

**MUNIAL
SHOWA**



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21st
Annual Report
2005 - 2006

**BOARD OF DIRECTORS**

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Brij Mohan Lall Munjal
(Chairman)

Yogesh Munjal
(Managing Director)

Kazuhiro Nishioka
(Joint Managing Director)

Hiroshi Ijima

Ashok Munjal

Pankaj Munjal

S. D. Khosla
(Upto November 5, 2005)

Dr. K C Sethi

Vinod K Agarwal

Anil Kumar Vadehra
(w.e.f. December 30, 2005)

HEAD OF FINANCE

Mahesh Taneja

COMPANY SECRETARY

Pankaj Gupta

STATUTORY AUDITORS

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

COST AUDITORS

M/s Ramanath Iyer & Co.
Cost Accountants, Delhi

BANKERS

Bank of Tokyo- Mitsubishi UFJ
Canara Bank
Standard Chartered Bank
Citi Bank N.A.
Punjab National Bank
State Bank of India

TECHNICAL & FINANCIAL COLLABORATOR

Showa Corporation
1-14-1, Fujiwar Cho
Gyoda- shi, Saitama Ken, Japan

REGISTERED OFFICE & WORKS

a) 9-11, Maruti Industrial Area,
Gurgaon-122015
b) 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'06	March'05	March'04	March'03	March'02
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	11938.18	10827.18	10729.81	9289.78	7827.18
Total Shareholder's Funds	12738.10	11627.10	11529.73	10089.70	8627.10
Unsecured Loans	-	-	226.34	552.13	742.83
Secured Loan	386.65	24.79	182.90	463.57	219.86
Total Term Liability	386.65	24.79	409.24	1015.70	962.69
Total Assets	13778.27	12230.67	12553.81	11860.07	9589.80
Net Sales	59662.37	52147.96	40427.70	35668.84	31603.66
(% Increase over Previous year)	14.41%	28.99%	13.34%	12.86%	29.86%
Profit Before Interest Depn. & Tax (PBDIT)	4207.17	#2031.11	4047.29	4059.29	4510.67
Interest	79.24	51.09	54.15	51.39	78.70
Depreciation	1051.84	823.07	747.73	629.86	546.96
Profit Before Tax (PBT)	3076.08	1156.95	3245.42	3378.04	3885.01
Profit After Tax (PAT)	2023.09	782.97	2116.82	2139.38	2507.45
Earnings per Share (EPS) (Rs.)	25.29	9.79	26.46	26.75	31.35
Book Value per Share (Rs.)	159.25	145.36	144.12	126.12	107.84
Dividend %	## 100.00%	75.00%	75.00%	75.00%	75.00%

after exceptional loss of Rs. 1072.32 Lacs

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON MONDAY THE 28TH DAY OF AUGUST, 2006 AT 11.00 A.M. AT THE COMPANY'S PLANT SITUATED AT 26E & F, IMT MANESAR, GURGAON, HARYANA TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2006 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. Brijmohan Lall Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. K C Sethi, who retires by rotation and being eligible, offers himself for re-appointment.
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. 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 Twentieth Annual general Meeting held on August 30, 2005, 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. 1,50,000/- per month from Rs. 1,25,000/- per month with effect from October 01, 2005 for the remaining period of his present tenure i.e. upto August 31, 2006.

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."

7. Variation in the Terms of Appointment of Mr. Kazuhiro Nishioka, Joint Managing Director

"RESOLVED THAT pursuant to the recommendations of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Twentieth Annual General Meeting

held on August 30, 2005, 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. Kazuhiro Nishioka, Joint Managing Director be increased to Rs. 1,50,000/- per month from Rs. 1,25,000/- per month with effect from October 01, 2005 to August 31, 2006 and Rs.3,00,000/- per month with effect from September 01, 2006 for the remaining period of his tenure i.e. upto July 31, 2010. 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."

8. Appointment of Mr. Anil Kumar Vadehra as a Director of the Company

"RESOLVED THAT Mr. Anil Kumar Vadehra who has been appointed by the Board of Directors as an additional director of the Company w.e.f. December 30, 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. Re-appointment of Mr. Yogesh Munjal as Managing Director of the Company

"RESOLVED 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. Yogesh Munjal be and is hereby re-appointed as the Managing Director of the Company for a further period of five years with effect from September 01, 2006, 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. Yogesh Munjal continues to act as Managing Director, he shall not be liable to retire by rotation."

10. Sub-division of equity shares

"RESOLVED THAT pursuant to section 94(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the Articles of Association of the Company and subject to the guidelines, rules and/or regulation, if any, as may be prescribed by the statutory authorities in this regard and subject to the consents/ approvals as may be required to be obtained from any statutory authorities as may be applicable, each of the existing equity share of the Company having a nominal value of Rs. 10/- (Rupees Ten) be and is hereby sub-divided into five equity shares having a nominal face value of Rs. 2/- (Rupees Two) each.

"RESOLVED FURTHER THAT Clause IV of the Memorandum of Association of the Company which is read as under:

"The authorized share capital of the Company is Rs. 15,00,00,000/- (Rs. Fifteen Crores), divided in 1,50,00,000 (One Crore Fifty Lakhs) equity shares of Rs. 10/- (Rs. Ten) each." be deleted and the following shall be substituted thereof;

"The authorized share capital of the Company is Rs. 15,00,00,000 (Rs. Fifteen Crores), divided in 7,50,00,000 (Seven Crores Fifty Lakhs) equity shares of Rs. 2/- (Rs. Two) each."

RESOLVED FURTHER THAT the Board of Directors of the Company / Committee thereof in this regard be and is hereby authorized to issue new share certificates representing the sub-divided shares with a new distinctive numbers in the aforesaid proportion subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 with an option to either exchange the new share certificates in lieu of cancellation of the old share certificates or without physically exchanging the share certificates, by treating the old share certificates as deemed to be cancelled and also to inform the Registrar & Transfer Agents of the Company and Depositories to take the necessary action to give effect to the above.

As Special Resolutions:-

11. Amendment in Articles of Association

Pursuant to section 31 of the Companies Act, 1956, the Articles of Association be amended in the manner following, namely, the existing Article 3 shall be deleted and the following shall be substituted thereof:

"The authorized share capital of the Company is Rs. 15,00,00,000 (Rs. Fifteen Crores), divided in 7,50,00,000 (Seven Crores Fifty Lakhs) equity shares of Rs. 2/-(Rs. Two) each."

12 Keeping of Registers>Returns/Documents at a Place other than the Registered Office.

"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, the Register and Index of Members of the Company and copies of all the Annual Returns prepared by the Company under Section 159 of the Companies Act, 1956 together with copies of all certificates and documents required to be annexed/attached thereto under Section 161 or any one or more of them be kept at the office of Intime Spectrum Registry Limited, the Registrars and Share Transfer Agents (ISRL) [as Share Registry business of MCS Ltd. being existing Registrar & Share transfer agents acquired by ISRL] of the Company, at W-40, Okhla Industrial Area, Phase II, New Delhi 110 020."

Place : New Delhi
Dated : July 26, 2006

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:-

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 Explanatory Statement setting out the material facts concerning Special Business at item Nos. 6 to 12 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of persons seeking appointment under Item No. 3, 4, 8 and 9, as required by clause 49 of the listing agreement with the Stock Exchanges are also annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, August 12, 2006 to Monday, August 28, 2006 (both days inclusive).
4. The dividend as recommended by the Board of Directors, if approved at the Twenty first Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members as on August 28, 2006. 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.
5. Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends for the period(s) up to March 31, 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.
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1998-99 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 to 1997-98 remaining unpaid/unclaimed have already been transferred to the Investor Education and Protection Fund.
7. 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
31.03.1999	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
31.03.2005	30.08.2005	05.09.2012

Shareholders who have not so far encashed 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.

8. Members are requested to notify immediately any change of address

- i) To their Depository Participants (DPs) in respect of shareholding in electronic form or demat, 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.

9. 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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
Item No. 6**

The Members had approved increase in basic salary of Mr. Yogesh Munjal, Managing Director from Rs. 95,000/- to Rs. 1,25,000 in the Twentieth Annual General Meeting held on August 30, 2005. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and starting of operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee in their meeting held on, your Board of Directors have, by passing a Resolution in their meeting held on October 28, 2005, revised the basic salary of Managing Director to Rs. 1,50,000/- per month from Rs. 1,25,000/- per month with effect from October 1, 2005 for the remaining period of his tenure. All other terms and conditions of his appointment will remain unchanged.

None of the directors except Mr. Yogesh Munjal himself is concerned or interested in the above Resolution under Item No. 6.

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

Item No. 7

The Members had approved basic salary of Mr. Kazuhiro Nishioka, Joint Managing Director from Rs. 95000/- to Rs. 1,25,000/- in the Twentieth Annual General Meeting held on August 30, 2005. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and starting of operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee in their meeting held on, your Board of Directors have, by passing a Resolution in their meeting held on October 28, 2005, revised the basic salary of Joint Managing Director to Rs. 1,50,000/- per month from Rs. 1,25,000/- per month with effect from October 1, 2005. Further, pursuant to the recommendation of the Remuneration Committee and considerable involvement of Mr. Kazuhiro Nishioka in both plant, the Board of Directors have, by passing a resolution in their meeting held on July 25, 2006 revised the basic salary from Rs. 1,50,000/- per month to Rs. 3,00,000/- per month with effect from September 01, 2006. All other terms and conditions of his appointment will remain unchanged.

Except Mr. Kazuhiro Nishioka, 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

Mr. Anil Kumar Vadehra was appointed as an additional director in the meeting of the Board of Directors held on December 30, 2005 pursuant to section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company to hold that office upto the date of 21st Annual General Meeting of the Company.

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

Mr. Anil Kumar Vadehra may be deemed to be interested / concerned in the Resolution under Item No. 8.

The Board recommends the resolution for approval by the members.

Mr. Anil Kumar Vadehra does not hold any share in the Company.

Item No. 9

The present tenure of Mr. Yogesh Munjal as Managing Director of the Company expires on August 31, 2006. During his tenure of five years, Mr. Yogesh Munjal steered the Company to great heights and the Company has taken strategic move towards new clientele and successfully commissioning of new plant at Manesar. 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 and pursuant to the recommendation of Remuneration Committee in their meeting held on July 25, 2006, he has been re-appointed as Managing Director by the Board of Directors by passing a Resolution in its meeting held on July 26, 2006 for a further period of five years w.e.f. September 01, 2006 subject to approval of the shareholders, on the terms and conditions including minimum remuneration, as set out below.

1. Basic Salary: Rs. 3,00,000/- (Rs. Three Lacs 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 read with sections 349 and 350 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 which shall be provided by the Company;

Medical Reimbursement: Reimbursement of actual medical insurance premium and medical expenses incurred by him and his family;

Leave Travel Concession: For him and his family once in a year incurred in accordance with any Rules specified by the Company;

Club Fees: Actual fees of clubs will be reimbursed excluding admission fee and life membership fee;

Gas, Electricity & Water: Actual Expenses on Gas, Electricity and Water will be paid by the Company;

Personal Accident Insurance: Actual premium not exceeding Rs. 10000/- p.a. to be paid by the Company;

Insurance of Household goods: Actual premium to be paid by the Company;

Car: Facility of car(s) with driver;