

*MURJAL
SHOWA*

**23rd
ANNUAL
REPORT**

2007-2008

Munjal Showa Limited**CONTENTS**

	Page No.
Board of Directors & Other Information	Cover Inside
Financial Highlight	1
Notice	2
Explanatory Statement	5
Directors' Report	7
General Share Holders Information	19
CEO, CFO & Auditor's Certificate	23
Auditors' Report	27
Balance Sheet, Profit and Loss Account	30
Schedules to Accounts	32
Notes to the Accounts & Additional Information	38
Cash Flow Statement	52
Balance Sheet Abstract	53
Attendance Slip	55

Head of Finance**Company Secretary****Statutory Auditors****Tax & Internal Auditors****Cost Auditors****Bankers****Technical & Financial Collaborator****Registered Office & Works****Share Transfer Agents****BOARD OF DIRECTORS**

Brijmohan Lall Munjal (Chairman)
 Yogesh Chander Munjal (Managing Director)
 Kazuhiro Nishioka (Joint Managing Director)
 Hiroshi Ijima (upto 23.05.2008)
 Mitsuhiro Nishida (w.e.f. 23.05.2008)
 Ashok Munjal
 Pankaj Munjal
 K C Sethi
 Vinod K Agarwal
 Anil Kumar Vadehra

Mahesh Taneja

Pankaj Gupta

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

Vaish & Associates
 Chartered Accountants, New Delhi

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

The Bank of Tokyo- Mitsubishi UFJ Limited
 Standard Chartered Bank
 Citi Bank N.A.
 State Bank of India
 Punjab National Bank
 Canara Bank
 HDFC Bank Limited
 Kotak Mahindra Bank Limited
 The Bank of Nova Scotia

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

Gurgaon Plant & Registered Office
 9-11, Maruti Industrial Area,
 Gurgaon-122015

Manesar Plant
 Plot No. 26 E & F, Sector 3, IMT
 Manesar, Gurgaon- 122 050

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

Munjali Showa Limited

YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs.in lacs)

Year Ending	March'08	March'07	March'06	March' 05	March'04
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	14597.07	13601.00	11938.18	10827.18	10729.81
Total Shareholder's Funds	15396.99	14400.92	12738.10	11627.10	11529.73
Unsecured Loans	-	-	-	-	226.34
Secured Loan	3515.68	2413.36	386.64	24.79	182.90
Total Term Liability	3515.68	2413.36	386.64	24.79	409.24
Total Assets	19878.49	17704.60	13778.26	12230.72	12553.81
Net Sales	70937.85	69189.95	59662.37	52147.96	40427.70
(% Growth year on year)	2.53%	15.97%	14.41%	28.99%	13.34%
Profit Before Interest Depn. & Tax (PBDIT)	4741.94	5331.67	4207.17	3103.43	4047.29
Profit Before Interest Depn. & Tax (PBDIT)-%	6.68	7.71	7.05	5.95	10.01
Exceptional Item	-	-	-	1072.32	-
Interest	227.25	60.59	79.24	51.09	54.15
Depreciation	1536.23	1307.62	1051.84	823.07	747.73
Profit Before Tax (PBT)	2978.46	3963.46	3076.08	1156.95	3245.42
Profit After Tax (PAT)	1931.92	2598.65	2023.97	782.97	2116.82
Earnings per Share (EPS) (Rs.)	4.83	6.50	5.06	1.96	5.29
Book Value per Share (Rs.)	38.50	36.01	31.85	29.07	28.83
Dividend %	# 100.00%	100.00%	100.00%	75.00%	75.00%

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON THURSDAY THE 7TH DAY OF AUGUST 2008 AT 11:00 A.M. AT THE COMPANY'S PLANT SITUATED AT 26E & F, SECTOR 3, 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, 2008 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. Anil Kumar Vadehra, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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**6. Appointment of Mr. Mitsuhiro Nishida as a Director of the Company**

"RESOLVED THAT Mr. Mitsuhiro Nishida who has been appointed by the Board of Directors as an additional director of the Company w.e.f. May 23, 2008 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."

7. Variation in the Terms of Appointment of Mr. Yogesh Chander 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 Second Annual General Meeting held on August 07, 2007, 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 Chander Munjal- Managing Director be increased to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 01, 2008 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."

Munjali Showa Limited**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 Second Annual General Meeting held on August 07, 2007, 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. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 01, 2008 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, 2008

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

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

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. A PROXY FORM IS SENT HERewith.
- 02) The Explanatory Statement setting out the material facts concerning Special Business at Item Nos. 6 to 8 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of persons seeking re-appointment under Item No. 3 and 4, 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 19, 2008 to Thursday, August 07, 2008 (both days inclusive).
- 04) The dividend as recommended by the Board of Directors, if approved at the Twenty Third Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members on August 07, 2008. 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 the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 2000-01 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 1999-00 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for the financial year 2000-01 is in the process of transfer to IEPF.

Munj Showa Limited

- 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 upto which claim can be lodged for unpaid Dividend
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
31.03.2007	07.08.2007	13.08.2014

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) 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 Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi- 110 020 in respect of their physical share folios, if any, quoting their folio number.
- 08) **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 major 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.
- 09) 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.**
- 10) 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. Mitsuhiro Nishida has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Hiroshi Ijima. In pursuance of the above, Mr. Mitsuhiro Nishida was appointed as an additional director with effect from May 23, 2008, 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.

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. Mitsuhiro Nishida for the office of the Director of the Company.

Mr. Mitsuhiro Nishida aged 59 years, holds an Associate of Engineering Degree in Department of Mechanical Engineering from Asahikawa National College of Technology, Japan. He started his career in 1978 in Production Department, Asaba Plant, Showa Corporation, Japan. He worked as a Manager in different departments like Production, Production Engineering, etc. of M/s Showa Corporation. In June, 1995, he was promoted to President of P. T. Showa, Indonesia and in November 2000, he was promoted to General Manager of production engineering of Asaba Plant, Showa Corporation, Japan and presently holds the position of Managing Director of M/s Showa Corporation, Japan and taken charge of Purchasing Division.

He does not hold directorship/committee membership in any Company.

Mr. Mitsuhiro Nishida does not hold any share in the Company.

None of the directors except Mr. Mitsuhiro Nishida 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 increase in basic salary of Mr. Yogesh Chander Munjal- Managing Director from Rs. 3,00,000/- to Rs. 4,00,000 with effect from September 01, 2007 in the Twenty Second Annual General Meeting held on August 07, 2007. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and process of setting up IIIrd Plant at Haridwar (Uttarakhand). 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, 2008, revised the basic salary of Managing Director to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 1, 2008 for the remaining period of his tenure. All other terms and conditions of his appointment will remain same. Except Mr. Yogesh Chander Munjal, 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 Members had approved basic salary of Mr. Kazuhiro Nishioka- Joint Managing Director from Rs. 3,00,000/- to Rs. 4,00,000/- with effect from September 01, 2007 in the Twenty Second Annual General Meeting held on August 07, 2007. The job responsibilities of Joint Managing Director have considerably increased in view of increase in the volume of business and process of setting up IIIrd Plant at Haridwar (Uttarakhand). 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, 2008, revised the basic salary of Joint Managing Director to Rs. 5,00,000/- per month from Rs. 4,00,000/- per month with effect from September 1, 2008 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. Pankaj Munjal**

Mr. Pankaj Munjal is a young industrialist of 45 years and belongs to Munjal Family, the founders and promoters of Hero Group. Mr. Munjal graduated in Science and then underwent specialized training in Automotive Manufacturing at General Motors Institute, Flint in USA. Thereafter, he attended the executive program in Strategic Marketing Management at London Business School, Harvard University.

Munjal Showa Limited

Mr. Munjal takes an active interest in the promotion of business domestically and globally. Directorships/Chairmanship and membership held by Mr. Pankaj Munjal in other Companies are:

Name of Company	Nature of Office
Hero Cycles Limited	Managing Director
Hero Motors Limited	Managing Director, Member Audit Committee Member Shareholders Grievance Committee
Satyam Auto Components Limited	Director
Hero Global Design Limited	Director Chairman Audit Committee Chairman Remuneration Committee
Hero Associates Limited	Director
Hero Financial Services Limited	Director
Sunbeam Auto Limited	Director
Anadi Investment Private Limited	Director
Thakurdevi Investment Private Limited	Director
Bhagyodaya Investment Private Limited	Director
Munjal Investment Private Limited	Director
Munjal Brothers Private Limited	Director
VE care Gym Private Limited	Director
Munjal Kiri Industries Private Limited	Director
Power Plate India Private Limited	Director

Mr. Pankaj Munjal does not hold any share in the Company.

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

- b) Mr. Anil Kumar Vadehra, aged 63 years, holds a Bachelor Degree in Mechanical Engineering from University of Roorkee, U.P. and an M.B.A. from Faculty of Management Studies, Delhi. Presently Mr. Vadehra is Professor in the area of Finance and Project Management at Army Institute of Management & Technology, Greater Noida and is also offering Project & Management Consultancy Services for new/existing projects including rehabilitation of sick units. He has served as General Manager at IFCI Ltd, Professor at Management Development Institute (MDI), Gurgaon and President at HB Estate Developers Ltd. Mr. Vadehra has also been an adjunct/visiting faculty at ICFAI Business School, Gurgaon, MDI Gurgaon, NIILM, SRIRAM Centre, EMPI, JIMS in the areas of Project Appraisal/Management, Investment Banking & Financial Services, Financial Management, Working Capital Management, Management of Financial Institutions etc.

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

Mr. Anil Kumar Vadehra 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, 2008

By order of the Board
For MUNJAL SHOWA LTD.

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

**PANKAJ GUPTA
COMPANY SECRETARY**

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 23rd Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2008.

FINANCIAL RESULTS AND APPROPRIATIONS

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

	Year Ended 31.03.08	(Rs. In Lacs) Year Ended 31.03.07
Sales and other Income	84371.01	81881.85
Profit before Depreciation & Tax	4514.69	5271.08
Depreciation	1536.23	1307.62
Profit before Tax	2978.46	3963.46
Provision for Taxation	1046.54	1364.81
Profit after Tax	1931.92	2598.65
Net Profit brought forward	1693.15	1030.34
Profit available for appropriation	3625.07	3628.99
Dividend (Recommended)	799.90	799.90
Dividend Tax	135.94	135.94
Transfer to General Reserve	1000.00	1000.00
Surplus carried to Balance Sheet	1689.23	1693.15

OPERATIONS

The Company has achieved a sales turnover of Rs.84,371.01 lacs registering a growth of 3.04 % vis-à-vis Rs. 81881.85 lacs in the previous year. The profit before tax in the current year was at Rs. 2978.46 lacs as compared to Rs. 3963.46 lacs in the previous year, down by 24.85 % mainly due to hike in steel & other major raw-material prices, fuel & interest cost and foreign exchange fluctuation due to high volatility in exchange rate during the year under review.

FUTURE PROSPECTS

Our existing customers will meet predetermined sales targets with minimum 10 per cent growth with the support of new models launched both in 2 Wheeler and 4 Wheeler segment. M/s Hero Honda Motors Limited has planned the launch of Passion 09, Splendor NXG, CBZ Extreme MMC and modified scooter models. 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. Similarly, Honda Motorcycle & Scooters India Pvt. Ltd. has planned the introduction of new Models KWFA, KWFF, KWSA and KWPA respectively. Honda Sael Cars India Limited has also planned introduction of three new generation models of cars very soon. Maruti Suzuki India Limited has chalked out a plan to release new models of A STAR and SPLASH cars with altogether new generation engine and aero dynamics.

The Company has pursued installation of its third plant at Haridwar, Uttrakhand, to cater to the needs of

Munjal Showa Limited

Hero Honda Motors Limited with effect from April 2009 or earlier. The plant is planned to be installed to enjoy the concessional tax structure and incentives. 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 10% for 2008-09.

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. 1689.23 lacs (previous year Rs. 1693.15 lacs) will be retained in the Profit and Loss Account.

DIVIDEND

In spite of the challenging conditions and to keep up Company's policy of sharing the profits with its stakeholders, the Board is pleased to maintain and recommend a dividend of 100 % (i.e. Rs. 2/- Per equity share of Rs. 2/- each) for the year ended March 31, 2008 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 19, 2008 to August 07, 2008 (both days inclusive).

DIRECTORS

Mr. Pankaj Munjal and Mr. Anil Kumar Vadehra, the directors of the Company, retire by rotation from the Board at the ensuing Annual General Meeting. Mr. Pankaj Munjal and Mr. Anil Kumar Vadehra being eligible have offered themselves for re-appointment.

Mr. Mitsuhiro Nishida has been appointed additional director under section 260 of the Companies Act, 1956 read with Article 89 of the Articles of Association of the Company.

Brief resumes of Mr. Pankaj Munjal, Mr. Anil Kumar Vadehra and Mr. Mitsuhiro Nishida have been appended 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.

In terms of sub-clause (v) of Clause 49 of the Listing Agreement, Certificate of CEO/CFO, inter alia, confirming the correctness of the financial statements, adequacy of internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of the Report.

The Board of Directors has 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, Gurgaon, 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.