

**MUNIAL  
SHOWA**

Soaring high in these challenging times



REPORT  [junction.com](http://junction.com)

**17th Annual Report 2001-02**

**CONTENTS**

## Page Nos.

|   |       |
|---|-------|
| Board of Directors & Other Information .....      | 2     |
| Financial Highlights .....                        | 3     |
| Notice .....                                      | 6     |
| Explanatory Statement .....                       | 8     |
| Directors' Report .....                           | 13    |
| Corporate Governance Report .....                 | 18    |
| Auditors' Report .....                            | 29    |
| Balance Sheet & Profit and Loss Account .....     | 32-33 |
| Notes to the Accounts .....                       | 41    |
| Additional Information .....                      | 47    |
| Cash Flow Statement & Auditors' Certificate ..... | 51    |
| Information to the Members .....                  | 53    |

**BOARD OF DIRECTORS****Brijmohan Lall Munjal**  
(Chairman)**Yogesh Munjal**  
(Managing Director)**Takeshi Fukui**  
(Joint Managing Director)**Yoshitaka Terazawa****Dr. K. C. Sethi****S.D. Khosla****K.N. Malhotra****Ashok Munjal****Pankaj Munjal****COMPANY SECRETARY****Pankaj Gupta****AUDITORS**M/s S. R. Batliboi & Company  
Chartered Accountants  
New Delhi**COST AUDITORS**M/s Ramanath Iyer & Co.  
Cost Accountants  
Delhi**BANKERS**The Bank of Tokyo-Mitsubishi Ltd.  
Canara Bank  
Standard Chartered Bank**TECHNICAL & FINANCIAL  
COLLABORATOR**Showa Corporation  
1-14-1, Fujiwara - Cho  
Gyoda - Shi Saitama Ken, Japan**REGISTERED OFFICE & WORKS**9-11, Maruti Industrial Area  
Gurgaon -122 015 (Haryana)**SHARE TRANSFER AGENTS**MCS Limited  
Shri Venkatesh Bhavan  
212-A, Shahpurjat  
New Delhi-110049  
Tel : 6494830,  
6495704  
Fax: 011-6494152

## YEARLY FINANCIAL RESULTS AT A GLANCE

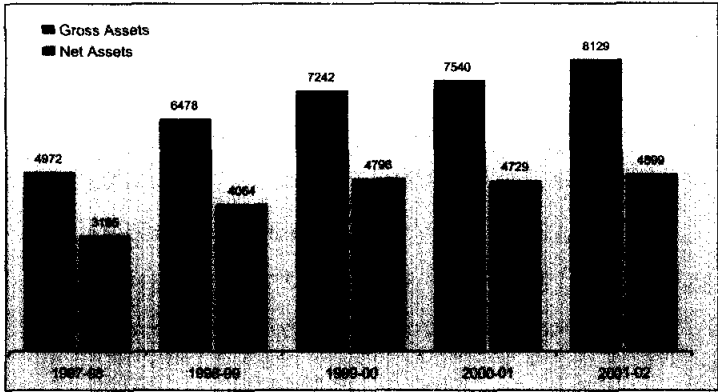
(Rs.in lacs)

|  | March '02 | March '01 | March'00 | March'99 | March'98 |
|--|-----------|-----------|----------|----------|----------|
| Share Capital  | 799.92    | 799.92    | 799.92   | 799.92   | 399.97   |
| Reserve & Surplus                                    | 7827.18   | 6662.31   | 5689.31  | 4693.41  | 4095.96  |
| Total Shareholder's Funds                            | 8627.10   | 7462.23   | 6489.23  | 5493.33  | 4495.93  |
| Unsecured Loans                                      | 742.83    | 865.72    | 976.32   | 837.16   | 511.09   |
| Secured Loans  | 219.86    | 190.59    | 39.95    | 207.80   | 229.47   |
| Total Term Liability                                 | 962.69    | 1056.31   | 1016.27  | 1044.96  | 740.56   |
| Total Assets   | 9589.80   | 8518.55   | 7505.50  | 6538.29  | 5236.50  |
| Net Sales  | 31646.36  | 24336.03  | 20180.72 | 15562.67 | 13063.80 |
| (% Increase over Previous year)                      | 30.04%    | 20.59%    | 29.67%   | 19.13%   | 25.90%   |
| Profit Before Interest<br>Depreciation & Tax (PBDIT) | 4510.67   | 2471.31   | 2246.81  | 2080.76  | 2361.97  |
| Interest   | 78.70     | 91.83     | 72.07    | 57.50    | 66.40    |
| Depreciation   | 546.96    | 401.19    | 375.14   | 299.79   | 287.93   |
| Profit Before Tax (PBT)                              | 3885.01   | 1978.29   | 1799.60  | 1723.47  | 2007.64  |
| Profit After Tax (PAT)                               | 2507.45   | 1281.53   | 1306.65  | 1210.25  | 1366.55  |
| Earnings per Share (EPS)                             | 31.35     | 16.02     | 16.33    | 15.13    | 34.17    |
| Book Value per Share                                 | 107.84    | 93.28     | 81.12    | 68.68    | 112.41   |
| Dividend %   | # 75.00%  | 35.00%    | 35.00%   | 35.00%   | 35.00%   |

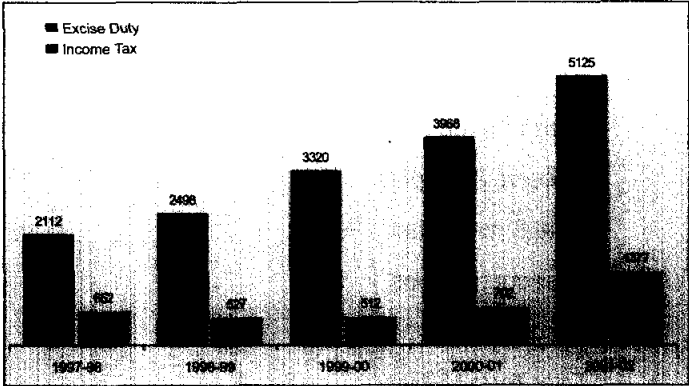
# Recommended by Board of Directors



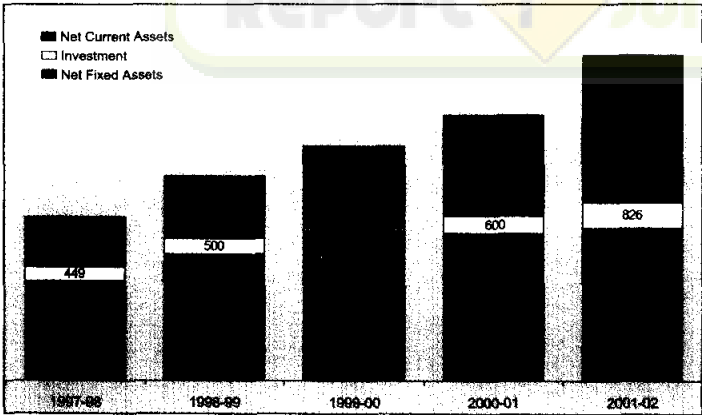
**MUNJAL SHOWA LIMITED**  
Fixed Assets (Rs. In Lacs)



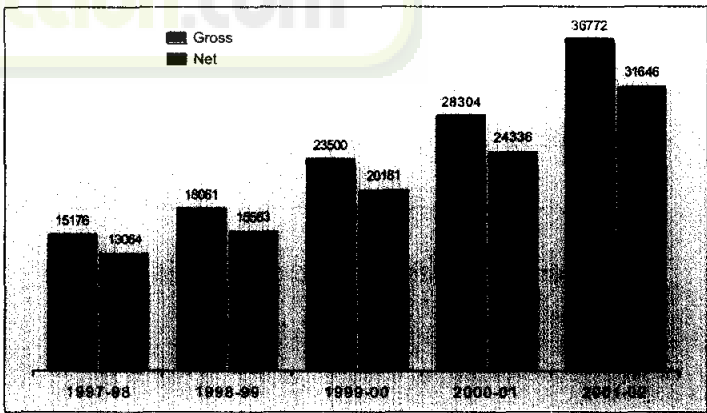
**MUNJAL SHOWA LIMITED**  
Contribution to Exchequer (Rs. In Lacs)



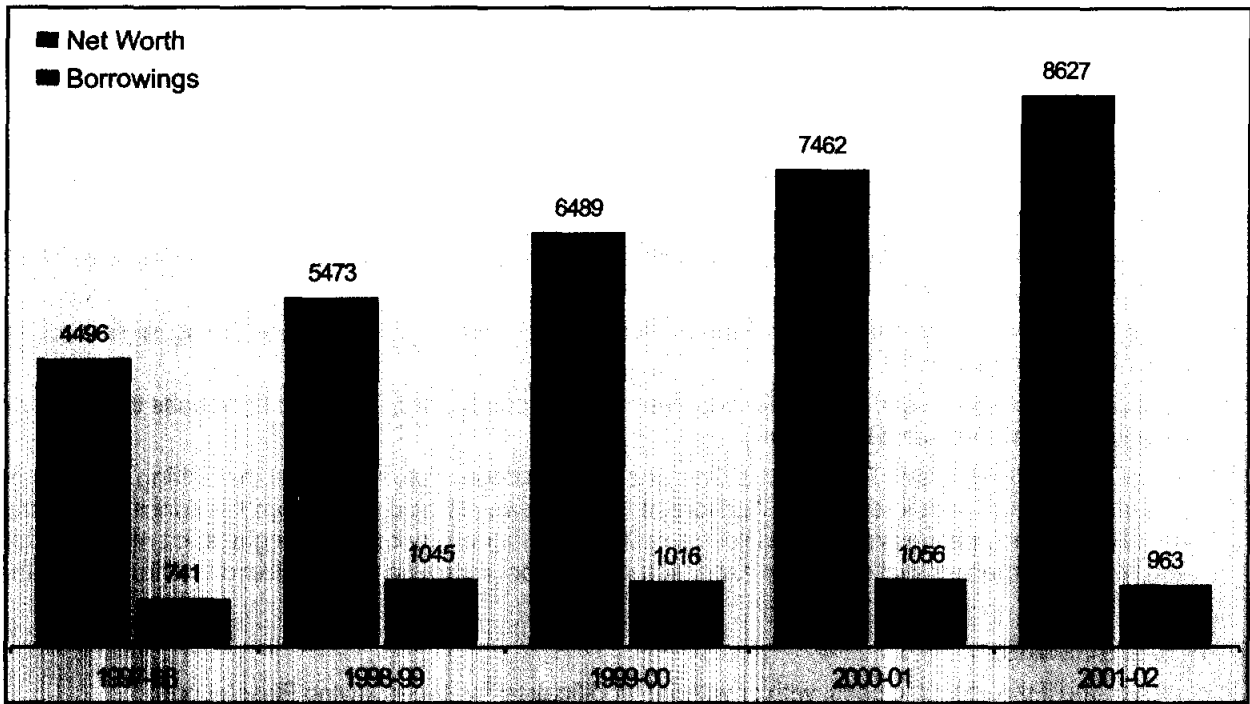
**MUNJAL SHOWA LIMITED**  
Application of Funds (Rs. In Lacs)



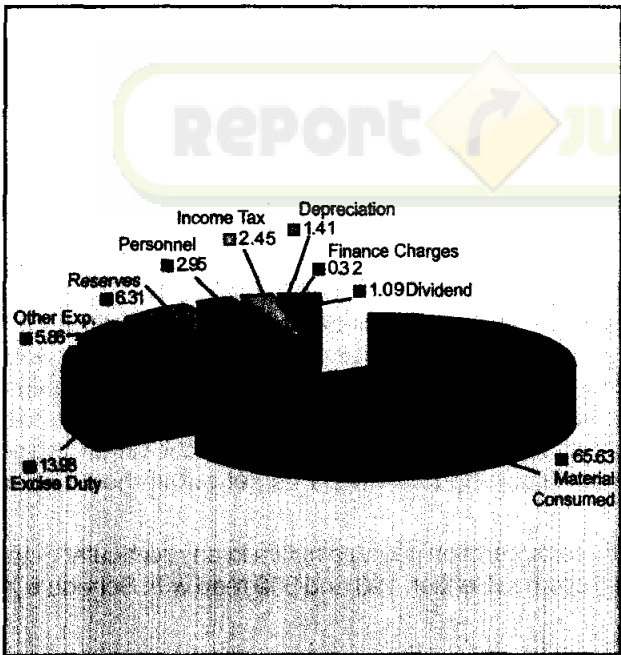
**MUNJAL SHOWA LIMITED**  
Sales (Rs. In Lacs)



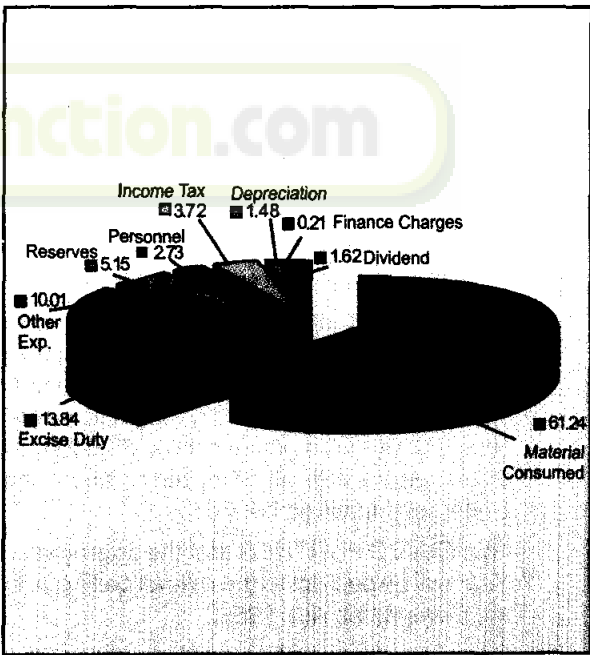
MUNJAL SHOWA LIMITED  
Borrowings & Net Worth (Rs. In Lacs)



MUNJAL SHOWA LIMITED  
Distribution of Revenue (2000-2001)



MUNJAL SHOWA LIMITED  
Distribution of Revenue (2001-2002)





## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON MONDAY THE 19<sup>TH</sup> DAY OF AUGUST 2002 AT 10.30 A.M. AT NOTTING HILLS, OLD DELHI ROAD, 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, 2002 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 financial year 2001-2002.
- 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. Pankaj Munjal, who retires by rotation and, being eligible, offers himself for re-appointment.
- 5) To appoint the Auditors and to fix their remuneration, to consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:  
 "RESOLVED THAT M/s S. R. Batliboi & Co., Chartered Accountants, New Delhi the retiring Auditors be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration and reimbursement of out of pocket expenses as may be approved by the Board of Directors of the Company."

### SPECIAL BUSINESS

To consider and if thought fit to pass, with or without modification (s), the following Resolutions:

#### As Ordinary Resolutions: -

6. **Variation in the Terms of Appointment of Mr. Yogesh Munjal- Managing Director**  
 "RESOLVED that in partial modification of the earlier Resolution passed in the Sixteenth Annual General Meeting held on 21<sup>st</sup> August, 2001 the consent of the Company be and is hereby accorded under Sections 198, 269 and 309 read with Schedule- XIII and other applicable provisions, if any, of the Companies Act, 1956 that the Basic Salary payable to Mr. Yogesh Munjal- Managing Director be increased to Rs. 75,000/- per month from Rs. 65,000/- per month with effect from 01.10.2001 for the remaining period of his tenure, with all other terms and conditions remaining unchanged, as set out in the Explanatory Statement annexed hereto.  
 RESOLVED FURTHER that the aggregate of the remuneration payable to him in any particular Financial Year will be subject to the overall ceiling limit laid down in Section 198 and 309 read with Schedule XIII of the Companies Act, 1956.
7. **Variation in the Terms of Appointment of Mr. Takeshi Fukui – Joint Managing Director**  
 "RESOLVED that in partial modification of the earlier Resolution passed in the Fifteenth Annual General Meeting held on 29<sup>th</sup> August, 2000 the consent of the Company be and is hereby accorded under Sections 198, 269 and 309 read with Schedule- XIII and other applicable provisions, if any, of the Companies Act, 1956 that the Basic Salary payable to Mr. Takeshi Fukui - Joint Managing Director be increased to Rs. 75,000/- per month from Rs. 65,000/- per month with effect from 01.10.2001 for the remaining period of his tenure with all other terms and conditions remaining unchanged as set out in the Explanatory Statement annexed hereto.  
 RESOLVED FURTHER that the aggregate of the remuneration payable to him in any particular Financial Year will be subject to the overall ceiling limit laid down in Section 198 and 309 read with Schedule XIII of the Companies Act, 1956."
8. **Re-appointment of Joint Managing Director**  
 "RESOLVED that pursuant to Section 269, 198, 309 read with Schedule XIII and other applicable provisions,

if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. Takeshi Fukui as Joint Managing Director of the Company with effect from 1<sup>st</sup> April, 2002 for a further period upto 6<sup>th</sup> June, 2002 on the terms and conditions as set out in the Explanatory Statement annexed hereto."

RESOLVED FURTHER that the aggregate amount of remuneration payable to him in any particular financial year will be subject to the overall ceiling limit laid down in Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER that in terms of Article 116 of the Articles of Association of the Company, so long as Mr. Takeshi Fukui continues to act as Joint Managing Director, he will not be liable to retire by rotation."

#### 9. Appointment of Joint Managing Director

(A) "RESOLVED that Mr. Seiji Konoue who has been appointed as Additional Director of the Company with effect from 7<sup>th</sup> June, 2002 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 said Act, be and is hereby appointed as a Director of the Company."

(B) RESOLVED FURTHER that pursuant to Sections 269, 309, 198 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, if required, Mr. Seiji Konoue be and is hereby appointed as the Joint Managing Director of the Company for a period of five years with effect from 7<sup>th</sup> June, 2002, on the terms and conditions and remuneration as set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER that in terms of Article 116 of the Articles of Association of the Company, so long as Mr. Seiji Konoue continue to act as Joint Managing Director, he shall not be liable to retire by rotation."

#### 10. Appointment of Director

"RESOLVED that Mr. Kiyoshi Nagashima who has been appointed as Additional Director of the Company with effect from 24<sup>th</sup> May, 2002 in terms of Section 260 of the Companies Act, 1956, and Article 89 of the Article 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 said Act, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

#### As Special Resolution:

#### 11. Alteration of Articles of Association

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner set out as under;

In Article No. 2 (a), the words "Table A in the First Schedule to the Companies Act, 1956 shall not apply to the Company" shall be replaced by the words "Table A of the First Schedule to the Companies Act, 1956 shall apply to the Company in respect of those matters which are not specifically provided herein below in these Regulations."

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

**PANKAJ GUPTA**  
Company Secretary

Place: New Delhi

Dated: 24.05.2002





## NOTES

**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.**

The Explanatory Statement setting out the material facts concerning Ordinary Business at Item No.6,7,8,9 & 10 and Special Business in respect of Item No.11 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto.

The Register of Members and Share Transfer Books will remain closed from 12<sup>th</sup> August'2002 to 19<sup>th</sup> August'2002 (both days inclusive).

The dividend as recommended by the Board, if sanctioned at the meeting, will be paid on or after 19<sup>th</sup> August'2002 to those members whose names appear on the Company's Register of Members on 19<sup>th</sup> of August'2002. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

Pursuant to the provisions of Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividend upto the Financial Year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not yet encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi 110 003 by quoting the **Company's Registration No.05-20934**.

As per the provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2002, tax @ 10.5% is required to be deducted at source if the gross amount of dividend payable to a Resident Individual Shareholder during the financial year exceeds Rs. 1,000/-. Resident Individual Shareholders who are likely to receive dividend amount more than Rs. 1,000/- during a financial year and their total estimated income from dividend and other sources as provided in Section 197A(1B) of the Income Tax Act, 1961 during such financial year is not likely to exceed Rs. 50,000/- can claim gross dividend without deduction of tax at source by submitting declaration in Form 15G (in duplicate) with the Company at its Registered Office on or before 8<sup>th</sup> August' 2002.

Members are requested to bring their copy of the Annual Report and Attendance Slip to the Annual General Meeting.

### Annexure to the Notice

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **Item No. 6**

The Members in the Sixteenth Annual General Meeting held on 21.08.2001 had approved the remuneration of Mr. Yogesh Munjal, Managing Director of the Company. As you are aware that the annual turnover of the Company has crossed the level of Rs. 350 Crores and the job responsibilities have also considerably increased. Keeping in view of the above, the Board of Directors by passing a Resolution in its meeting held on 23.01.2002 have revised the basic salary of Managing Director from Rs. 65,000/- to Rs. 75,000/- (Rupees Seventy Five thousand only) per month w.e.f. 1<sup>st</sup> October, 2001 for the remaining period of his tenure. All other terms and conditions of his appointment will remain the same.

Mr. Yogesh Munjal, Mr. Brijmohan Lall Munjal, Mr. Ashok Munjal and Mr. Pankaj Munjal being related to each other may be deemed to be interested in the Resolution under Item no. 6.

The Board recommends the resolution to the members for their approval.

##### **Item No. 7**

The Members in the Fifteenth Annual General Meeting held on 29.08.2000 approved the remuneration of Mr. Takeshi Fukui, Joint Managing Director of the Company. As you are aware that annual turnover of the Company has crossed the level of Rs. 350 Crores and the job responsibilities have also considerably increased.

Keeping in view of the above, the Board of Directors by passing a Resolution in its meeting held on 23.01.2002 have revised the basic salary of Joint Managing Director from Rs. 65,000/- to Rs. 75,000/- (Rupees Seventy Five thousand only) per month w.e.f. 1<sup>st</sup> October, 2001 for the remaining period of his tenure. All other terms and conditions will remain the same.

Except Mr. Takeshi Fukui, no other director is interested/concerned in the Resolution under Item no. 7.

The Board recommends the resolution to the members for their approval.

#### Item No. 8

The present tenure of Mr. Takeshi Fukui as Joint Managing Director of the Company expires on 31<sup>st</sup> March'2002. During his tenure of five years, Mr. Takeshi Fukui steered MSL to great heights and MSL has taken strategic move towards new clientele. Under his stewardship, the Company has achieved a record turnover. Keeping in view his long standing experience, expertise and knowledge in managing the affairs of the Company, he has been re-appointed as Joint Managing Director by the Board of Directors by passing a Resolution in its meeting held on 23<sup>rd</sup> January, 2002 for a further period of five years w.e.f. 1<sup>st</sup> April, 2002 subject to approval of the shareholders on the terms and conditions including minimum remuneration as set out below. However, in the meantime, M/s Showa Corporation, Japan have withdrawn his nomination with effect from 6<sup>th</sup> June, 2002. Accordingly, the approval from the shareholders for the appointment and remuneration of Mr. Takeshi Fukui is sought for the period from 01.04.2002 to 06.06.2002.

1. **Basic Salary:** Rs. 75,000/- (Rs. Seventy five thousand only) p.m.
2. **Commission:** He shall also be allowed commission in addition to Basic Salary, perquisites and any other allowances, benefits, or amenities 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 and Allowances:** In addition to the above Basic Salary and Commission, he shall be entitled to the following perquisites and allowances:
  - a) **Residential Accommodation:** Rent-free furnished residential accommodation with free use of all the facilities and amenities which shall be provided by the Company;
  - b) **Medical Reimbursement:** Reimbursement of actual medical expenses incurred by him and his family;
  - c) **Children's Education Allowance:** In case of children studying in India, actual expenses incurred, shall be admissible;
  - d) **Leave Travel Concession:** For him and his family once in a year incurred in accordance with any Rules specified by the Company;
  - e) **Club Fees:** Actual fees of clubs will be reimbursed;
  - f) **Gas, Electricity & Water:** Actual Expenses on Gas, Electricity and Water will be paid by the Company;
  - g) **Personal Accident Insurance:** Actual premium to be paid by the Company;
  - h) **Insurance of Household goods:** Actual premium to be paid by the Company;
  - i) **Car:** Facility of car with driver to be used for the business of the Company;
  - j) **Telephone:** Free telephone facility at Residence to be used for the business of the Company;
  - k) **Provision for servants at residence:** The Company shall provide the services of servants/cook/sweeper/guard/gardener not exceeding three in numbers at the residence of appointee.
  - l) **Leave:** One month's leave with full salary for every 11 months of service subject to the condition that the leave accumulated but not availed will not be encashed;
  - m) **Reimbursement of shifting expenses:** 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