

MUNJAL SHOWA



22ND ANNUAL REPORT 2006 - 2007

Munjal Showa Limited
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BOARD OF DIRECTORS

Brijmohan Lall Munjal
(Chairman)

Yogesh Munjal
(Managing Director)

Kazuhiro Nishioka
(Joint Managing Director)

Hiroshi Ijima

Ashok Munjal

Pankaj Munjal

Dr. K. C. Sethi

Vinod K. Agarwal

Anil Kumar Vadehra

Dr. Mahesh Taneja

Pankaj Gupta

M/s S R Batliboi & Co.
Chartered Accountants
Gurgaon

M/s Ramanath Iyer & Co.
Cost Accountants
Delhi

The Bank of Tokyo- Mitsubishi UFJ Limited
Standard Chartered Bank
Citibank N.A.
Panjab National Bank,
State Bank of India,
Canara Bank

Showa Corporation
1-14-1, Fujiwara - Cho
Gyoda- shi Saitama Ken, Japan
a) Plot No. 9-11, Maruti Industrial Area,
Gurgaon-122015
b) Plot No. 26 E & F, Sector 3,
IMT Manesar, Gurgaon- 122 050

MCS Limited
Shri Venkatesh Bhavan, W-40,
Okhla Industrial Area, Phase II,
New Delhi- 110 020
Tel: 011-41406149-52; Fax: 41709881
Email: admin@mcsdel.com

Head of Finance
Company Secretary
Statutory Auditors
Cost Auditors
Bankers
Technical & Financial Collaborator
Registered Office & Works
Share Transfer Agents

Munj Showa Limited

YEARLY FINANCIAL RESULTS AT A GLANCE

	(Rs. in lacs)				
Year Ending	March'07	March'06	March'05	March'04	March'03
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	13601.00	11938.18	10827.18	10729.81	9289.78
Total Shareholder's Funds	14400.92	12738.10	11627.10	11529.73	10089.70
Unsecured Loans	0	0	0	226.34	552.13
Secured Loan	2413.36	386.64	24.79	182.9	463.57
Total Term Liability	2413.36	386.64	24.79	409.24	1015.70
Total Assets	17704.60	13778.26	12230.72	12553.81	11860.07
Net Sales	69189.95	59662.37	52147.96	40427.70	35668.84
(% Increase over Previous year)	15.97%	14.41%	28.99%	13.34%	12.86%
Profit Before Interest Depn. & Tax (PBDIT)	5331.67	4207.17	#2031.11	4047.29	4059.29
Interest	60.59	79.24	51.09	54.15	51.39
Depreciation	1307.62	1051.84	823.07	747.73	629.86
Profit Before Tax (PBT)	3963.46	3076.08	1156.95	3245.42	3378.04
Profit After Tax (PAT)	2598.65	2023.97	782.97	2116.82	2139.38
Earnings per Share (EPS) (Rs.)#	6.50	5.06	1.96	5.29	5.35
Book Value per Share (Rs.)#	36.01	31.85	29.07	28.82	25.22
Dividend %	## 100.00%	100.00%	75.00%	75.00%	75.00%

Value for previous years adjusted for split of Rs.10/- per share into Rs. 2/- per share

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTYSECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON TUESDAY THE 7TH DAY OF AUGUST 2007 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 Audited Balance Sheet as at March 31, 2007 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. Ashok Kumar Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vinod K. Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Hiroshi Ijima, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s S. R. Batliboi & Co., Chartered Accountants, Gurgaon the retiring Auditors of the Company as Auditors, who shall hold that 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:

As Ordinary Resolutions

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

"RESOLVED THAT pursuant to the recommendations of the Remuneration Committee and in partial modification of the earlier Resolution passed in the Twenty First Annual General Meeting held on August 28, 2006, 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. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 01, 2007 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 Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

8. 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 Twenty First Annual General Meeting held on

Munjai Showa Limited

**MUNJAL
SHOWA**

August 28, 2006, 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. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 01, 2007 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 Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

Place : New Delhi
Dated : May 23, 2007

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 OF THE COMPANY. THE PROXIES IN ORDER TO BE VALID MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 7, 8 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, 4 and 5, 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, July 21, 2007 to Tuesday, August 07, 2007 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twenty Second Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 07, 2007. 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.
- 06) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 1999-2000 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 1998-99 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for financial year 1999-2000 is in the process of transfer to IEPF.

Munjali Showa Limited

- 07) 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
31.03.2001	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
31.03.2006	28.08.2006	03.09.2013

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.**

- 08) Members are requested to notify immediately any change of address
- To their Depository Participants (DPs) in respect of their electronic share accounts, and
 - 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.

Munjali Showa Limited

**MUNJAL
SHOWA****ANNEXURE TO THE NOTICE****A. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 7**

The Members had approved increase in basic salary of Mr. Yogesh Munjal- Managing Director from Rs. 150,000/- to Rs. 3,00,000/- in the Twenty First Annual General Meeting held on August 28, 2006. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee, your Board of Directors have, by passing a Resolution in their meeting held on May 23, 2007, revised the basic salary of Managing Director to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 1, 2007 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same.

None of the directors except Mr. Yogesh Munjal himself is concerned or interested in the above Resolution under Item No. 7.

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

Item No. 8

The Members had approved basic salary of Mr. Kazuhiro Nishioka- Joint Managing Director from Rs. 1,50,000/- to Rs. 3,00,000/- in the Twenty First Annual General Meeting held on August 28, 2006. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and operations at Company's Manesar unit. Keeping in view the above and on the basis of recommendation of Remuneration Committee, your Board of Directors have, by passing a Resolution in their meeting held on May 23, 2007, revised the basic salary of Joint Managing Director to Rs. 4,00,000/- per month from Rs. 3,00,000/- per month with effect from September 1, 2007 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same.

Except Mr. Kazuhiro Nishioka, no other director is interested/concerned in the Resolution under Item no. 8.

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

B. INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES**a) Mr. Ashok Kumar Munjal**

Mr. Ashok Kumar Munjal, 55 is a Commerce and Law Graduate from Punjab University, Chandigarh. He joined Munjal Showa Limited in 1989 as Non-executive Director of the Company. He has rich experience of 33 years in the field of engineering industry, investment, finance and auto component. He is on the Board of the following Companies:

Sunbeam Auto Limited	Managing Director
Hero Motors Limited	Director
Hero Corporate Services Limited	Director
Krishna Toyo Limited	Director
Bhagyoday Investment Pvt. Ltd.	Director

Munjali Showa Limited

Hero Honda Finance Limited	Director
Hero Financial Services Limited	Director
Easy Bills Limited	Director
Hero Management Services Limited	Director
Orient Craft Limited	Director
SKH Educational Pvt. Limited	Director

Mr. Ashok Kumar Munjal retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment.

- b) Mr. Vinod K. Agrawal aged 64 years, is a graduate in commerce and law from University of Lucknow. He topped Lucknow University in LLB and LLM examination and was awarded five Gold Medals. He cleared Civil services exams of UPSC in 1966 and joined Indian Customs and Excise services in 1967. He served the prestigious positions in the Government of India. He served as member of Custom Excise and Service Tax Appellate Tribunal. He also served as Chairman of two members committee for simplification of excise procedures. He as a member of CEGAT (now termed as CESTAT) passed various judicial orders resolving disputes on classification, valuation, CENVAT credit, refunds etc. He was awarded by the President of India for "DISTINGUISHED RECORD OF SERVICE" on Republic Day in 1998.

Mr. Vinod K Agrawal retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment

- c) Mr. Hiroshi Ijima aged 58 years, holds a Bachelor Degree in Business Studies from Kyoto Sangyo University, Japan. He started his career in 1971 in Administration Department, Asaba Plant, Showa Corporation, Japan. He worked for about 15 years as a Manager in different departments like Material, Maintenance, Planning, Production, etc. of M/s Showa Corporation. In June, 1995, he was promoted to Plant Manager of Nagoya Plant, Showa Corporation, Japan and presently holds the position of Senior Managing Director of M/s Showa Corporation, Japan.

Mr. Hiroshi Ijima retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment

Inspection

Copies of all relevant documents and papers referred to in the accompanying Notice and Explanatory Statement are kept open for inspection by Members between 11.00 A.M. to 1.00 P.M. on any working day except Sundays and Public Holidays, up to the date of Meeting at the Registered Office of the Company.

Place : New Delhi
Dated : May 23, 2007

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

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

PANKAJ GUPTA
COMPANY SECRETARY

Munjial Showa Limited

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 22nd Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2007.

FINANCIAL RESULTS AND APPROPRIATIONS

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

	Year Ended 31.03.07	(Rs. In Lacs) Year Ended 31.03.06
Sales and other Income	81881.85	70048.46
Profit before Depreciation & Tax	5271.08	4127.93
Depreciation	1307.62	1051.84
Profit before Tax	3963.46	3076.09
Provision for Taxation	1364.81	1053.00
Profit after Tax	2598.65	2023.09
Net Profit brought forward	1030.34	1119.33
Profit available for appropriation	3628.99	3142.42
Dividend (Recommended)	799.90	799.90
Dividend Tax	135.94	112.19
Transfer to General Reserve	1000.00	1200.00
Surplus carried to Balance Sheet	1693.15	1030.33

OPERATIONS

The Company has achieved a record sales turnover of Rs. 81881.85 lacs registering a growth of 16.89 % vis-à-vis Rs. 70048.46 lacs in the previous year. The profit before tax in the current year was at Rs. 3963.46 lacs as compared to Rs. 3076.09 lacs in the previous year, up by 28.85 %.

FUTURE PROSPECTS

Our existing customers continue to be on the growth path with smart sales and introduction of new models. Hero Honda Motors Limited launched CBZ extreme which was very well received in the market. Subsequently new models of CD Dawn and CD Deluxe were introduced with discernable changes in rear cushion and front fork. Hero Honda Motors Limited is further planning to use gas charged rear cushion for the first time in its range with effect from October 2007. In order to stay competitive and to capture market share, Hero Honda Motors Limited will continuously develop new models in deference to market needs and customer expectations.

The Company has decided to set up its third plant near Haridwar, Uttarakhand, to meet the requirement of Hero Honda Motors Limited and to enjoy the concessional tax structure and incentives. Third plant is expected to be operational by the end of financial year 2007-08.

The Company has submitted samples of front and rear struts to Maruti Udyog Limited in January 2007 for its popular model SWIFT. Commercial supplies are expected from November, 2007 onwards. Though, the Company is not directly involved in export activity but continue to supply Struts and Window Balancers for 100% export requirement of Maruti Udyog Limited and Honda Motorcycle & Scooters India Pvt. Ltd..

In brief, all customers of the Company are on growth path and Company is confident to meet their increased demand. The volume growth is expected to be 15% for 2007-08.

TRANSFER TO GENERAL RESERVE

The Board proposes to transfer an amount of Rs.1000.00 lacs to General Reserve, having regard to the requirements of section 205 (2A) of the Companies Act, 1956. The balance amount of Rs. 1693.15 lacs (previous year Rs. 1030.33 lacs) will be retained in the profit and loss account.

DIVIDEND

The Board is pleased to recommend a dividend of 100 % (i.e. Rs. 2/- Per equity share of Rs. 2/- each) for the year ended March 31, 2007 amounting to Rs. 799.90 lacs in aggregate. Dividend will be tax free in the hands of shareholders, as the company will bear the dividend distribution tax of Rs. 135.94 lacs. The dividend, if approved, at the Annual General Meeting shall be payable to the shareholders registered in the books of the Company and the beneficial owners whose names are furnished by the depositories, determined with reference to the book closure from July 21, 2007 to August 07, 2007 (both days inclusive).

DIRECTORS

Mr. Ashok Kumar Munjal, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Ashok Kumar Munjal, Mr. Vinod K Agrawal, and Mr. Hiroshi Ijima being eligible have offered themselves for re-appointment.

Brief resumes of Mr. Ashok Kumar Munjal, Mr. Vinod K. Agrawal and Mr. Hiroshi Ijima have been given in Annexure to the Notice of the Annual General Meeting.

Your directors recommend their appointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

Report on Corporate Governance and Management Discussion and Analysis Report along with Certificate of the Auditors of your Company pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, have been included in this Report as **Annexure-A**. Your Company has been practicing the principles of good Corporate Governance over the years. The Board of Directors have laid down a **Code of Conduct** to be followed by all the Directors and members of Senior Management of your Company. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board also lays strong emphasis on transparency, accountability and integrity.

AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, New Delhi, the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

AUDITORS REPORT

The observations in the Auditors Report read with the Notes to accounts are self-explanatory and do not call for any comments.