit	2035.76	2179.49
Proposed Dividend	191.76	139.98
Corporate Tax on Dividend	21.10	14.00
Transferred to General Reserve	1000.00	1200.00
Surplus carried to Balance Sheet	822.90	825.51

DIVIDEND

The Board is pleased to recommend a dividend of 35% (net of taxes) i.e. Rs. 3.50 per Equity Share of Rs. 10/- each (pro rata on Bonus Shares). The dividend if approved by the Shareholders at the Annual General Meeting shall be payable to shareholders whose names appear in the Register of Members as on 18th August, 1999.

OPERATIONS

The Turnover of the Company has registered a growth of 19% over the previous year, however the profitability has slid by about 11% as compared to the last year. The fall is largely attributed to the insistence of the customers for price cuts, in view of the intense competition in automobile sector. The cut in the modvat availment to 95% as against 100% in the previous year coupled with the exchange rate fluctuations and the cost incurred in further improving the quality have also contributed to the increase in the cost to the Company.

CURRENT YEAR

The turnover of the Company during the first two months of the current year has shown a 16% increase over the corresponding period. We are however confident that with the commencement of supply to new customers and with the recovery in the automobile sector and restoration of modvat, the Company is expected to perform better in the coming year. The Company has also introduced cost cut measures.

FUTURE PLANS AND NEW DEVELOPMENTS

The development of samples for Telco's Indica is under progress. The Company has also received orders for Maruti's three new models falling under the 1000 CC and the 1600 CC segments. The Company has also received orders for revised version of Honda Car slated for launch in the month of November this year. The CBZ (ee) a new launch from Hero Honda is catching up the popularity wave and will lead to an enhanced level of production during the year. The Company continues to be in the slot of top quality manufacturers with hi-tech product mix. Having achieved feathers like QS 9000 and ISO 9001; the Company expects to achieve ISO 14000 on the environment and safety as well within this financial year. The Company expects a 20% growth in overall turnover for the current financial year.

BONUS ISSUE

In pursuance of the resolution passed by the shareholders in the last Annual General Meeting, a sum of Rs. 3,99,95,000 has been capitalised out of the general reserve to issue 39,99,500 Equity Shares of Rs. 10/- each as Bonus Shares in the proportion of one Equity Share for every one fully paid Equity Share.

DIRECTORS

Mr. K. N. Malhotra and Mr. Ashok Munjal, the Directors of the Company who retire by rotation and being eligible, the Board recommends their re-appointment as rotational Directors.

Mr. Yoshitaka Terazawa has been nominated by the Collaborators M/s Showa Corporation, as a Director of the Company in place of Mr. Akio Kimura. Mr. Yoshitaka Terazawa has been appointed as the Additional Director of the Company w.e.f. 27th May, 1999. Notice under Section 257 of the Companies Act, 1956, has been received proposing Mr. Yoshitaka Terazawa as a Director of the Company. The Board welcomes Mr. Yoshitaka Terazawa and recommends his appointment. The Board also places on record its deep appreciation for the valuable contribution put forward by Mr. Akio Kimura during his association with the Company.

AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, the Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

AUDITORS' REPORT

The observation made in the Auditors' Report are self explanatory and hence do not call for any further comments.

FIXED DEPOSIT

The Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

Y2K COMPLIANCE

All the operations process, functions are Y2K Compliant. We do not foresee any problem in this regard.

LISTING

The shares of your Company are listed at Delhi, Mumbai, Calcutta, Ahmedabad and Ludhiana Stock Exchanges and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 1999-2000 has been paid on time i.e. before 30th April, 1999.