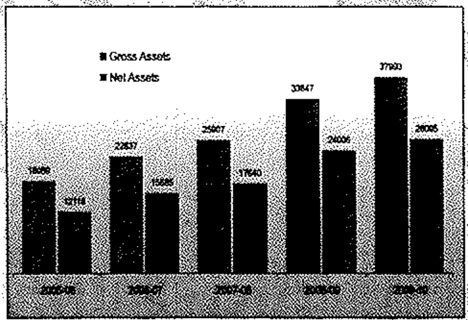
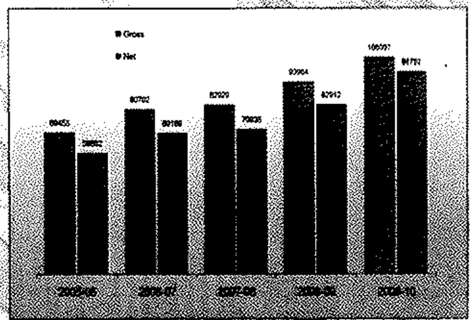
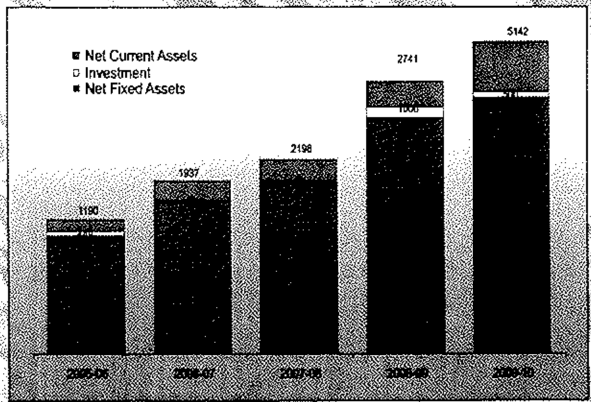
Fixed Assets (Rs. In Lacs)



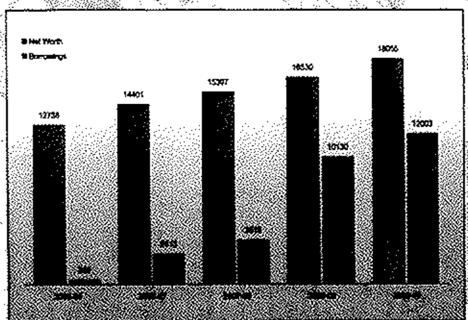
Sales (Rs. In Lacs)



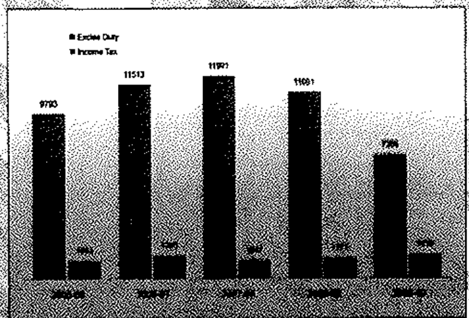
Application of Funds (Rs. In Lacs)



Borrowings & Net Worth (Rs. In Lacs)



Contribution to Exchequer (Rs. In Lacs)



Munjal Showa Limited

CONTENTS

BOARD OF DIRECTORS

Brijmohan Lall Munjal (Chairman)
Yogesh Chander Munjal (Managing Director)
Kazuhiro Nishioka (Joint Managing Director) (Upto 23.03.2010)
Tetsuo Terada (Joint Managing Director) (w.e.f. 18.05.2010)
Mitsuhiro Nishida (Upto 10.08.2009)
Akira Kadoya (w.e.f. 10.08.2009)
Ashok Kumar Munjal
Pankaj Munjal
Krishan Chand Sethi
Vinod Kumar Agarwal
Anil Kumar Vadehra
Surinder Kumar Mehta
Nand Dhameja
Devi Singh

Chief Financial Officer	Mahesh Taneja
Company Secretary	Pankaj Gupta
Statutory Auditors	M/s S R Batliboi & Co., Chartered Accountants, Gurgaon
Internal Auditors	M/s. Vaish & Associates, Chartered Accountants, New Delhi
Cost Auditors	M/s Ramanath Iyer & Co., Cost Accountants, Delhi
Bankers	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 Yes Bank Limited
Technical & Financial Collaborator	**Showa Corporation** 1-14-1, Fujiwara -Cho Gyoda- shi Saitama Ken, Japan
Registered Office & Works	**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 **Haridwar Plant** Plot No. 1, Industrial Park-2, Phase-1 Salempur Mehdood Haridwar- 249403 Uttarakhand
Share Transfer Agents	**MCS Limited** F-65, Okhla Industrial Area, Phase I, New Delhi- 110 020 Tel: 011-41406149-52; Fax; 41709881 Email: admin@mcsdel.com

YEARLY FINANCIAL RESULTS AT A GLANCE

(Rs.in lacs)

	March'10	March'09	March'08	March'07	March'06
Share Capital	799.92	799.92	799.92	799.92	799.92
Reserve & Surplus	17254.96	15729.81	14597.07	13601.00	11938.18
Total Shareholder's Funds	18054.88	16529.73	15396.99	14400.92	12738.10
Unsecured Loans	3124.14	–	–	–	–
Secured Loan	8878.67	10129.52	3515.68	2413.36	386.64
Deferred Payment Liability	362.75	–	–	–	–
Total Term Liability	12365.56	10129.52	3515.68	2413.36	386.64
Total Assets	31919.78	27774.86	19878.49	17704.60	13778.26
Net Sales	98791.55	82912.47	70937.85	69189.95	59662.37
(% Growth year on year)	19.15%	16.88%	2.53%	15.97%	14.41%
Profit Before Interest Depn. & Tax (PBDIT)	7385.35	5,521.53	4741.94	5331.67	4207.17
Profit Before Interest Depn. & Tax (PBDIT)-%	7.48	6.66	6.68	7.71	7.05
Interest	1206.84	546.02	227.25	60.59	79.24
Depreciation & Amortisation	2307.64	1685.70	1536.23	1307.62	1051.84
Profit Before Tax (PBT)	3870.87	3289.81	2978.46	3963.46	3076.08
Profit After Tax (PAT)	2461.00	2068.58	1931.92	2598.65	2023.97
Earnings per Share (EPS) (Rs.)	6.15	5.17	4.83	6.50	5.06
Book Value per Share (Rs.)	45.14	41.33	38.50	36.01	31.85
Dividend %	# 100.00%	100.00%	100.00%	100.00%	100.00%

Recommended by Board of Directors

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF MUNJAL SHOWA LIMITED WILL BE HELD ON WEDNESDAY THE 11TH DAY OF AUGUST 2010 AT 11:00 AM AT THE COMPANY'S PLANT SITUATED AT 26 E & F, SECTOR 3, IMT MANESAR, GURGAON, HARYANA 122050 TO TRANSACT THE FOLLOWING BUSINESS:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To declare a dividend of Rs. 2/- per equity shares on 3,99,95,000 equity shares of Rs. 2/- each for the financial year 2009-10.
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 a Director in place of Mr. Surinder Kumar Mehta, 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. **Appointment of Mr. Akira Kadoya as a Director of the Company**

   "RESOLVED THAT Mr. Akira kadoya who has been appointed by the Board of Directors as an additional director of the Company w.e.f. August 10, 2009 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. Tetsuo Terada as a Director of the Company**

   "RESOLVED THAT Mr. Tetsuo Terada who has been appointed by the Board of Directors as an Additional Director of the Company with effect from May 18, 2010 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. Tetsuo Terada be and is hereby appointed as the Joint Managing Director of the Company for a period of five years with effect from May 18, 2010, 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. Tetsuo Terada continues to act as Joint Managing Director, he shall not be liable to retire by rotation."

9. **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 fourth Annual General Meeting held on August 07, 2009, 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. 7,50,000/- per month from Rs. 6,00,000/- per month with effect from September 01, 2010 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 18, 2010

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

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

PANKAJ GUPTA
DGM (F&A) & 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 and 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. 7 to 9 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 to 5, as required by clause 49 IV (G) (i) of the listing agreement with the Stock Exchanges are also annexed.

03) Pursuant to section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, July 24, 2010 to Wednesday, August 11, 2010 (both days inclusive).

04) The dividend as recommended by the Board of Directors, if approved at the Twenty Fifth Annual General Meeting, shall be paid to those members whose names appear on the Company's Register of Members of the Company on Wednesday August 11, 2010. In respect of the shares held in electronic form, the dividend shall be paid on the basis of beneficial ownership as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited, depositories for this purpose.

05) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 2003-04 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 2001-02 remaining unpaid/ unclaimed have already been transferred to the Investor Education and Protection Fund. Dividend declared for the financial year 2002-03 is in the process of transfer to IEPF.

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
31.03.2004	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
31.03.2008	07.08.2008	13.08.2015
31.03.2009	07.08.2009	13.08.2016

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 or 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 -

i)To their Depository Participants (DPs) in respect of their electronic share accounts, and

ii)To the Company's Registrar, MCS Limited, F-65 Okhla Industrial Area, Phase I, 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) As per the Circular Number MRD/Dop/cir-05/2009 dated May 20, 2009 issued by the Securities and Exchange Board of India (SEBI) it is mandatory to quote Permanent Account Number (PAN) for transfer of shares in physical form. Therefore, the transferee(s) are required to furnish a copy of their PAN to the Registrar & Transfer Agent of the Company.

11) Members 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. 7

Mr. Akira Kadoya has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to be appointed as a Director in place of Mr. Mitsuhiro Nishida. In pursuance of the above, Mr. Akira Kadoya was appointed as an additional director with effect from August 10, 2009, 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. Akira Kadoya for the office of the Director of the Company.

ITEM NO. 8

Mr. Tetsuo Terada has been nominated by the Technical and Financial Collaborator M/s Showa Corporation, Japan to the Board of the Company. In pursuance of the above the Board of directors in its meeting held on May 18, 2010 appointed Mr. Tetsuo Terada as an additional Director w.e.f. May 18, 2010 as per the provision contained under section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company.

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

Pursuant to the recommendation of remuneration committee in their meeting held on May 17, 2010; the Board of directors in its meeting held on May 18, 2010 also appointed Mr. Tetsuo Terada as Joint Managing Director of the Company, subject to the approval of the shareholders in the ensuing General Meeting and Central Government, if required, for a period of five years w.e.f. May 18, 2010.

Having regards to his wide knowledge and professional competence, the Board considers that the appointment of Mr. Tetsuo Terada as Joint Managing Director is in the best interest of the Company.

The appointment and remuneration payable to Mr. Tetsuo Terada with effect from May 18, 2010 is subject to the 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. 5,00,000/- (Rs. Five lakh 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:

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 insurance premium and medical expenses incurred by him and his family;

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

d) **Club Fees:** Actual fees of clubs will be reimbursed ;

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

f) **Personal Accident Insurance:** Actual premium to be paid by the Company;

g) **Car:** Facility of car with driver;

h) **Telephone:** Free telephone facility at Residence including mobile phone facility;

i) **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 en-cashed;

j) **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 family for joining duty in India. On completion of the tenure, all the expenses referred to herein above for travel and forwarding the personal effects to Japan shall also be allowable to the appointee on his finally leaving the employment of Company. If however, they join another branch of the same/ related multinational Company, the branch to which they are transferred shall bear these expenses,

k) **Reimbursement of other expenses:** Reimbursement of entertainment, traveling, hotel and other expenses actually and properly incurred for the business of the Company;

l) **Contribution to Provident Funds:** Company's contribution to Provident fund will be as per the Rules of the Company; and

4. **Minimum Remuneration**

In case of any loss or inadequacy of profits during any financial year, the remuneration payable to Mr. Tetsuo Terada shall not exceed the limits as prescribed under Part-II of Schedule XIII of the Companies Act, 1956.

Provided that the aggregate amount of remuneration payable to him in a particular financial year will be subject to the overall ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.

Explanation: For the aforesaid purposes "Family" means the spouse and the dependent children.

However, he shall not be entitled to any sitting fee for attending meetings of the Board or Committee thereof.

In terms of Article 116 of the Articles of Association of the Company, Mr. Tetsuo Terada shall not be subject to retirement by rotation during his tenure as Joint Managing Director of the Company.

ITEM NO. 9

The Members had approved increase in basic salary of Mr. Yogesh Chander Munjal- Managing Director from Rs. 5,00,000/- to Rs. 6,00,000 with effect from September 01, 2009 in the Twenty-Fourth Annual General Meeting held on August 07, 2009. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and fully operational of IIIrd Plant at Haridwar (Uttrakhand). 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 18, 2010, revised the basic salary of Managing Director to Rs. 7,50,000/- per month from Rs. 6,00,000/- per month with effect from September 1, 2010 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. 9.

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

B. INFORMATION PURSUANT TO CLAUSE 49(IV) (G) (i) OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

a) **Mr. Pankaj Munjal**

Mr. Pankaj Munjal is a young industrialist of 47 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. 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
Munjal Kiriu Industries Private 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
Bhagyaudaya Investment Private Limited	Director
Munjal Investment Private Limited	Director
Munjal Brothers Private Limited	Director
VE care Gym Private Limited	Director
Power Plate India Private Limited	Director
Hero Chasis System Private Limited	Director
Hero Aviation Private Limited	Director
Heromvl Alternate Fuels Private Limited	Director
Hero Transmission Private Limited	Director

Mr. Pankaj Munjal does not hold any share (as owner or on behalf of any other person on beneficial basis) 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**

Mr. Anil Kumar Vadehra, aged 66 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 Jaypee Business School, 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.

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

Mr. Anil Kumar Vadehra does not hold any share (as owner or on behalf of any other person on beneficial basis) 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.

c) **Mr. Surinder Kumar Mehta**

Mr. Mehta, aged 75 years Born on December 6, 1934 at Peshawar (Pakistan) in the family of educationists. He graduated from A S College, Khanna in 1954 and passed out from Punjab University Law College, Jalandhar with high merit in 1957, Enrolled as advocate of Punjab and Haryana High Court, Chandigarh in 1959. He received intensive training in taxation/accounts from M/s Vasudev & Co., Income Tax Advisors, New Delhi and M/s K C Khanna, Chartered Accountants, New Delhi. Joined Hero Group in 1962 with

responsibility for group accounts, internal audit, taxation, finance and legal matters and retired from this position in December 2003 as Sr. Vice President. He is Trustee cum General Secretary of Sant Ashram Dhablan Trust (District Patiala) since 1976 and Gurudwara Karamsar Rara Sahib Trust since 1978 and general secretary of Sant Ishar Singh Ji Memorial Public School, Karamsar since 1985. He is looking after as manager since 1995, all educational institutions run by Lala Bahadur Chand Munjal Foundation, Ludhiana, which have student strength of 10000.

He is presently holding the membership of the Board/ committee(s) of the following Companies.

Sl. No.	Name of Company	Nature of Office
1	Sunbeam Auto Limited	Director Audit Committee
2	Rockman Industries Limited	Director Audit Committee

Mr. Surinder Kumar Mehta does not hold any share (as owner or on behalf of any other person on beneficial basis) in the Company.

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

d) **Mr. Akira Kadoya**

Mr. Akira Kadoya aged 54 years, is technical college graduate, Japan. He started his career in 1976 in Production Department, Saitama Plant, Showa Corporation, Japan. He was promoted as a Manager in Production of Saitama plant in October 1990 and again promoted to Plant Manger in 1996. In 2001, he was stationed to United Kingdom and appointed as President of Nissin Showa UK Limited. In 2003 he was transferred to United States of America and served as Executive Vice President of American Showa Inc. In June 2005, he was appointed as Director of Showa Corporation, Japan. Presently he is holding the position of Managing Director, Showa Corporation, Japan.

He does not hold directorship/committee membership in any other Company in India. Mr. Akira Kadoya does not hold any share in the Company.

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

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

e) **Mr. Tetsuo Terada**

Mr. Tetsuo Terada aged 54 years, holds a Degree of Bachelor of Arts in Business Administration from St. Andrew's University of Momoyama Gakuin University, Japan. He started his career in 1982 in parts distribution group of production control department, Asaba Plant, Showa Corporation, Japan. He was promoted as group leader and transferred to production distribution group of production control department in 1996. In 2001 he has been designated as manager and looked after Distribution planning division, production control department and casting department.

He does not hold directorship/committee membership in any Company. Mr. Tetsuo Terada does not hold any share in the Company.

None of the directors except Mr. Tetsuo Terada himself is concerned or interested in the above Resolution under Item No. 8.

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

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 18, 2010

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

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

PANKAJ GUPTA
DGM (F&A) & COMPANY SECRETARY

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 25th Annual Report together with the Audited Statement of Accounts for the financial year ended March 31, 2010.

FINANCIAL RESULTS AND APPROPRIATIONS

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

		(Rs. In Lacs)
	Year Ended 31.03.10	Year Ended 31.03.09
Sales and other Income	108092.61	95392.24
Profit before Depreciation & Tax	6178.52	4975.51
Depreciation	2307.64	1685.70
Profit before Tax	3870.88	3289.81
Provision for Taxation	1409.88	1221.24
Profit after Tax	2461.00	2068.58
Net Profit brought forward	1821.96	1689.23
Profit available for appropriation	4282.96	3757.81
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	2347.12	1821.96

OPERATIONS

The Company has achieved a record sales turnover of Rs. 108,962.61 lacs registering a growth of 14.23 per cent vis-à-vis Rs. 95,392.24 lacs in the previous year. The profit before tax in the current year was at Rs. 3,870.87 lacs as compared to Rs. 3,289.81 lacs in the previous year registering a growth of 17.66 per cent.

FUTURE PROSPECTS

Auto Component Industry is gathering speed as it has direct bearing to Auto Companies. Robust automobile sales should translate into strong order inflows for auto component manufacturers. In the year 2009-10 Auto component Industry has registered encouraging results and growth, which augur well for the year ahead. The company recorded an impressive growth of 19.15 per cent in value and 21.67 per cent in volume.

India has emerged as one of the favorite destinations of global auto majors considering huge demand growth potential driven by substantially low penetration. Entrance of new players into the small car market and with new launches of cars, motor cycles and scooters by existing players to capture the share of growing segment is indicator for favorable growth of Auto Component Industry.

Our existing customers have targeted to meet predetermined sales targets with around 20 per cent growth, with the support of new models likely to be launched both in 2 Wheeler and 4 Wheeler segment in the coming year i.e.2010-11. In brief, all customers of the Company are on growth path and Company is confident to meet their increased demand.

TRANSFER TO GENERAL RESERVE

The Board proposes to transfer an amount of Rs.1,000.00 lacs to General Reserve, having regard to the requirements of section 205 (2A) of the Companies Act, 1956. The balance amount of Rs.2,347.12 lacs (previous year Rs.1,821.96 lacs) will be retained in the Profit and Loss Account.

DIVIDEND

Your directors are pleased to recommend a dividend of 100 per cent (i.e. Rs. 2/- Per equity share of Rs. 2/- each) for the year ended March 31, 2010 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 24, 2010 to August 11, 2010 (both days inclusive).

DIRECTORS

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

Mr. Akira kadoya and Mr. Tetsuo Terada have been appointed additional directors 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, Mr. Surinder Kumar Mehta, Mr. Akira kadoya and Mr. Tetsuo Terada 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 & 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 copy of valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India from the Auditors. The Company has also received 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 of the Auditors in their report read with the notes to accounts are self-explanatory and do not require any specific comments. However, as pointed out by the Auditors in annexure to their report at point number (ix) (a), the delay was on account of finalisation of accounts beyond the due date of depositing the tax.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

a) that the applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures;

b) that such accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March' 2010 and of the profit of the Company for the year ended on that date;

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d) that the annual accounts have been prepared on a going concern basis;

AUDIT COMMITTEE RECOMMENDATION

During the year there was no such recommendation of the Audit Committee which was not accepted by the Board. Hence, there is no need for the disclosure of the same in this Report.

RATINGS

The rating agency CRISIL Limited has reviewed and reaffirmed the AA/stable for Company's long term loans & cash credit loans and P1+ to its Letter of Credit limits, Bank guarantees limits & Commercial Paper.

FIXED DEPOSIT

The Company has not accepted any Fixed Deposits during the year under Section 58A or 58AA of the Companies Act, 1956 and the rules made there-under, and as such no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and R & D and Foreign Exchange earnings & outgo are given in ***Annexure-B*** which forms part of Directors' Report.

ENVIRONMENT COMPLIANCE

"One planet, one earth, one nature" is the slogan of the Company which propagates "Save the earth for a better tomorrow".

Safety and environment performance is integral to the business performance of the Company and received continued focus throughout the year. 'Zero accidents' is acceptable standard of safety performance which was achieved during the financial year 2009-10. Now, to put more focus on safety, we have made 'Zero incidents' as our acceptable standard. The Company regularly organizes training for staff and workers to prevent incidents related to mechanical, electrical, chemical, physiological and psychological safety.

For all manufacturing facilities, which require environmental consents such as air, water and hazardous waste, proper authorizations from respective Pollution Control Boards have been obtained and are in compliance with the present Environmental Legislation. The Company initiated many programmes to improve the health and safety of employees by way of Internal Environment Management Programmes. These initiatives and the improvements are monitored and reviewed through structured audits and management reviews.

The Company is a member of Haryana Environment Management Society. Government of Haryana has identified and notified a site in District Faridabad for use of disposal facility for hazardous waste.

The Company believes waste is a precious resource kept in a wrong place. We have started collection of all kind of waste paper and giving it to authorized agency, who is recycling and reusing it. By doing this activity we are able to save around four to five trees per month. Company believes there is no waste as per the "law of nature". Manufacturing of machines from old or scrapped machine is a unique initiative by our Company. A lot of machines were overhauled and rebuilt by incorporating all the best practices in the world like lean manufacturing, easy to clean, easy to maintain, zero accident, zero defect, zero breakdown, cockpit concept etc. Experts from overseas plant of Japan, China, Indonesia, Thailand, Vietnam and Brazil including CII delegates are the regular visitors to our plants and understand the cost effectiveness of new technology.

The Company has started a new project for improvement in its performance in environment management. The project is specifically designed and named as Green Vendor Development Programme (GVDP). As a part of the project, six pillars named as Water, Energy, Waste, Chemical Substitution, Pollution Prevention and Legal Compliances have been constituted.

Basic objectives of GVDP are;

- 100 per cent compliance of legal requirements
- To conserve Water and Energy through process mapping
- To minimize generation of Waste including hazardous waste and effectuate 3R principles i.e. Reduce, Recycle and Reuse.
- To terminate hazardous chemicals with less hazardous or non-hazardous chemicals.
- To understand and minimize carbon foot print.
- To generate pollution prevention awareness throughout the plant and to control & monitor all the pollution control devices to operate at optimum level within the Company and amongst the suppliers also.

ISO/TS 16949 ACCREDITATION

Your Company's manufacturing facilities at both the plants at Gurgaon and Manesar continue to maintain and uphold the prestigious **ISO/TS 16949:2009**, **ISO 14001:2004** and **OHSAS 18001: 2007** (Occupational Health & Safety Assessment Series) certifications from reputed leading Indian and International Certification Institutions. These certifications help in continuous improvements, besides emphasis being laid on prevention of defects, reduction of wastes and variation in supply chain management. For the new facility at Haridwar, the Company will be able to take the certification by the end of this financial year i.e. March, 2011.

TPM

The Company has taken up the journey of Total Productive Maintenance (TPM) with the help of JIPM (Japan Institute of Plant Maintenance) Japan and CII, India. Major objectives of TPM are to increase Productivity, to improve Quality, to reduce Costs, to ensure Delivery in time, to increase Safety, to increase profitability, to build Moral by formation of cross functional work groups (PQCDSM) and to improve overall effectiveness of equipment and processes within their areas. The other objectives are to procure and install maintenance free plant and machinery; and to achieve zero defects, zero break down, zero losses and zero accidents. In nut shell convert all the losses into Profit.

<u>a) Gurgaon Plant:</u>

We have challenged the TPM excellence award with JIPM Japan and were honored with TPM Excellence Award category A at Kyoto on 12th March 2009. We are now going to challenge the next level of TPM Excellence Award by end of 2011. For the same the TPM Kick - Off Ceremony for 2nd stage was held on 23rd of April 2009.

<u>b) Manesar Plant:</u>

For Manesar Plant we have challenged the TPM Excellence Award & successfully cleared the health check – up Audit on 21st December 2009 & will clear the final Audit by end of December 2010.

<u>Lean Activities</u>:

We are in the process of clubbing TPM with lean manufacturing system in the near future. Our Company has conducted Lean Manufacturing System (Value Stream Mapping) Work Shop in the month of July 2008. We have converted lots of huge & complicated machines to Lean Machines & manufactured Lean machines in house. We receive many visitors not only from India and from all over the World to see our TPM & Lean machine manufacturing activity.

LISTING

The shares of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited, and pursuant to Clause 38 of the Listing Agreement, the Annual Listing fees for the year 2010-2011 have been paid to them well before the due date i.e. April 30, 2010. The Company has also paid the annual custodian fees for the year 2010-11 in respect of Shares held in dematerialized mode to NSDL & CDSL.

PARTICULARS OF EMPLOYEES

A statement under sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, forming part of this Directors' Report is given in ***Annexure-C***.

HUMAN RESOURCES

Your Company believes that employees form the fulcrum of growth and differentiation for the organization. The Company recognizes that people are its principal assets and that it's continued growth is dependent upon the Company's ability to attract and retain quality people. The total headcount increased to 3012 at the end of the year as compared to 2343 of the previous year. The Company encourages long-term commitment to the Company by rewarding its people for the opportunities they create and the value generated for customers and shareholders. The Company conducts several training programmes to upgrade the skills of the workforce.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the co-operation and support extended to the Company by Government of India, State Governments of Haryana and Uttrakhand, other local authorities, bankers, suppliers, customers and other stakeholders whose continued support has been a source of strength to the Company. The continued dedication and sense of commitment shown by the employees at all levels during the year deserve special mention.

The Directors also place on record their appreciation for the valuable assistance and guidance extended to the Company by Showa Corporation, Japan and for the encouragement and assurance, which our collaborator has provided from time to time for the growth and development of the Company.

The Directors also take this opportunity to express their deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board

Place: New Delhi
Dated: May 18, 2010

Brijmohan Lall Munjal
Chairman

ANNEXURE-A TO DIRECTORS' REPORT

AUDITORS' CERTIFICATE

To
The Members of Munjal Showa Limited

We have examined the compliance of conditions of corporate governance by Munjal Showa Limited, for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. R. BATLIBOI & CO.**
Firm Registration No. 301003E
Chartered Accountants

per Anil Gupta
Partner
Membership No.: 87921

Place : Gurgaon
Date : May 18, 2010

Report on Corporate Governance

The Directors have pleasure in presenting the Corporate Governance Report for the year ended March 31, 2010.

Company's Philosophy on Corporate Governance

Munjal Showa Limited, as a constituent of Hero Group, believes in the concept of good Corporate Governance involving transparency, empowerment, accountability, equity and integrity with a view to enhance stakeholders' value.

I. BOARD OF DIRECTORS

A. Composition of Board

The Board of Directors of the Company consists of twelve Directors having a pool of collective knowledge from various disciplines like Engineering, Finance, Treasury, Business Management, Corporate Planning, etc. The Board has been constituted in a manner resulting in an appropriate composition of Executive, Non-Executive and Independent Directors. The Non-executive Directors play an active role in the meetings of the Board and are associated with the various Board Committees. They also bring independent judgment in the Board's deliberations and decisions. The Board meets regularly and is responsible for the proper management of the Company. Two Directors are executive; four directors, including the Chairman, are non-executive and six directors are Non-Executive and Independent.

The Board and its Committees formulate policy decisions, so as to lead and control the affairs of the Company. The Composition of the Board is in conformity with the provisions of the Listing Agreement. No Director is a member of more than 10 Committees or acts as Chairman of more than 5 Committees across all companies in which he is a director.

The details of the composition of the Board, number of meetings held during their tenure and attended by Directors during financial year 2009-10 are as follows:

Name of Director	Number of Board Meetings held during his tenure and attended by him		Atten-dance at last AGM	No. of Committee Memberships (including Chairmanships) held	Number of Committee Chair-manships held	Number of Outside Directorships held
	Held	Attended		(Excluding Private Companies, Foreign Companies and Section 25 Companies)		
Executive Directors						
Mr. Yogesh Chander Munjal	4	4	YES	4	None	5
Mr. Kazuhiro Nishioka 1*	4	4	YES	None	None	None
Mr. Tetsuo Terada 2*	NIL	NIL	NA	None	None	None
Non-Executive Directors						
Mr. Brijmohan Lall Munjal	4	3	NO	None	None	9
Mr. Mitsuhiro Nishida 3*	2	NIL	NO	None	None	None
Mr. Akira Kadoya 4*	2	NIL	NA	None	None	None
Mr. Pankaj Munjal	4	1	YES	3	1	7
Mr. Ashok Kumar Munjal	4	2	YES	2	None	9

Non-Executive and Independent Directors						
Mr. Krishan Chand Sethi	4	4	YES	None	None	None
Mr. Vinod Kumar Agrawal	4	3	YES	None	None	None
Mr. Anil Kumar Vadehra	4	4	YES	None	None	None
[illegible]	4	3	NO	[illegible]	1	[illegible]
[illegible]	4	3	YES	None	None	None
[illegible]	4	4	NO	[illegible]	1	4

Notes:

1. Mr. Kazuhiro Nishioka has resigned from his directorship on March 23, 2010.
2. Mr. Tetsuo Terada was appointed as an additional director and Joint Managing Director w.e.f. May 18, 2010.
3. Mr. Mitsuhiro Nishida has resigned from his directorship on August 10, 2009.
4. Mr. Akira Kadoya was appointed as an additional director w.e.f. August 10, 2009.

*Representative of Showa Corporation, Japan based at Japan

B Meetings held in financial year 2009-10 and Attendance of Directors

The Board meets at least once in a quarter to consider, amongst other business, the quarterly performance of the Company and its financial results. The Board held four meetings during the financial year 2009-10 on May 29, 2009, July 27, 2009, October 29, 2009 and January 27, 2010.

Information supplied to the Board interalia includes:

- Annual operating plans and budgets of business, capital budgets and updates,
- Quarterly results of the Company,
- Minutes of the meetings of Audit Committee and other Committees of the Board,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Any material defaults in financial obligation to and by the Company, or substantial non-payments for goods sold by the Company,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Any significant development in Human Resources / Industrial relations, significant labour problems and proposed solutions,
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risk of adverse exchange rate,
- Sale of material nature, of investments and assets, which are not in normal course of business,
- Non-compliance of any regulatory or statutory provisions or listing requirements as well as shareholders services such as non-payment of dividend and delays in share transfer.

C. Code of Conduct

The Company has a Code of Conduct for the members of the Board of Directors and of the Senior Management. The code of conduct is available on the website of the Company www.munjalshowa.net All members of the Board and senior management affirm compliance of code on annual basis. They have affirmed compliance of the code for the year ended March 31, 2010. A declaration signed by the Chief Executive Officer (CEO) to this effect is attached to the Annual Report.

II. AUDIT COMMITTEE

The Audit Committee consists of four Directors namely Mr. Krishan Chand Sethi, Mr. Ashok Kumar Munjal, Mr. Vinod Kumar Agrawal and Mr. Anil Kumar Vadehra, being Non- Executive Directors, to review various areas of

audit and accounts. Mr. Vinod Kumar Agrawal is the Chairman of the Committee. All the members are having expertise in financial matters. All these Directors have good knowledge of Corporate & Project Finance, Accounts and Company Law. Mr. Vinod Kumar Agrawal, Mr. Ashok Kumar Munjal and Mr. Anil Kumar Vadehra are having accounting and related financial management expertise. The terms of reference of the Audit Committee have been restated so as to bring them in line with the amendments in the Listing Agreement and the Companies Act. The Audit Committee assures to the Board the adherence of adequate internal control and financial disclosures and other acts conforming to the requirements of Listing Agreement with the Stock Exchanges. The Quarterly Financial Statements of the Company are reviewed by the Committee before submission to the Board for approval.

The terms of Reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. The Audit Committee regularly reviews related party transactions, internal audit reports, appointment of Auditors, management letters issued by the statutory auditors, management discussion and analysis of financial condition and results of operations apart from other items of financial management and Company's business. The Constitution of Audit Committee also meets with the requirement of Section 292A of the Companies Act, 1956. The Company Secretary acts as the secretary of the Committee. The Auditors and Head of Finance generally attend the meetings on invitation by the Chairman. During the financial year 2009-10, the Audit Committee met four times, on May 28, 2009, July 25, 2009, October 28, 2009 and January 25, 2010.

Attendance of Members at the meetings of the Audit Committee held during 2009-10 was as under:

Members	No. of Meetings attended
Mr. Vinod Kumar Agrawal, Chairman	3
Mr. Ashok Kumar Munjal	4
Mr. Krishan Chand Sethi	4
Mr. Anil Kumar Vadehra	2

III. REMUNERATION COMMITTEE

The Remuneration Committee was constituted on July 21, 2003. The said Committee has been empowered to consider and recommend to the Board the remuneration of Managing Director/Whole Time Director. The present Remuneration Committee consists of the following three non-executive & independent directors:

Mr. Krishan Chand Sethi-Chairman

Mr. Vinod Kumar Agrawal- Member

Mr. Anil Kumar Vadehra - Member

The meeting of the Remuneration Committee was held on May 28, 2009 under the Chairmanship of Mr. Krishan Chand Sethi. The meeting was attended by Mr. Krishan Chand Sethi, Mr. Vinod Kumar Agrawal and Mr. Anil Kumar Vadehra. The meeting was held to consider and recommend increase in the remuneration payable to Mr. Yogesh Chander Munjal, Managing Director and Mr. Kazuhiro Nishioka, Joint Managing Director.

IV. REMUNERATION OF DIRECTORS

The Recommendations of the Remuneration Committee are considered and approved by the Board subject to the approval of shareholders and Central Government, if required. The remuneration structure of Executive Directors comprises of basic salary, commission, perquisites and other allowances. The Chairman and Non-executive Directors do not draw any remuneration from the Company except Sitting Fee for attending the meetings of Board of Directors and Committees thereof as may be determined by the Board of Directors from time to time and approved by the shareholders. Payments of sitting fee to non-executive directors are made within the limits prescribed under the Companies Act, 1956. The details of the remuneration paid to Directors for the financial year 2009-10 are as under: