

20th Annual Report
2004-05



20
YEARS OF
EXCELLENCE

CONTENTS

| | Page Nos. |
|--|-----------|
| Board of Directors & Other Information | 1 |
| Financial Highlights | 2 |
| Notice | 4 |
| Explanatory Statement | 8 |
| Directors' Report | 13 |
| Corporate Governance Report | 17 |
| Auditors' Report | 28 |
| Balance Sheet, Profit and Loss Account & Cash Flow Statement | 31 |
| Notes to the Accounts | 43 |
| Additional Information | 53 |
| Information to the Members | 55 |

BOARD OF DIRECTORS**Brijmohan Lall Munjal**
(Chairman)**Yogesh Munjal**
(Managing Director)**Seiji Konoue**
(Joint Managing Director)
(Upto 31.07.2005)**Kazuhiro Nishioka**
(Joint Managing Director)
(w.e.f. 01.08.2005)**Kiyoshi Nagashima**
(Upto 31.07.2005)**Hiroshi Ijima**
(w.e.f. 01.08.2005)**Dr. K. C. Sethi****S. D. Khosla****K. N. Malhotra****Vinod K. Agrawal**
(w.e.f. 29.07.2005)**Ashok Munjal****Pankaj Munjal****COMPANY SECRETARY**

Pankaj Gupta

COST AUDITORSM/s Ramanath Iyer & Co.
Cost Accountants
Delhi**BANKERS**The Bank of Tokyo- Mitsubishi Limited
Canara Bank
Standard Chartered Bank
Citi Bank N.A.**TECHNICAL & FINANCIAL COLLABORATOR**Showa Corporation
1-14-1, Fujiwara -Cho
Gyoda- shi Saitama Ken, Japan**REGISTERED OFFICE & WORKS**9-11, Maruti Industrial Area,
Gurgaon-122015
Plot No. 26 E & F, Sector 3,
IMT Manesar, Gurgaon- 122 050**SHARE TRANSFER AGENTS**MCS Limited
Shri Venkatesh Bhavan, W-40,
Okhla Industrial Area, Phase II,
New Delhi- 110 020
Tel: 26384909; Fax: 26384907
Email: mcsdel@vsnl.com

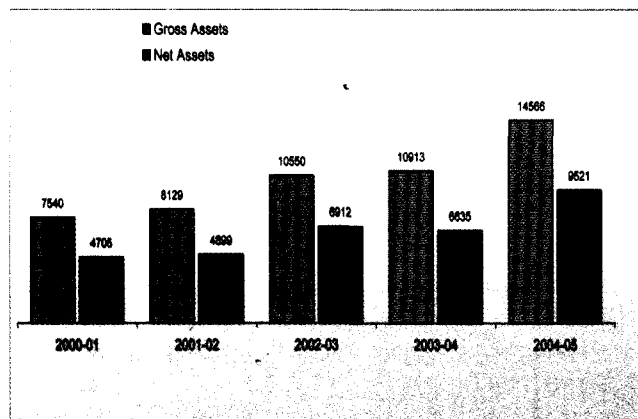
YEARLY FINANCIAL RESULTS AT A GLANCE

| | (Rs.in lacs) | | | | |
|--|--------------|----------|----------|-----------|-----------|
| | March '05 | March'04 | March'03 | March '02 | March '01 |
| Share Capital | 799.92 | 799.92 | 799.92 | 799.92 | 799.92 |
| Reserves & Surplus | 10827.18 | 10729.81 | 9289.78 | 7827.18 | 6662.31 |
| Total Shareholder's Funds | 11627.10 | 11529.73 | 10089.70 | 8627.10 | 7462.23 |
| Unsecured Loans | - | 226.34 | 552.13 | 742.83 | 865.72 |
| Secured Loans | 24.79 | 182.90 | 463.57 | 219.86 | 190.59 |
| Total Term Liability | 24.79 | 409.24 | 1015.70 | 962.69 | 1056.31 |
| Total Assets | 12230.72 | 12553.81 | 11860.07 | 9589.80 | 8518.55 |
| Net Sales | 52147.96 | 40427.70 | 35668.84 | 31603.66 | 24336.03 |
| (% Increase over Previous year) | 28.99% | 13.34% | 12.86% | 29.86% | 20.59% |
| Profit Before Interest Depn. & Tax (PBDIT) | #2031.11 | 4047.29 | 4059.29 | 4510.67 | 2471.31 |
| Interest | 51.09 | 54.15 | 51.39 | 78.70 | 91.83 |
| Depreciation | 823.07 | 747.73 | 629.86 | 546.96 | 401.19 |
| Profit Before Tax (PBT) | 1156.95 | 3245.42 | 3378.04 | 3885.01 | 1978.29 |
| Profit After Tax (PAT) | 782.97 | 2116.82 | 2139.38 | 2507.45 | 1281.53 |
| Earnings per Share (EPS) (Rs.) | 9.79 | 26.46 | 26.75 | 31.35 | 16.02 |
| Book Value per Share (Rs.) | 145.34 | 144.12 | 126.12 | 107.84 | 93.28 |
| Dividend % | ## 75.00% | 75.00% | 75.00% | 75.00% | 35.00% |

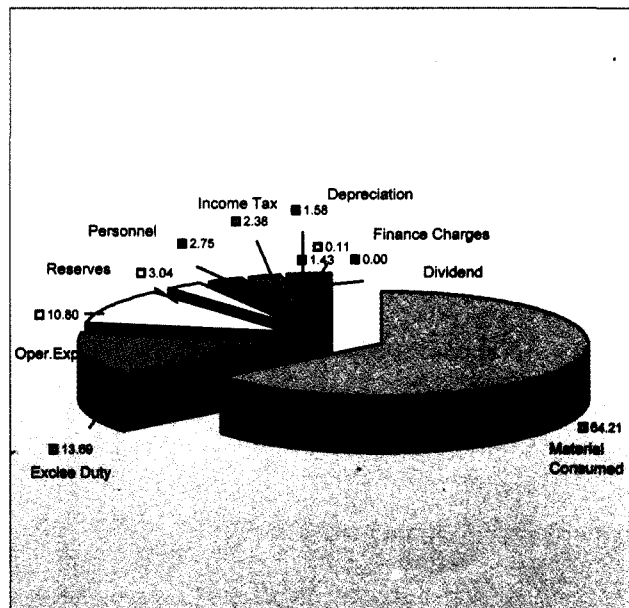
after exceptional loss of Rs. 1072.32 Lacs

‡ Recommended by Board of Directors

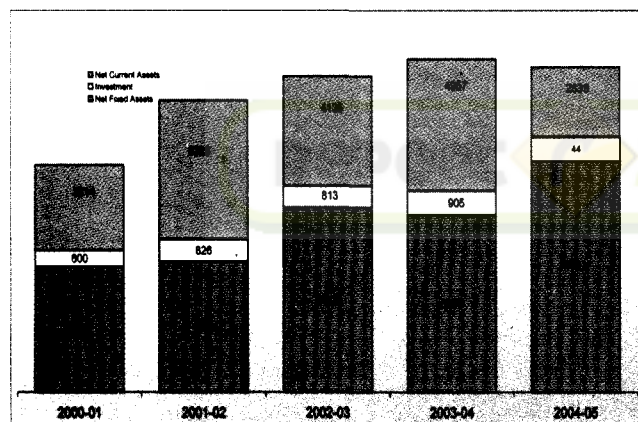
MUNJAL SHOWA LIMITED
Fixed Assets (Rs. in lacs)



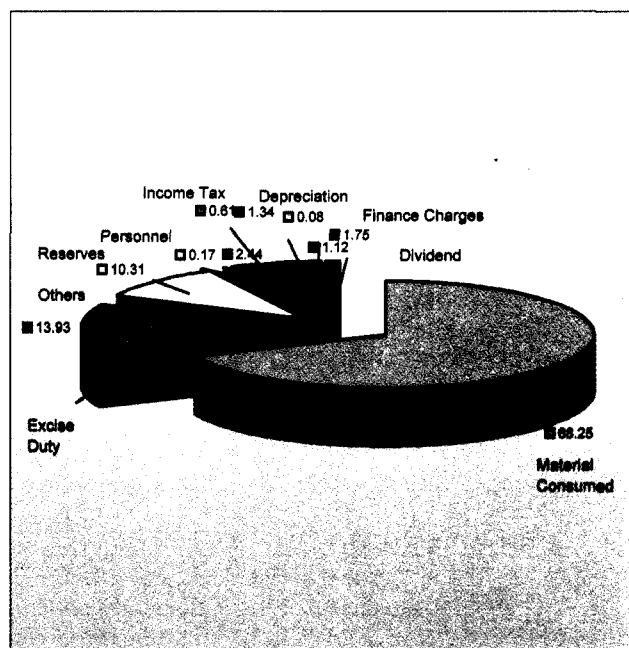
MUNJAL SHOWA LIMITED
Distribution of Revenue (2003-2004)



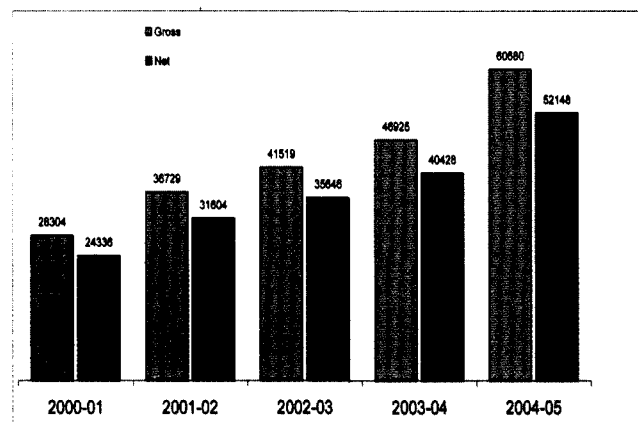
MUNJAL SHOWA LIMITED
Application of Funds (Rs. in lacs)



MUNJAL SHOWA LIMITED
Distribution of Revenue (2004-2005)



MUNJAL SHOWA LIMITED
Sales (Rs. in lacs)



NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON TUESDAY THE 30TH DAY OF AUGUST, 2005 AT 11:00 A.M. AT THE COMPANY'S NEW PLANT SITUATED AT 26E & F, IMT MANESAR, GURGAON, HARYANA TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 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 on equity shares.
3. To appoint a Director in place of Mr. Pankaj Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K N Malhotra who retires by rotation and though being eligible for re-appointment, has requested to be relieved from this responsibility.
5. To appoint M/s S. R. Batliboi & Co., Chartered Accountants, New Delhi the retiring Auditors of the Company as Auditors, who shall 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:

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

As Ordinary Resolutions :-

6. Appointment and Remuneration of Mr. Kazuhiro Nishioka as Joint Managing Director of the Company

"RESOLVED THAT Mr. Kazuhiro Nishioka who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 1st August, 2005 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 from a member proposing his candidature for the office of director 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.

RESOLVED FURTHER THAT pursuant to the recommendation by the Remuneration Committee of the Company and 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. Kazuhiro Nishioka be and is hereby appointed as the Joint Managing Director of the Company for a period of five years with effect from 1st August, 2005, on such 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. Kazuhiro Nishioka continues to act as Joint Managing Director, he shall not be liable to retire by rotation."

7. Appointment of Mr. Vinod K. Agrawal as a Director of the Company

"RESOLVED THAT Mr. Vinod K. Agrawal who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 29th July, 2005 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 from a member proposing his candidature for the office of director 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."

8. Appointment of Mr. Hiroshi Ijima as a Director of the Company

"RESOLVED THAT Mr. Hiroshi Ijima who has been appointed by the Board of Directors as an additional director of the Company w.e.f. 1st August, 2005 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 from a member proposing his candidature for the office of director 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."

9. Variation in the Terms of Appointment of Mr. Yogesh Munjal- Managing Director

"RESOLVED THAT pursuant to the recommendation of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Nineteenth Annual General Meeting held on 24th August, 2004, 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. 1,25,000/- per month from Rs. 95,000/- per month with effect from 01.10.2004 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unchanged.

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."

10. Variation in the Terms of Appointment of Mr. Seiji Konoue – Joint Managing Director

"RESOLVED THAT pursuant to the recommendation of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Nineteenth Annual General Meeting held on 24th August, 2004, 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. Seiji Konoue - Joint Managing Director be increased to Rs. 1,25,000/- per month from Rs. 95,000/- per month with effect from 01.10.2004 for the remaining period of his tenure.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unchanged.

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."

As Special Resolution:-

11. Amendment in 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 below:

(a) In Article No. 30, in opening paragraph, after the words "Section 111" and before the words "of the Companies Act, 1956", the words "and 111A" shall be inserted.

(b) In Article No. 95, in Clause (iii), for the word 'twenty', the word 'fifteen' shall be substituted."

Place : New Delhi
Dated : July 29, 2005

By order of the Board
For MUNJAL SHOWA LTD.

Registered Office:
9-11, Maruti Industrial Area
Gurgaon, Haryana - 122 015

PANKAJ GUPTA
COMPANY SECRETARY

NOTES:-

- 01) **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.**
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 6 to 11 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of person seeking re-appointment under Item No. 3, as required by clause 49 of the listing agreement with the Stock Exchanges are also annexed.
- 03) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 13th August, 2005 to Tuesday, 30th August, 2005 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twentieth Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 30, 2005. In respect of the shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
- 05) Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends for the period(s) up to 31st March, 1994 have already been transferred to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No. II to 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**.
- 06) Information in respect of unclaimed dividend pertaining to subsequent financial years when due for transfer to the said Fund is given below:

| Financial year ended | Date of declaration of Dividend | Last date for claiming unpaid Dividend |
|-----------------------------|--|---|
| 31.03.1998 | 26.08.1998 | 01.09.2005 |
| 31.03.1999 | 20.08.1999 | 26.08.2006 |
| 31.03.2000 | 29.08.2000 | 04.09.2007 |
| 31.03.2001 | 21.08.2001 | 27.08.2008 |
| 31.03.2002 | 19.08.2002 | 25.08.2009 |
| 31.03.2003 | 26.08.2003 | 01.09.2010 |
| 31.03.2004 | 24.08.2004 | 30.08.2011 |

Shareholders who have not so far en-cashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company immediately. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.**

- 07) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1997-98 and thereafter, which remains unclaimed for a period of 7 years would be transferred by the Company to the **"Investor Education and Protection Fund (IEPF)"** established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividends declared for the financial

years 1994-95, 1995-96 and 1996-97 remaining unpaid/unclaimed have already been transferred to the Investor Education and Protection Fund.

08) Members are requested to notify immediately any change of address

- i) To their Depository Participants (DPs) in respect of their electronic share accounts, and
- ii) To the Company's Registrar, MCS Limited, Shri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi- 110 020 in respect of their physical share folios, if any, quoting their folio number.

09) Electronic Clearing Service (ECS) Facility

The Company has provided a facility to the Members for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in the physical form who wish to avail ECS facility may authorize the Company with their ECS mandate in the prescribed Form which can be obtained from the Company upon request.

10) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.**

11) Shareholders are requested to bring their copy of the Annual Report and Attendance Slip duly filled in to the Annual General Meeting.

ANNEXURE TO THE NOTICE

A. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. Kazuhiro Nishioka has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to the Board of the Company in place of Mr. Seiji Konoue. In pursuance of the above, the Board of Directors in its meeting held on 29th July, 2005 appointed Mr. Kazuhiro Nishioka 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 August, 2005.

The Company has received from a member a notice under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying his intention to propose the candidature of Mr. Kazuhiro Nishioka for the office of the director of the Company.

Pursuant to the recommendation of Remuneration Committee in their meeting held on 24th July, 2005 the Board of Directors in its meeting held on 29th July, 2005 appointed Mr. Kazuhiro Nishioka as Joint Managing Director of the Company also, subject to the approval of the share holders in the ensuing general meeting and Central Government, if required, for a period of five years with effect from 1st August, 2005.

Mr. Kazuhiro Nishioka aged 41 years, holds a B.E. Degree in Transport Mechanical Engineering from Kurume Institute of Technology, Japan. He started his career as an Engineer in 1987 in Production Department, Nagoya Plant, Showa Corporation, Japan. In 2003, he was promoted to the post of Production Manager. He has wide knowledge and experience of around 18 years in Transport Engineering.

Mr. Kazuhiro Nishioka does not hold any directorship/committee membership in any other Company.

He does not hold any share in the Company.

Having regard to his wide knowledge and professional competence, the Board considers that the appointment of Mr. Kazuhiro Nishioka as Joint Managing Director shall be in the best interest of the Company.

The appointment and remuneration payable to Mr. Kazuhiro Nishioka with effect from 1st August, 2005 is subject to approval of the Central Government, pursuant to Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956. His remuneration is stated hereunder:-

1. Basic Salary: Rs. 1,25,000/- (Rs. One lakh twenty five thousand only) p.m. subject to an increase of Rs. 15,000/- (Rs. Fifteen thousand only) p.m. every year w.e.f. first day of each financial year starting from April 1, 2006.

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:

Residential Accommodation: Rent-free furnished residential accommodation with free use of all the facilities and amenities shall be provided by the Company;

Medical Reimbursement: Reimbursement of actual medical expenses incurred by him and his family, in addition he will also be entitled to have a mediclaim insurance policy, premium for which should not exceed Rs.12000/- per annum;