

# **MUNJAL AUTO**

26th Annual Report & Accounts 2010-11



**Munjal Auto Industries Limited**



## BOARD OF DIRECTORS

### CHAIRMAN

Satyanand Munjal

### MANAGING DIRECTOR

Sudhir Munjal

### WHOLE TIME DIRECTORS

Anju Munjal

Anuj Munjal

### DIRECTORS

Brijmohan Lall Munjal (Ceased w.e.f. 12.05.2011)

Om Prakash Munjal

Vikram Shah

Naresh Chawla

Mahendra Sanghvi

Ramkisan Devidayal

Sudesh Kumar Duggal

Jal Ratanshaw Patel

### FINANCE TEAM

S. K. Sharma, GM – Finance

Rakesh Johari, Company Secretary

### AUDITORS

Vakil Jain & Hindocha

Chartered Accountants

38, Gautam Nagar, Race Course,

Vadodara 390 007

### PRINCIPAL BANKERS

State Bank of India

IDBI Limited

HDFC Bank Limited

### REGISTERED OFFICE & PLANT - I

187, GIDC Industrial Estate,

Waghodia 391760

Dist. Vadodara (Gujarat)

### PLANT II

Plot No.37, Sector 5

Phase II, Growth Centre

Bawal – 123501

Dist. Rewari (Haryana)

### PLANT III

Plot No.11, Industrial Park -2

Village: Salempur, Mehdoot

Haridwar – 243402 (Uttarakhand)

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## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 26<sup>th</sup> Annual Report along with the Balance Sheet and Profit and Loss Account for the year ended March 31, 2011.

### FINANCIAL RESULTS

	(Rs. in Lacs)	
Year ended March 31,	2011	2010
Sales & Other Income	57224.69	32693.22
Profit before Depreciation and Interest	4482.98	2860.09
Depreciation	807.99	527.46
Interest	396.94	80.51
Profit before Taxation	3278.05	2252.12
Provision for Taxation (Deferred & Current)	791.34	676.71
Profit after Taxation	2486.71	1575.41
Prior Period Expenditure	3.73	(3.11)
Profit available for appropriations	2482.98	1578.52
<b>Appropriations</b>		
Proposed Dividend on Equity Shares	750.00	500.00
Tax on Dividend	121.66	83.04
Transfer to General Reserve	248.29	157.85
Profit remaining after Appropriation/s	1363.01	837.62

### DIVIDEND

The Board of Directors of the Company is pleased to recommend a dividend of 75% i.e. Rs.7.50 on equity share of Rs. 10 each for the fiscal ended 31<sup>st</sup> March, 2011. The dividend, if approved by the Members in the ensuing Annual General Meeting, would absorb Rs. 871.67 lacs (Rs.583.04 lacs previous year) out of the distributable surplus.

The Register of Members and Share Transfer Books will remain closed from September 16, 2011 to September 24, 2011 (both days inclusive).

### APPROPRIATIONS

After setting aside the amount of Rs.871.67 lacs for dividend including dividend distribution tax and after transferring an amount of Rs. 248.29 lacs (Rs. 157.85 lacs previous year) to General Reserve, the balance amount of Rs. 1363.01 lacs (Rs. 837.62 lacs previous year) is being retained in the Profit and Loss Account.

### PERFORMANCE

The Company has achieved a record sales turnover of Rs 570.55 crore registering a growth of 75.34% per cent. Profit before tax

is Rs.32.78 crore and profit after tax at Rs. 24.86 crore during the year as against Rs.22.52 crore and Rs. 15.75 crore respectively in the previous year.

Automobile sector in India was one of the major beneficiaries of the fiscal stimulus package unleashed by the Indian Government in the aftermath of a Global Financial Crisis. Demand for the Automobiles – particularly the two-wheeler segment remained pretty buoyant throughout the year. Your Company's principal customer Hero Honda continues to straddle two-wheeler industry in India and sets new benchmark of excellence in production, quality and customer satisfaction year-after-year. Consequential positive impact on your Company is reflected in the performance during the year.

### NEW PLANTS AND CREATION OF ADDITIONAL CAPACITIES

Haridwar and Bawal factories, as reported last year, have already been operational and operations at both plants have stabilized. These plants have come very handy for meeting with the increased demand from our prime customer Hero Honda. This has helped the Company to achieve a record turnover of Rs. 571 crore in FY 10-11. In order to meet customer needs and competition, your Company is investing in an aggressive new product development programme. Success of new product launches will have an important bearing on its future growth and profitability. It is in midst of setting up a Central Tool Room at Bawal entailing investment of Rs. 15 crore, expected to be commissioned in 2011.

Its new plant at Waghodia to make fuel tanks for TATA NANO cars is fully operational now.

### DIRECTORS

Mr. Satyanand Munjal, Mr. Om Prakash Munjal and Mr. Vikram Shah, retire by rotation in the forthcoming Annual General Meeting. Mr. Satyanand Munjal and Mr. Vikram Shah of them, being eligible, offer themselves for reappointment. Mr. Om Prakash Munjal has expressed his unwillingness for his reappointment due to his preoccupation.

Attentions of the Members are invited to the relevant items in the Notice of the Annual General Meeting and Explanatory Statement thereto.

### QUALITY:

Being an ISO / TS 16949:2009 certified company, the goal of defect prevention, continual improvement and reduction of variation and waste in the supply chain is an ongoing process to achieve the excellence in manufacturing by adopting a principal of Lean manufacturing.

Various initiatives have been taken like, Launching Quality Circles for involvement of the grass root level employees in problem solving and various improvements, for the purpose Quality Circle Forum



of India, Vadodara Chapter has been involved for their continuous training, guidance and facilitation.

Your Company has completed more than 48000 Kaizens [Continual Improvement by All level of Employees] from F.Y. 2003 to till date, as a part of journey towards continual improvement.

Customer Satisfaction is being achieved by focus on Defects Prevention [through Poka-Yoke], Implementation of Combined Improvement Programs and achieving targets as set by Customers.

For the Quality Improvements, your Company is planning to introduce a Robotic Welding.

The Company had launched a Movement called "Go Green, Go Lean" by defining 12 Pillars and subsequent implementation for mass involvement of employees in the improvement journey to enhance the customer satisfaction.

## FINANCE

Your Company was able to raise the short-term funds & long term funds needed for its working capital related requirements & for establishment of New Fuel Tank plant at Waghodia, Gujarat and Central Tool Room at Bawal, Haryana at fairly competitive rates although hardening of the interest rates was the prevalent trend in the Indian Financial System. Effective use of available financial resources has helped Company to further contain the finance costs during the year.

## CORPORATE GOVERNANCE

In terms of the Listing agreement, Management Discussion and Analysis Report is annexed and forms part of the Annual Report. A report on Corporate Governance along with the Auditors Certificate on its compliance is also annexed forming part of the Annual Report.

## FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year and hence as such, no amount of principal or interest was outstanding as of the balance sheet date.

## DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with regard to the Directors' responsibility statement, the Board of Directors confirms that:

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure;
- b) The selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and

the profit & loss account of the Company for the year ended on that date.

- c) 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.
- d) The Annual Accounts have been prepared on a going concern basis.

## AUDIT COMMITTEE RECOMMENDATION

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

## RATINGS

The Company has been reaffirmed and rated by the rating agency ICRA as LAA-(stable) for Rs. 78.90 crore for its Long Term loans, including cash credit and A1+ for Commercial papers of Rs. 15 crore and A1+ for short term plans for Non fund based limits.

## AUDITORS

The Auditors, M/s. VAKIL, JAIN & HINDOCHA, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the Auditor's office, if reappointed.

## ENVIRONMENT:

Company is committed for reducing the impact on environments from its organizations activities as a part of social responsibilities and actively supporting the "Green Vendor Development Program", GVDP Initiated by HHML. This has been achieved by improving operational efficiencies, by identifying the Six Pillars of Improvements as follows;

1. Water Management
2. Energy Management
3. Waste Management
4. Prevention of Pollution
5. Substitute of Hazardous Substance, and
6. Compliance of Environmental Legal Requirement.

Various steps for improving the environmental performance have been initiated as follows;

1. Reduction of Consumption of Hazardous chemicals by doing process improvement.

2. Elimination of Hazardous substances by using environment friendly materials at phosphating hence eliminated the sludge generated from the process.
3. Reduction of Water Consumption at various places by Re Circulation through cooling tower and by using treated water for toilet flushing.
4. Reduction of Power Consumption by doing process improvements and loading pattern in the Paint Shop.
5. New ETP is being constructed considering the future requirements of the organization and initiatives towards zero discharge.

The journey is being continued by involvement of suppliers in improving the environmental sustainability.

## ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

The particulars as prescribed under 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 are given in the ANNEXURE – II that forms part of this Report.

## PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the ANNEXURE - III included in this report.

## INDUSTRIAL RELATIONS

Industrial relations have remained cordial throughout the year in the Company.

## HEALTH AND SAFETY

Your Company is committed for safety and health of its employees and other persons who may be affected by its operations. Your

Company believes that safe working practice leads to motivated workforce and higher productivity and to that end, all possible safety measures are put in place to eliminate accidents at the factory. Employees are encouraged to report the incidents. Even small Incidents are investigated and analysed to prevent reoccurrence and improve upon safety record. Safe working culture across the Company is ensured by:

- Integrating safety and health in all activities.
- Ensuring compliance with all applicable legislative requirements.
- Encouraging employees to ensure safety at their workplaces.
- Continuous improvements in safety performance through precautions besides participation & training of employees

## ACKNOWLEDGEMENTS

The Company would like to thank its Stakeholders including suppliers, vendors, investors and bankers and in particular to its principal customer Hero Honda Motors limited for their continued support during the year.

Your Company also records its appreciation of the contributions made by employees at all levels. Their diligent hard work, cooperation and support are a backbone of all endeavours of the Company.

The Company would like to acknowledge Government of India, Customs and Excise Departments, Income Tax and Industrial & Labour Departments, Government of Gujarat and other government agencies for the support, the Company has been receiving over the years and is looking forward to their continued support/guidance in times to come.

For and on behalf of the Board

Date : August 11, 2011  
Place : Waghodia

Sudhir Munjal  
Managing Director



## ANNEXURE '1' TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION ANALYSIS

### Opportunities and Threats

#### Automotive Sector

With the robust growth in the Indian economy for few years now, the resulting increase in the income levels specially of a rising middle class and lifestyle aspirations of the demographically favourable constituent population, the potential size of the Indian passenger vehicle market in the next five years is likely to be as large as 4-5 million vehicles with a conservative growth rate of 10-12% per year.

The auto industry has grown at a very healthy clip over the last decade. During this period, the industry volumes have increased by 3.2 times from a level of 4.7 million to 14.9 million vehicles. As income levels rise and easy finance availability continues, the industry will continue to see a healthy growth rate. SIAM (Society of Indian Automobile Manufacturers) estimates that the growth of the auto industry in FY 12 will be in the region of 12-15%.

The currently low vehicle penetration of 15 vehicles per 1,000 inhabitants, compared to a world average of 120 vehicles per 1,000 inhabitants also suggests that there are significant growth opportunities lying ahead for the Industry. According to experts, the automobile market growth gets on a high trajectory when a country's per capital income on a Purchasing Power Parity (PPP) basis crosses about \$ 4,500. At present, the PPP per capita income for India is around \$ 3,500 and is slated to reach this threshold in the next 4-5 years. As a result, the Indian automobile industry is expected to emerge as one of the fastest growing markets in the world over several years.

Given the importance of the automobile industry to the economy and its potential for employment and due to its backward and forward linkages with many Sectors, the Government is keen to support the development of the industry. On the other hand, there is continuous pressure globally to reduce environmental emissions from automobiles, leading to the need for on-going investments in technology up gradation and alternate energy across the automotive value chain. Growing environmental consciousness among consumers, government regulations to manage traffic congestion as well as improvement in public transport infrastructure are trends which will have significant impact on the future of the automobile industry. Automobile manufacturers such as your Company have to monitor such trends carefully and adapt to them quickly.

#### Risks and Concerns – Automotive a Sectors

The Company's business is inherently exposed to many internal and external risks. Your Company has put in place robust systems and processes, along with appropriate review mechanisms to actively monitor, manage and mitigate these risks. Many measures undertaken by your Company are likely to result in an increase in

costs, which cannot always be passed on to customers through price increases in a highly competitive market environment.

#### Raw Material

Financial Year 2010-11 saw a strong increase in commodity prices going above the previous record highs of 2008. Even Financial Year 2011-12 is expected to see a firming up of prices in the international market. While this will put pressure on margins, your Company will continue to focus on cost re-engineering to minimize the impact of this development.

#### Environment Regulations

Stringent regulatory norms are being introduced to safeguard the environment, especially in the area of emissions.

#### Fuel prices and alternate fuels

With the price of crude oil rising significantly over the past few months, the price of automotive fuel is likely to face upward pressure. While increase in prices of fuel brings about some shift in auto sector – from four-wheeler to two-wheeler – continuous price increase in fuel, as has been happening for the last few years, acts as a dampener even for the two-wheelers with which your Company's future is inextricably linked.

#### Financial market conditions

With the unabated threat of inflation, Reserve Bank of India has raised its policy interest rates significantly in last 18 months, with the latest bout of interest hike came in July 2011. It seems Government of India is quite seized with the inflationary pressure that has built up considerably in India since 2009. Dear Money Policy has set in and is expected to continue well into Year 2012 as per present reckoning. Availability of credit and affordable interest rates are important facilitators for automobile industry and the two-wheeler segment within it. The recent rise in financing rates is likely to impact demand in Automobile industry across all its segments

#### Outlook

Your Company will continue its focus on achieving cost leadership through focused cost optimization, value engineering, improved efficiency measures like supply chain management.

The long term outlook for the automobile industry is bright and robust, though in the near term, there are some challenges relating to the external environment that the industry must overcome. In addition, rising inflation, interest rates, fuel prices and commodity prices are likely to dampen consumer confidence and sentiment, which has always been a key determinant of automobile sales.



## ANNEXURE 'II' TO THE DIRECTORS' REPORT

Information as per 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

### 1. Conservation of Energy

The Management is deeply involved in the areas for conservation of energy which is being utilised in manufacturing processes like, Power, Fuel [LPG and Furnace Oil], Oils and Lubricants. Many initiatives have been taken, as follows;

- Conversion of LPG to Propane, and ultimate goal to use the Natural Gas [Clean Fuel].
- As a part of conserving hydraulic Oils, Filtration Unit have been installed to use the oils after filtration resulted into reduction in the qty. of oils consumed.
- All Street Lights have been connected with Timer Control Switch to avoid the excess running of lights.
- At Manufacturing Process levels, Optimisation of Motor Capacity have been done based upon process requirements and actions have been initiated by reducing the HP of the Motors without effecting the functional requirements.
- Energy Audit have been carried out, actions for the same have been initiated.

Also, the Need have been identified to develop the Internal team of Energy Auditors for exploring the more possibilities for energy conservation.

### 2. Technology Absorption, Adaptation and innovation

As a part of Continual Improvement Journey, enhancing customer satisfaction by Quality Improvements and need of the competitive edge. Following initiatives have been taken during the financial year.

- Implementation of Environment Friendly Process through Spray Pre Treatment Process in place of Conventional Phosphating process, that will eliminate the impact on environment by elimination of Sludge Generation.
- Complete Spot Welding Lines with All Prevention Controls and PLC Controls have been established for a Consistent Product Quality , Reliability and capability of the process for Fuel Tank manufacturing.
- To Improve the Product Realization Process in Painting Process, Complete modification along with automation in paint Plant is undertaken for productivity, quality improvements and optimization on energy conservation.
- Automation in Welding Process by Installation of Special Purpose Machines [SPM's] have been done at many process, Also the possibilities for installation of Robotic Welding is explored and will be implemented in current financial year.

### 3. Foreign Exchange Earnings and outgo

(Rs. in Lacs)

	2010-11	2009-10
(a) Total Foreign Exchange Earnings	—	—
(b) Total Foreign Exchange Outgo	613.98	1312.26

## ANNEXURE 'III' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the directors' report for the year ended March 31, 2011

Sr. No	Name and Qualification	Designation	Remuneration (In Rs.)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1.	Mr. Sudhir Munjal B.A.	Managing Director	1,68,12,765	41	65	31.10.1993	Majestic Auto Ltd. Executive Director
2.	Mrs. Anju Munjal B.A.	Whole Time Director	1,29,92,000	25	61	01.01.1995	Munjtal Auto Industries Ltd. Chief Executive
3.	Mr. Anuj Munjal MBA	Whole Time Director	69,40,000	14	37	01.06.2010	Hero Cycles Limited Chief Executive

Notes:

1. Remuneration comprises basic salary, allowances, commission and taxable value of perquisites.
2. All the above appointments are on contractual basis.
3. Mr. Sudhir Munjal, Managing Director, Mrs. Anju Munjal, Whole Time Director and Mr. Anuj Munjal, Whole Time Director are related to each other and also to Mr. Satyanand Munjal, Chairman of the Company.



## AUDITORS' REPORT

To  
**THE MEMBERS OF  
MUNJAL AUTO INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of Munjal Auto Industries Limited as at 31<sup>st</sup> March, 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, 2004, ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the Paragraph 4 and 5 of the said order.
  4. Further to our comments in the Annexure referred to above, we report that:
    - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
    - b) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
    - c) the Balance sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) on the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director, in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
  - f) in our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with significant accounting policies and the notes thereon appended thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
    - ii) in the case of the Profit and Loss Account, profit of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, cash flows of the Company for the year ended on that date.

For VAKIL JAIN & HINDOCHA  
Chartered Accountants  
Firm Registration No.112894W

SURENDRA MODIANI  
PARTNER  
Membership No.047966

Place : Vadodara  
Date : August 11, 2011



**ANNEXURE TO AUDITORS' REPORT****Annexure referred to in paragraph 3 of the Auditors' Report to the members of Munjal Auto Industries Limited for the year ended 31<sup>st</sup> March, 2011**

- 1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets;
  - (b) These fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification;
  - (c) The Company has not disposed off substantial part of fixed assets.
- 2) (a) The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- 3) The Company has not either granted or taken any loans to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and therefore, the matters referred in paragraph 4 (iii) of the Companies (Auditors' Report) Order, 2003 are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5) According to the information and explanations given to us,
    - (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section;
    - (b) In our opinion and according to the information and explanations given to us, the transactions, exceeding the value of five lac rupees in respect of any party during the year, made in pursuance of such contracts or arrangements, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) The Company has not accepted deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable to the company.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained;
- 9) According to the information and explanations given to us and as shown by our examination of the books of accounts:
    - (a) The Company is regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it and no undisputed amounts payable in respect thereof were in arrears, as on the last day of the financial year, for a period of more than six months from the date they became payable.
    - (b) The Company has not deposited disputed Sales Tax demand of Rs.25.50 lacs pertaining to the Financial Year 2002-03. The Company has preferred appeal against the order of the Assessing Officer and the matter is pending before the Joint Commissioner of Sales Tax (Appeals), Vadodara.

There are no dues of Income-tax / Wealth-tax / Service-tax / Custom duty / Excise duty / Cess which have not been deposited on account of any dispute.
- 10) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year and in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders. The details of claim made but not accepted by the Company are as per notes on accounts;



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- 12) The Company has not granted any loans or advances on the basis of any Security.
- 13) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company;
- 15) The Company has not given any guarantee for loans taken by others.
- 16) In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment by the Company;
- 18) The Company has not made any preferential allotment of shares during the year.
- 19) The Company has not issued any debentures in respect of which any security was required to be created.
- 20) The Company did not raise any money by public issue during the year.
- 21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For VAKIL JAIN & HINDOCHA  
Chartered Accountants  
Firm Registration No.112894W

SURENDRA MODIANI  
PARTNER  
Membership No.047966

Place : Vadodara  
Date : August 11, 2011

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

		Schedule	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
<b>SOURCES OF FUNDS</b>				
(1) Shareholders' Funds :				
(a) Capital	1		100,000,000	100,000,000
(b) Reserves and Surplus	2		828,194,987	667,063,464
			<u>928,194,987</u>	<u>767,063,464</u>
(2) Loan Funds :				
Secured Loans	3		618,243,017	371,411,531
(3) Deferred Tax Liability (Net)	4		34,785,643	23,514,715
			<u>653,028,660</u>	<u>394,926,246</u>
<b>TOTAL</b>			<b><u>1,581,223,647</u></b>	<b><u>1,161,989,710</u></b>
<b>APPLICATION OF FUNDS</b>				
(1) Fixed Assets :	5			
(a) Gross Block			1,623,632,026	1,275,432,484
(b) Less : Depreciation			504,262,510	427,768,669
(c) Net Block			1,119,369,516	847,663,815
(d) Capital Work in Progress			125,606,740	43,434,519
			<u>1,244,976,256</u>	<u>891,098,334</u>
(2) Investments	6		317,783,094	275,230,629
(3) Current Assets, Loans and Advances :				
(a) Inventories			160,559,282	150,961,186
(b) Sundry Debtors			644,929,488	270,929,059
(c) Cash and Bank Balances			10,591,275	5,503,963
(d) Loans and Advances			89,140,125	78,765,240
			<u>905,220,170</u>	<u>506,159,448</u>
Less : Current Liabilities and Provisions:	8			
(a) Current Liabilities			767,922,727	423,156,109
(b) Provisions			118,833,146	87,342,592
			<u>886,755,873</u>	<u>510,498,701</u>
Net Current Assets			18,464,297	(4,339,253)
<b>TOTAL</b>			<b><u>1,581,223,647</u></b>	<b><u>1,161,989,710</u></b>
<b>Notes on Accounts</b>	14			

As per our report of even date  
**For Vakil Jain & Hindocha**  
Chartered Accountants

**Surendra Modiani**  
Partner  
Membership No. **47966**  
Firm Registration No. 112894W

S. K. Sharma  
GM (Finance)  
  
Rakesh Johari  
Company Secretary

For and on behalf of the Board

Vikram Shah	Director
Naresh Chawla	Director
Mahendra Sanghvi	Director
Ramkisan Devidayal	Director
Sudesh Duggal	Director
Sudhir Munjal	Managing Director
Anju Munjal	Whole Time Director
Anuj Munjal	Whole Time Director

Waghodia  
Date : 11<sup>th</sup> August, 2011

Waghodia  
Date : 11<sup>th</sup> August, 2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	Schedule	For the year ended March 31, 2011	(Amount in Rs.) For the year ended March 31, 2010
<b>INCOME</b>			
Gross Sales		5,705,560,095	3,253,638,523
Less : Excise Duty		506,698,284	346,513,443
Net Sales		<u>5,198,861,811</u>	<u>2,907,125,080</u>
Other Income	9	<u>16,908,921</u>	<u>15,682,890</u>
		<b><u>5,215,770,732</u></b>	<b><u>2,922,807,970</u></b>
<b>EXPENDITURE</b>			
Raw Materials and Components consumed		3,808,569,923	1,906,619,855
Increase/(Decrease) in Stocks of Finished Goods and Work in Process	10	(18,316,089)	(6,362,904)
Remuneration and Benefits to Employees	11	202,314,641	142,755,671
Manufacturing and Other Expenses	12	774,903,625	593,786,148
Interest	13	39,694,035	8,051,226
Depreciation		80,799,208	52,746,184
		<b><u>4,887,965,343</u></b>	<b><u>2,697,596,180</u></b>
<b>Profit before Taxation</b>		<b>327,805,388</b>	<b>225,211,790</b>
<b>Provision for Taxation</b>			
- Current		67,722,000	67,800,600
- Deferred		11,270,928	(287,443)
- Fringe Benefit Tax		-	-
- Wealth Tax		141,000	157,610
<b>Profit after Taxation</b>		<b><u>248,671,460</u></b>	<b><u>157,541,023</u></b>
Prior Period Adjustments (Net)		373,062	(311,371)
<b>Net Profit available for appropriation</b>		<b><u>248,298,398</u></b>	<b><u>157,852,394</u></b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		24,829,840	15,785,239
Proposed Dividend on Equity Shares		75,000,000	50,000,000
Provision for Dividend Distribution Tax		12,166,875	8,304,375
<b>Profit after Appropriations</b>		<b><u>136,301,683</u></b>	<b><u>83,762,780</u></b>
Balance brought forward from Previous Year		538,277,703	454,514,923
<b>Balance carried over to Balance Sheet</b>		<b><u>674,579,387</u></b>	<b><u>538,277,703</u></b>
<b>Basic and Diluted Earning Per Share face value Rs.10/- each</b>		<b>24.83</b>	<b>15.79</b>
<b>Notes on Accounts</b>	14		

As per our report of even date

**For Vakil Jain & Hindocha**

Chartered Accountants

**Surendra Modiani**

Partner

Membership No. **47966**

Firm Registration No. 112894W

Waghodia

Date : 11<sup>th</sup> August, 2011

S. K. Sharma  
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For and on behalf of the Board

Vikram Shah	Director
Naresh Chawla	Director
Mahendra Sanghvi	Director
Ramkisan Devidayal	Director
Sudesh Duggal	Director
Sudhir Munjal	Managing Director
Anju Munjal	Whole Time Director
Anuj Munjal	Whole Time Director

Waghodia

Date : 11<sup>th</sup> August, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	For the year ended March 31, 2011	(Amount in Rs.) For the year ended March 31, 2010
<b>A. Cash Flow from operating activities</b>		
<b>Net Profit before tax and extra ordinary items</b>	<b>327,805,388</b>	<b>225,211,790</b>
Adjustments for :		
Depreciation	80,799,208	52,746,184
Profit on sale of fixed assets	(227,506)	(96)
Loss on sold/discarded assets	-	16,659
Lease Rent Paid	573	573
Loss on Foreign Exchange Rate Fluctuations	-	-
Gain on Foreign Exchange Rate Fluctuations	(10,434)	-
Interest Income	(630,296)	(1,000,844)
Interest Expenses	39,694,035	8,051,226
Profit on Sale of Investments	-	(189)
Loss on Sale of Investments	-	-
Dividend Income	(9,985,531)	(10,374,418)
Miscellaneous Expenditure Amortized	-	-
	109,640,049	49,439,095
<b>Operating Profit before working capital changes</b>	<b>437,445,437</b>	<b>274,650,885</b>
<u>Increase / decrease in Working Capital :</u>		
Inventories	(9,598,096)	(75,424,583)
Debtors	(374,000,429)	(37,733,891)
Other Current Assets	(4,684,223)	(23,872,116)
Sundry Creditors	314,978,743	54,079,175
Other Liabilities	32,028,625	16,180,136
	(41,275,380)	(66,771,280)
<b>Cash Generated from Operations</b>	<b>396,170,057</b>	<b>207,879,604</b>
Prior Period Adjustments (Net)	(373,062)	311,371
Income Tax paid	(83,141,456)	(88,592,797)
<b>Net Cash from Operating Activities</b> ..... A	<b>312,655,539</b>	<b>119,598,178</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchases of Fixed Assets & Capital Advances	(434,950,843)	(391,865,751)
Lease Rent paid	(573)	(573)
Proceeds from Sale of Fixed Assets	501,220	274,443
Sale of Investments	725,239,950	1,809,219,227
Purchase of Investments	(757,806,884)	(1,860,514,969)
Dividend Income	9,985,531	10,374,418
Interest Income	630,296	1,000,844
<b>Net Cash used in Investing Activities</b> ..... B	<b>(456,401,303)</b>	<b>(431,512,363)</b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011 (Continued)

	(Amount in Rs.)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>C. Cash Flow from Financing Activities</b>		
Dividend paid	(50,000,000)	(25,000,000)
Dividend Distribution Tax paid	(8,304,375)	(4,248,750)
Interest paid	(39,694,035)	(8,051,226)
Proceeds from Long Term Borrowings	249,881,725	368,631,325
Repayment of Long Term Borrowings	(312,500)	(23,939,424)
Working Capital Finance from Banks	(2,737,739)	2,780,206
<b>Net Cash from Financing Activities</b> ..... C	<b>148,833,076</b>	<b>310,172,132</b>
<b>Net increase/(decrease) in Cash &amp; Cash equivalents</b>	5,087,312	(1,742,053)
<b>Cash and Cash Equivalents at the beginning of the year</b>	5,503,963	7,241,817
<b>Cash and Cash Equivalents at the end of the year</b>	10,591,275	5,503,963

As per our report of even date  
**For Vakil Jain & Hindocha**  
Chartered Accountants

**Surendra Modiani**  
Partner  
Membership No. **47966**  
Firm Registration No. 112894W

Waghodia  
Date : 11<sup>th</sup> August, 2011

S. K. Sharma  
GM (Finance)  
  
Rakesh Johari  
Company Secretary

For and on behalf of the Board

Vikram Shah                      Director  
Naresh Chawla                  Director  
Mahendra Sanghvi              Director  
Ramkisan Devidayal          Director  
Sudesh Duggal                  Director  
Sudhir Munjal                    Managing Director  
Anju Munjal                      Whole Time Director  
Anuj Munjal                      Whole Time Director

Waghodia  
Date : 11<sup>th</sup> August, 2011



## SCHEDULES TO BALANCE SHEET

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE - 1 SHARE CAPITAL</b>		
Authorised :		
12,500,000 (Previous Year 12,500,000) Equity Shares of Rs.10/- each	125,000,000	125,000,000
	<u>125,000,000</u>	<u>125,000,000</u>
Issued, Subscribed and Paid Up :		
10,000,000 (Previous Year 10,000,000) Equity Shares of Rs.10/- each fully paid up	100,000,000	100,000,000
Of the above, 590,113 (Previous Year : 590,113) Equity Shares of Rs.10/- each fully paid up were allotted to term lenders against conversion of deferred interest.	<u>100,000,000</u>	<u>100,000,000</u>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Profit on re-issue of forfeited shares	209,150	209,150
<b>General Reserve</b>		
Balance as per Last Account	128,576,611	112,791,372
Add : Transferred from Profit & Loss Account	<u>24,829,840</u>	<u>15,785,239</u>
	153,406,451	128,576,611
<b>Profit and Loss Account</b>		
	<u>674,579,387</u>	<u>538,277,703</u>
	<b><u>828,194,987</u></b>	<b><u>667,063,464</u></b>
<b>SCHEDULE - 3 SECURED LOANS</b>		
Term Loans from Banks	618,200,550	368,631,325
Working Capital Loans from Banks	42,467	2,780,206
	<u>618,243,017</u>	<u>371,411,531</u>
<b>Details of Securities :</b>		
(i) Term Loan of Rs.22.85 Crores (2009-10 Rs.17.86 Crores) from Bank is secured by way of mortgage/charge created on immovable fixed assets both present and future of the Company's undertaking at Bawal, Dist. Rewari, Haryana.		
(ii) Term Loan of Rs.24.47 Crores (2009-10 Rs. 19.00 Crores) from Bank is secured by way of mortgage/charge created on immovable fixed assets both present and future of the Company's undertaking at Haridwar, Dist. Haridwar, Uttarakhand.		
(iii) Term Loan of Rs.14.50 Crores (2009-10 Rs.Nil) from Bank is secured by hypothecation of plant and machinery acquired out of the sanctioned Term Loan for Waghodia (Fuel Tank) Project, Dist. Vadodara, Gujarat.		
(iv) Working Capital facilities availed from the banks are secured by a first charge on inventories, receivables and all other current assets of the Company.		
<b>SCHEDULE - 4 DEFERRED TAX LIABILITY (Net)</b>		
Attributable to following items		
<b>A. Deferred Tax Liabilities</b>		
Accumulated Depreciation	44,196,024	31,848,849
<b>B. Deferred Tax Assets</b>		
Provision for :		
Gratuity	-	2,207,485
Leave Benefits to Employees	9,298,001	5,235,120
Bonus	<u>112,380</u>	<u>891,529</u>
	9,410,381	8,334,134
<b>Net Deferred Tax Liabilities (A-B)</b>	<b><u>34,785,643</u></b>	<b><u>23,514,715</u></b>



## SCHEDULES TO BALANCE SHEET (Continued)

### SCHEDULE - 5 FIXED ASSETS

(Amount in Rs.)

PARTICULARS	Gross Block			Depreciation			Net Block			
	As at April 1, 2010	Additions	Deduction/ Adjustment	As at March 31, 2011	Upto March 31, 2010	For the year	Deduction / Adjustment	Total upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
<b>TANGIBLE ASSETS</b>										
LAND										
- LEASEHOLD	7,365,133	-	-	7,365,133	-	-	-	-	7,365,133	7,365,133
- FREEHOLD	162,669,102	-	-	162,669,102	-	-	-	-	162,669,102	162,669,102
BUILDINGS	276,191,951	89,513,481	-	365,705,432	30,744,614	10,118,559	-	40,863,173	324,842,259	245,447,337
PLANT & MACHINERY	743,902,734	238,461,901	4,054,981	978,309,654	363,538,206	61,442,839	3,901,788	421,079,257	557,230,397	380,364,528
OFFICE EQUIPMENTS	7,616,787	3,085,653	-	10,702,440	2,688,034	488,033	-	3,176,067	7,526,373	4,928,753
FURNITURE & FITTINGS	38,207,632	3,829,601	-	42,037,233	4,972,559	2,968,958	-	7,941,516	34,095,718	33,235,074
VEHICLES	33,885,465	1,871,962	524,098	35,233,328	21,695,782	4,803,637	403,577	26,095,842	9,137,486	12,189,682
<b>INTANGIBLE ASSETS</b>										
SOFTWARES	5,593,680	16,016,024	-	21,609,704	4,129,474	977,182	-	5,106,655	16,503,048	1,464,206
<b>TOTAL</b>	<b>1,275,432,484</b>	<b>352,778,621</b>	<b>4,579,079</b>	<b>1,623,632,026</b>	<b>427,768,669</b>	<b>80,799,208</b>	<b>4,305,365</b>	<b>504,262,510</b>	<b>1,119,369,516</b>	<b>847,663,815</b>
PREVIOUS YEAR	842,425,321	433,760,596	753,434	1,275,432,484	375,484,914	52,746,184	462,429	427,768,669	847,663,816	466,940,407
Capital Work In Progress									125,606,740	43,434,519

### SCHEDULE - 6 INVESTMENTS (NON-TRADE)

Unquoted in Mutual Fund Unit

(Amount in Rs.)

Name of Mutual Fund Scheme	Face Value / Unit Rs.	As at March 31, 2011		As at March 31, 2010	
		No. of Units	Amount	No. of Units	Amount
<b>CURRENT INVESTMENTS</b>					
<b>In Liquid / Floating Rate Funds</b>					
HDFC Cash Management Fund - Treasury Advantage Plan	10/-	11,714,699	117,516,005	6,699,084	67,201,861
HDFC High Interest Fund - Short Term Plan	10/-	-	-	5,506,111	58,324,701
HDFC Multiple Yield Fund	10/-	603,872	10,000,000	603,872	10,000,000
HDFC MF Monthly Income Plan	10/-	1,231,019	20,000,000	1,231,019	20,000,000
TFLD Tata Floater Fund	10/-	14,970,765	150,240,613	-	-
Reliance Medium Term Fund	10/-	-	-	2,907,436	49,704,067
Reliance Monthly Interval Fund-Series-I-Instituonal Dividend Plan	10/-	-	-	4,998,500	50,000,000
Reliance Monthly Income Plan - Growth Plan	10/-	-	-	991,085	20,000,000
SBI MF SHF Liq Plus Fund	10/-	2,001,447	20,026,476	-	-
			<b>317,783,094</b>		<b>275,230,629</b>

The following investments were purchased and sold during the year

#### Mutual Funds

	Purchase		Sale	
	No. of Units	Amount	No. of Units	Amount
Reliance Liquid Fund Treasury Plan	3,998,556	40,005,949	3,998,556	40,005,949
HDFC CMF Saving Plan	47,444,753	504,641,367	47,444,753	504,641,367
Reliance Medium Term Fund	7,055,661	120,622,877	7,055,661	120,622,877
Reliance Money Manager Fund	12,271	12,287,846	12,271	12,287,846
Reliance Monthly Interval Fund	8,021,676	80,248,845	8,021,676	80,248,845
		<b>757,806,884</b>		<b>757,806,884</b>

## SCHEDULES TO BALANCE SHEET (Continued)

	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
<b>SCHEDULE - 7 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. Inventories</b>		
Raw Materials	107,731,754	118,516,600
Work in Process	28,116,623	13,623,591
Finished Goods	11,389,805	7,446,263
Consumable Stores, Spares	12,977,740	10,818,147
Scrap	343,360	556,585
<b>TOTAL (A)</b>	<b>160,559,282</b>	<b>150,961,186</b>
<b>B. Sundry Debtors</b>		
(Unsecured, considered good)		
For a period exceeding six months	-	-
Other Debts	644,929,488	270,929,059
<b>TOTAL (B)</b>	<b>644,929,488</b>	<b>270,929,059</b>
<b>C. Cash and Bank Balances</b>		
Cash on hand	208,294	145,534
Balances with Scheduled Banks :		
in current accounts	97,431	212,855
in cash credit accounts	4,533,798	806,127
in unclaimed dividend accounts	4,586,752	4,339,448
in fixed deposit account (Receipt pledged with bank)	1,165,000	-
<b>TOTAL (C)</b>	<b>10,591,275</b>	<b>5,503,962</b>
<b>D. Loans and Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Loans and Advances to Employees	215,600	345,900
Advances recoverable in cash or in kind or for value to be received	29,421,527	31,897,060
Balance with Central Excise	16,720,912	9,052,503
Deposits	16,802,440	17,180,792
Income Tax (Net of Provision)	25,979,646	20,288,985
<b>TOTAL (D)</b>	<b>89,140,125</b>	<b>78,765,240</b>
<b>TOTAL (A+B+C+D)</b>	<b>905,220,170</b>	<b>506,159,448</b>
<b>SCHEDULE - 8 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>a. Current Liabilities</b>		
Sundry Creditors		
- Dues to Micro & Small Enterprises	31,440,615	7,381,935
- Others	672,019,885	380,695,908
Unclaimed Dividend	4,592,552	4,339,448
Other Liabilities	54,415,691	28,475,079
Interest accrued but not due	5,453,984	2,263,739
	<b>767,922,727</b>	<b>423,156,109</b>
<b>b. Provisions</b>		
Proposed Dividend on Equity Shares	75,000,000	50,000,000
For Dividend Tax	12,166,875	8,304,375
For Income Tax (Net of prepaid taxes)	-	6,465,671
For Wealth Tax	141,000	157,610
For Gratuity	11,212,566	6,645,548
For Leave Benefits to Employees	20,312,705	15,769,388
	<b>118,833,146</b>	<b>87,342,592</b>
	<b>886,755,873</b>	<b>510,498,701</b>



## SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amount in Rs.)

	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>SCHEDULE - 9 OTHER INCOME</b>		
Miscellaneous Income	435,256	1,101,565
Interest on Deposits (TDS Rs.60,028/- Previous Year Rs.2,04,938/-)	630,296	1,000,844
Dividend on Mutual Funds investments	9,985,531	10,374,418
Cash Discount received	5,221,559	2,785,608
Profit on sale of Capital Assets	227,506	96
Profit on Sale of Investments	-	189
Insurance Claims received	398,339	420,170
Profit on Foreign Exchange Rate Fluctuation	10,434	-
	<b>16,908,921</b>	<b>15,682,890</b>
<b>SCHEDULE - 10 INCREASE/(DECREASE) IN STOCKS OF FINISHED GOODS AND WORK IN PROCESS</b>		
<u>Opening Stocks</u>		
Finished Goods	7,446,263	4,464,521
Work in Process	12,136,826	8,755,664
	<b>19,583,089</b>	<b>13,220,185</b>
<u>Closing Stocks</u>		
Finished Goods	11,389,805	7,446,263
Work in Process	26,509,373	12,136,826
	<b>37,899,178</b>	<b>19,583,089</b>
	<b>(18,316,089)</b>	<b>(6,362,904)</b>
<b>SCHEDULE - 11 REMUNERATION AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages and Bonus	170,196,820	120,633,217
Contribution to Provident Fund and other Funds	19,953,596	12,133,726
Workmen and Staff Welfare Expenses	12,164,225	9,988,728
	<b>202,314,641</b>	<b>142,755,671</b>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT (Continued)

(Amount in Rs.)

	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>SCHEDULE - 12 MANUFACTURING AND OTHER EXPENSES</b>		
Stores and Spares consumed	214,869,313	126,251,991
Power and Fuel	152,584,866	128,231,900
Packing Materials consumed	73,609,594	80,823,730
Rent	11,106,265	10,498,982
Repairs and Maintenance :		
- To Building	968,595	1,988,762
- To Machinery	10,530,138	7,426,591
- To Others	1,314,230	1,293,099
Insurance Premium	4,303,946	2,315,065
Rates and Taxes	7,584,437	1,454,246
Labour Contractors	113,953,878	63,233,009
Job Work Charges	47,417,877	47,505,904
Travelling and Conveyance	17,296,300	8,086,019
Directors' Sitting Fee	425,000	405,000
Auditors' Remuneration		
- As Audit Fee	300,000	300,000
- As Tax Audit Fee	60,000	60,000
- As VAT Audit Fee	25,000	25,000
- Limited Review of Unaudited Results	120,000	120,000
Professional Charges	4,475,361	3,455,452
Printing and Stationery	2,820,767	2,058,697
Telephone and Telex Charges	1,646,554	769,069
Freight Outward	59,975,573	63,879,143
Bank Charges and Commission	5,180,105	1,841,089
Discount on Sales	14,443,433	19,190,200
Miscellaneous Expenses	22,721,608	17,380,925
Loss on Disposal of Fixed Assets	-	16,659
Security Service Charges	7,170,785	5,175,616
	<b>774,903,625</b>	<b>593,786,148</b>
<b>SCHEDULE - 13 INTEREST</b>		
Interest :		
- On Fixed Loans	37,337,457	4,359,789
- On Working Capital Loans	360,485	102,542
- On Others	1,996,093	3,588,895
	<b>39,694,035</b>	<b>8,051,226</b>



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## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011

### SCHEDULE – 14 SIGNIFICANT ACCOUNTING POLICIES, NOTES ON ACCOUNTS AND INFORMATION PURSUANT TO PROVISIONS OF SCHEDULE VI OF THE COMPANIES ACT, 1956

#### I. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Significant accounting policies followed by the company are as stated below:

##### 1) System of Accounting

The Company has adopted accrual basis of accounting.

##### 2) Fixed Assets

- a) All fixed assets are stated at cost less accumulated depreciation. Cost is inclusive of freight, duties (net of Cenvat credit) and other incidental expenses in accordance with the applicable Accounting Standards.
- b) Cost of leasehold land has not been amortized over lease period due to the long tenure of the lease and smallness of amount.
- c) Depreciation has been provided as per straight-line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956; except that in case of expenditure on software, and vehicles depreciation is charged at a higher rate of 25 percent considering their useful life of 4 years as estimated by the management of the Company.

##### 3) Investments

Current Investments are stated at cost or fair value whichever is lower determined on individual investment basis.

##### 4) Inventory

- a) Inventories other than scrap are valued at cost or net realisable value whichever is lower. Cost of purchases is ascertained on first in first out (FIFO) method.
- b) Scrap is valued at estimated net realisable value.
- c) Cost of Work in Process and Finished Goods include cost of materials and other inputs plus appropriate share of labour and overheads. Excise duty is included in the value of finished goods inventory.

Provision for obsolescence is made wherever necessary.

##### 5) Revenue Recognition;

###### Sale of Goods

- a) Sales are accounted inclusive of excise duty but net of sales tax.
- b) Sales are accounted on the date of removal of goods from the factory.

Interest income is recognized on time proportion basis.

Dividend Income is recognized when the right to receive dividend is established.

##### 6) Employees Benefits

Provision is made for short term and long term benefits to employees in accordance with Accounting Standard –15 (further details are given in note no 16) Actuarial gain / loss is recognized in profit & loss account.



**NOTES ON ACCOUNTS (Continued)****7) Borrowing Costs**

Borrowing Costs attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets till the asset is ready for use. Interest on other borrowing is charged to Profit & Loss Account.

**8) Taxation**

Provision for current tax is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods at the rates and accordance with laws that have been enacted or substantively enacted as of Balance Sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each Balance Sheet date for realisability.

Deferred tax in respect of Haridwar Unit availing deduction under section 80IC of Income Tax Act, 1961 is recognized in respect of timing differences which will reverse after tax holiday period.

**9) Foreign Currency Transactions**

Transactions in Foreign Currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary items denominated in foreign currencies outstanding at the year-end are restated in Indian Rupees at the rates prevailing on the date of the Balance Sheet.

Any gain or loss on account of exchange difference either on a settlement of the obligation or on a translation is recognized in the Profit & Loss Account.

Premium arising at the inception of forward exchange contract to hedge an underlying liability of the Company is amortised as expense over the life of the contract

**10) Impairment of Assets**

The Carrying amounts of assets are reviewed at each balance sheet date to ascertain whether there is any indication of impairment in their value caused by any internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount being the greater of the assets' net selling price and value in use.

**11) Operating Leases**

Lease charges paid for operating leases are charged to profit and loss account on a straight-line basis over the lease term. Initial direct expenses at the time of inception of lease are charged to Profit & Loss Account.

**12) Provision & Contingencies**

Provision involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but disclosed in the note.

**II. Notes on Accounts**

1. In respect of an interest-free LEEP loan availed by the Company at the time of the setting up a project at Waghodia, Gujarat by the Company, GIIC (A Government of Gujarat undertaking that had disbursed the said LEEP loan on its behalf) had raised a claim of interest amounting to Rs.17 lacs payable since 1997. GIIC has claimed that there was a delay in repayment of first 2 installments of the said LEEP loan repaid by the company in earlier years. The Company disputed this. Negotiation in the matter is continuing.



## NOTES ON ACCOUNTS (Continued)

Meanwhile, after adding interest @ 24% on the aforesaid disputed amount of interest; GIIC has raised its claim further to Rs. 194 Lacs up to 31.12.05 (Previous Year: Rs. 194.00 Lacs). No provision is made in books of accounts for the above interest claim as the Company expects that such a claim of GIIC is not tenable.

2. As the Company's business activity falls within a single primary business segment viz. Automobile Parts and single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", issued by the Institute of Chartered Accountants of India are not applicable.
3. The Company as well as various industrial units in Waghodia have disputed their liability to pay octroi duty and hence the company deposited the amount of Rs. 15.45 lacs under protest which is held in a separate bank account in the name of Sarpanch, the Waghodia Gram Panchayat and the Company as the second party under a Court directive. By virtue of a subsequent notification of the State Government of Gujarat, the Company, like other industrial units in the notified area of Waghodia, is not required to pay the octroi Duty from 19<sup>th</sup> July, 1997. The Company believes it has no liability for octroi duty even for the earlier period. Association for Industrial Units in Waghodia has filed a suit for recovery of amounts paid under protest, which is still pending for final decision. Therefore, the said amount of Rs.15.45 Lacs (Previous Year Rs.15.45 lacs) is included in Balance Sheet under the head "Loans & Advances" and no provision is made for liability of octroi in this respect. In the absence of clarity regarding rights of respective parties, interest credited by the bank amounting to Rs.12.37 Lacs (Previous Year: Rs.11.42 Lacs) on the aforesaid amount till 31<sup>st</sup> March 2011 is not accounted for.
4. Company has paid excise duty of Rs.23.61 lacs (previous year Rs.23.61 lacs) which is claimed by the Company to be refundable and shown under loans and advances. The Company has filed an appeal and the matter is pending with the Custom, Excise & Service tax Appellate Tribunal.
5. Figures of the previous year have been regrouped and/or recast, wherever considered necessary to conform to the groupings of the current year.
6. The Company has amounts dues to Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 as at 31<sup>st</sup> March, 2011

	(Rs. in Lacs)	
	2010-11	2009-10
I) The Principal amount and interest due thereon remaining unpaid as at 31 <sup>st</sup> March, 2011		
- Principal Amount	314.41	73.82
- Interest	4.68	4.21
II) Amount of interest paid by Company along-with the amounts of payments made beyond the appointed day for the year ending on 31 <sup>st</sup> March, 2011	-	-
III) Amount of interest due and payable for the period of delay in making payment beyond appointed day during the year	4.68	4.21
IV) Amount of interest accrued and remaining unpaid	4.68	4.21
V) Amount of further interest remaining due and payable for earlier year	8.70	4.49

The information in respect of dues to suppliers who are Micro or Small enterprises is given to the extent they could be identified on the basis of information available with the Company.

7. The Company has taken premises under operating leases. These lease agreements are normally for a period of less than one year. These are generally not "non-cancellable" and are renewable by mutual consent on mutually agreed terms. Rental expenses towards cancellable operating leases charged to profit & loss account amounts to Rs.1,11,06,265/- (previous year Rs.1,04,98,982/-)

## NOTES ON ACCOUNTS (Continued)

### 8. Details of Prior Period Adjustments

	(Amount in Rs.)	
	<u>2010-11</u>	<u>2009-10</u>
Income Tax	-	(176,713)
Depreciation	-	-
Others	373,062	(134,658)
Prior Period Adjustments (Net)	<u>373,062</u>	<u>(311,371)</u>

### 9. Details of Contingent Liabilities

	(Amount Rs. In Lacs)	
	<u>2010-11</u>	<u>2009-10</u>
I Unexpired letters of credit (Net of margin money)	223.36	-
II Unexpired Bank Guarantee (Net of margin money)	14.96	4.46
III Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	802.56	2,157.82
IV Estimated amount on account of pending cases under the Labour Laws	25.90	25.90
V Income Tax matters in dispute	41.44	80.03
VI Sales Tax matters in dispute	57.98	31.89
VII Excise matters	59.01	59.01

### 10. Managerial Remuneration

	(Amount in Rs.)	
	<u>2010-11</u>	<u>2009-10</u>
<b>Remuneration</b>		
Salaries	10,400,000	7,650,000
Commission	13,276,365	7,958,664
Contribution to PF and Other Funds	2,288,000	1,685,814
Other Allowances	10,400,000	7,650,000
Value of Perquisites	80,400	125,895
	<u>36,444,765</u>	<u>25,070,373</u>
Sitting Fee and allowances	425,000	405,000
	<u>36,869,765</u>	<u>25,475,373</u>

In determination of remuneration, certain perquisites have been valued in accordance with the provisions of Income Tax Rules, 1962 applicable when these were taxable. Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall Company basis at the end of the each year and accordingly, have not been considered in the above.



## NOTES ON ACCOUNTS (Continued)

### 11 Computation of net profit in accordance with the provisions of section 349 of the Companies Act, 1956

	(Amount in Rs.)			
	Amount	2010-11 Amount	Amount	2009-10 Amount
Profit as per Profit & Loss Account		248,298,398		157,852,394
Add :				
Managerial Remuneration	36,444,765		25,070,373	
Directors' Sitting Fee	425,000		405,000	
Provision for Taxation				
- Current	67,722,000		67,800,600	
- Deferred	11,270,928		(287,443)	
- Wealth Tax	141,000		157,610	
Prior Period Adjustments	373,062		(311,371)	
Loss on Sale of Fixed Assets	-	116,376,755	16,659	92,851,428
Less :				
Profit on Sale of Fixed Assets	227,506	227,506	96	96
		<u>364,447,646</u>		<u>250,703,726</u>
Net Profit pursuant to section 349 for the purpose of Directors' Remuneration		<u>364,447,646</u>		<u>250,703,726</u>
Directors' Commission : (Restricted in terms of the Agreements with reference to salaries, allowances and limits prescribed under the Companies Act, 1956)				
	Amount Rs.	Restricted to Rs.	Amount Rs.	Restricted to Rs.
5% of Net Profit to Mr. Sudhir Munjal, Managing Director (Previous Year : 5%)	18,222,382	6,076,365	12,535,186	1,780,685
5% of Net Profit to Mrs. Anju Munjal, Whole Time Director (Previous Year : 5%)	18,222,382	4,700,000	12,535,186	6,177,979
5% of Net Profit to Mr. Anuj Munjal, Whole Time Director (Previous Year : Nil)	18,222,382	2,500,000	-	-
	<u>36,444,765</u>	<u>13,276,365</u>	<u>25,070,372</u>	<u>7,958,664</u>

### 12 Computation of Earning Per Share

	(Amount in Rs.)	
	2010-11	2009-10
Profit attributable to Equity Share Holders	248,298,398	157,852,394
Basic/Weighted average number of Equity Shares outstanding during the year	10,000,000	10,000,000
Nominal Value of Equity Shares Rs.	10.00	10.00
<b>Basic Earnings per Share Rs.</b>	<b>24.83</b>	<b>15.79</b>
<b>Diluted Earnings per Share Rs.</b>	<b>24.83</b>	<b>15.79</b>

## NOTES ON ACCOUNTS (Continued)

### 13 Related Party Disclosure

#### a) Key Management Personnel

Mr. Satyanand Munjal	Chairman
Mr. Sudhir Munjal	Managing Director
Mrs. Anju Munjal	Whole-Time Director
Mr. Anuj Munjal	Whole-Time Director

#### b) Enterprises which are able to exercise significant influence over the Company

Thakurdevi Investments Pvt. Ltd.	Holding Company
----------------------------------	-----------------

#### c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

Hero Honda Motors Limited
Hero Cycles Limited
Chopra Industries Private Limited
Chopra Autotech Private Limited
Sara Investment Services Private Limited
Sara Investments
Amar Sons

#### d) Transactions with the related parties during the year :

Nature of Transactions	(Amount in Rs. Lacs)	
	2010-11	2009-10
<b>a) Key Managerial Personnel</b>		
Remuneration	231.68	171.25
Commission	132.76	79.41
Sitting Fee	0.04	0.04
Balance Outstanding at the end of the year		
- Payables (Other than Commission)	18.00	14.00
<b>b) Enterprises which are able to exercise control over the Company</b>		
Purchase of Goods	-	3,477.32
Dividend Paid	374.03	124.43
Balance Outstanding at the end of the year		
- Receivables		
- Payables	-	855.07
<b>c) Enterprises over which key management personnel and their relatives are able to exercise significant influence</b>		
Sale of Goods (net of discount and returns)	51,001.85	30,358.52
Purchase of Goods	15,867.54	6,947.75
Dividend paid	-	62.07
Rent, Miscellaneous Purchase and Other Services		
Balance Outstanding at the end of the year		
- Receivables	6,151.74	3,467.38
- Payables	2,115.85	481.71

### 14 Disclosure pursuant to Accounting Standard - 15 (Revised) 'Employee Benefits'

#### i) Defined Contribution Plans

Contributions to defined contribution plan recognised as expenses when contributions become due. Amounts recognised for the year are as under.

	(Amount in Rs.)	
	2010-11	2009-10
Employer's contribution to Provident Fund	9,075,048	6,133,320
Employer's contribution to Superannuation Fund	2,689,794	1,945,285



## NOTES ON ACCOUNTS (Continued)

### ii Defined Benefit Plans

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of the obligation is determined based on actuarial valuation using Projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up final obligation. The obligation for leave encashment is recognized in the same manner as gratuity. The related details are as under;

	2010-11		(Amount in Rs.) 2009-10	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
<b>I Change in benefit obligation</b>				
Opening benefit obligation	25,539,166	12,900,051	19,845,143	8,150,418
Service cost for the year	3,237,521	2,240,830	2,252,748	1,503,927
Interest cost for the year	2,106,981	1,064,254	1,637,224	672,409
Actuarial losses / (gains) on curtailments	3,321,543	2,486,908	1,856,989	3,589,135
Benefits paid	(217,719)	(1,249,442)	(369,461)	(1,015,839)
<b>Closing defined benefit obligation</b>	<b>33,987,492</b>	<b>17,442,601</b>	<b>25,222,643</b>	<b>12,900,050</b>
<b>II Fair Value of Plan Assets</b>				
Opening fair value of plan assets	18,577,095	-	15,559,578	-
Expected Return on Plan Assets	1,784,218	-	1,472,196	-
Contribution by employer	2,712,816	-	1,965,781	-
Benefits paid	(217,719)	-	(369,461)	-
Actuarial (loss) / gain on plan assets	(81,484)	-	(50,999)	-
<b>Closing balance of fair value of plan assets</b>	<b>22,774,926</b>	<b>-</b>	<b>18,577,095</b>	<b>-</b>
<b>III Actual Return on Plan Assets</b>				
Actual Return on Plan Assets	1,702,734	-	1,421,197	-
Expected Return on Plan Assets	1,784,218	-	1,472,196	-
<b>Actuarial gain / (loss) on Plan Assets</b>	<b>(81,484)</b>	<b>-</b>	<b>(50,999)</b>	<b>-</b>
<b>IV Amount Recognised in the Balance Sheet</b>				
Present value of defined benefit obligation	33,987,492	17,442,601	25,222,643	12,900,050
Plan Assets at the end of the period at fair value	22,774,926	-	18,577,095	-
<b>Liability recognised in the balance sheet</b>	<b>11,212,566</b>	<b>17,442,601</b>	<b>6,645,548</b>	<b>12,900,050</b>
<b>V Amount Recognised in Statement of Profit and Loss</b>				
Current Service Cost	3,237,521	2,240,830	2,252,748	1,503,927
Interest on Obligation	2,106,981	1,064,254	1,637,224	672,409
Expected Return on Plan Assets	(1,784,218)	-	(1,472,196)	-
Net Actuarial Loss / (Gain) recognised in the year	3,403,027	2,486,908	1,907,988	3,589,135
<b>Total included in 'employee benefit expense'</b>	<b>6,963,311</b>	<b>5,791,992</b>	<b>4,325,764</b>	<b>5,765,471</b>
<b>VI Investment Details (% invested)</b>				
Policy of insurance	100%	-	100%	-
<b>VII Actuarial Assumptions</b>				
Discount Rate Current	8.00%	8.00%	8.25%	8.25%
Rate of Return on Plan Assets Current	9.00%	-	9.00%	-
Annual increase in salary costs	7.50%	7.50%	7.50%	7.50%



## NOTES ON ACCOUNTS (Continued)

### III Additional Information pursuant to the provisions of 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 :

#### 1 Particulars in respect of licensed and installed capacities :

CLASS OF GOODS	UNITS	LICENSED CAPACITY		INSTALLED CAPACITY	
		2010-11	2009-10	2010-11	2009-10
Mufflers	NOS.			6,000,000	3,600,000
Motorcycle Rims	NOS.	NOT	NOT	3,750,000	3,750,000
Scooter Wheels	NOS.	APPLICABLE	APPLICABLE	600,000	600,000

- (i) The installed capacity is as certified by the management and relied upon by the auditors being a technical matter. The installed capacity is calculated on triple shifts basis.
- (ii) Actual production of various items depends on exact specifications of the products. The quantities are indicative of production with specifications, which are considered representative of estimated average product mix.

#### 2 Particulars in respect of opening and closing stock of finished goods produced :

(Amount in Rs. Lacs)

CLASS OF GOODS	UNITS	OPENING STOCKS				CLOSING STOCKS			
		2010-11		2009-10		2010-11		2009-10	
		QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE
Mufflers	Nos.	8,180	56.00	6,044	31.69	8,296	89.72	8,180	56.00
Motorcycle Rims	Nos.	6,320	12.53	4,005	7.09	2,932	6.25	6,320	12.53
Scooter Wheels	Nos.	2,865	4.95	3,585	5.86	4,170	7.37	2,865	4.95
Others Components	Nos.	1,660	0.98	-	-	12,388	10.56	1,660	0.98
			<b>74.46</b>		<b>44.64</b>		<b>113.90</b>		<b>74.46</b>

#### 3 Details of production and sales :

(Amount in Rs. Lacs)

CLASS OF GOODS	UNITS	PRODUCTION		SALES			
		2010-11	2009-10	2010-11		2009-10	
		QTY.	QTY.	QTY.	VALUE	QTY.	VALUE
Mufflers	Nos.	4,520,063	3,637,831	4,519,947	50,303.03	3,635,695	27,858.49
Motorcycle Rims	Nos.	1,478,544	1,541,110	1,481,932	3,946.35	1,538,795	3,299.44
Scooter Wheels	Nos.	725,740	436,675	724,435	1,619.99	437,395	869.10
Other Components	Nos.	962,910	613,281	952,182	1,186.23	611,621	509.35
					<b>57,055.60</b>		<b>32,536.37</b>



## NOTES ON ACCOUNTS (Continued)

### 4 Raw materials and components consumption :

CLASS OF GOODS	UNITS	2010-11		(Amount in Rs. Lacs) 2009-10	
		QTY.	VALUE	QTY.	VALUE
CR and SS Strips	M.T.	12,144.151	7,683.43	10,888.434	5,155.27
Nickel	M.T.	204.195	2,338.05	244.272	2,153.58
Catalytic Converter	NOS.	1,414,416	6,743.48	16,753	105.77
Paints & Chemicals			2,414.91		1,788.05
Components and BOPs			17,111.04		9,468.02
Others (Net of Scrap Sales)			1,794.79		395.51
			<b>38,085.70</b>		<b>19,066.20</b>

### 5 Value of Imported and Indigenous Raw Materials and stores consumed and percentage thereof :

PARTICULARS	2010-11		2009-10	
	VALUE	%	VALUE	%
<b>Raw Materials and Components :</b>				
Imported	-		1,151.87	6.04%
Indigenous	38,085.70	100.00%	17,914.33	93.96%
	<b>38,085.70</b>	<b>100.00%</b>	<b>19,066.20</b>	<b>100.00%</b>
<b>Stores &amp; Spares :</b>				
Imported				
Indigenous	2,148.95	100.00%	1,262.52	100.00%
	<b>2,148.95</b>	<b>100.00%</b>	<b>1,262.52</b>	<b>100.00%</b>

### 6 Expenditure in foreign currency (on cash basis):

PARTICULARS	(Amount in Rs.lac)	
	2010-11	2009-10
Foreign Travels	32.34	-
Interest	79.54	44.65
	<b>111.88</b>	<b>44.65</b>
<b>7 CIF Value of Imports :</b>		
Raw Materials, BOP & Spares	-	1,151.87
Capital Goods	502.10	115.74
	<b>502.10</b>	<b>1,267.61</b>

As per our report of even date  
**For Vakil Jain & Hindocha**  
 Chartered Accountants

**Surendra Modiani**  
 Partner  
 Membership No. **47966**  
 Firm Registration No. 112894W

S. K. Sharma  
 GM (Finance)  
 Rakesh Johari  
 Company Secretary

Waghodia  
 Date : 11<sup>th</sup> August, 2011

For and on behalf of the Board

Vikram Shah	Director
Naresh Chawla	Director
Mahendra Sanghvi	Director
Ramkisan Devidayal	Director
Sudesh Duggal	Director
Sudhir Munjal	Managing Director
Anju Munjal	Whole Time Director
Anuj Munjal	Whole Time Director

Waghodia  
 Date : 11<sup>th</sup> August, 2011

## ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### Balance Sheet Abstracts and Company's General Business Profile

#### I. Registration Details

Registration No.     State Code

Balance Sheet Date

#### II. Capital raised during the year (Amount in Rs.'000)

Public Issue    Rights issue

Bonus Issue    Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)

Total Liabilities        Total Assets

##### Sources of Funds

Paid up capital       Reserve & Surplus

Secured Loans       Unsecured Loans

Deferred Tax Liability

##### Application of Funds

Net Fixed Assets        Investments

Net Current Assets      Misc. Expenditure

#### IV. Performance of Company (Amount in Rs.'000)

Turnover        Total Expenditure

Profit Before Tax       Profit After Tax

Earning Per Share in Rs.      Dividend in %   %

#### V. Generic Name of Three Principal Products of Company (as per monetary terms)

Item Code No.

Product description



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## CORPORATE GOVERNANCE REPORT

Your Company believes that sound corporate governance is critical for enhancing long-term shareholder value and retaining investor trust. Your Company is committed towards transparency in all its dealings and to that end ensures that its performance goals are met with integrity. Good Governance goes beyond working results and financial propriety and is a pre-requisite for attainment of excellent performance.

Governance is moulded in culture of your Company that is built upon core values, beliefs and ethics.

A Report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporate in the Listing Agreement is given below:

### 1. Board of Directors

The composition of the Board of your Company is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Non-Executive Chairman of the Company is a Promoter and the number of Non-Executive Independent Directors is more than one-half of the total number of Directors. The Board reviews and approves strategy; oversees the actions and results of Management to ensure that the long term objectives of enhancing stakeholders' value and other stakeholders' interest are met.

Managing Director and Whole Time Directors are the Executive Directors looking after the day-to-day management of your Company. The Chairman, Managing Director and Whole Time Directors along with two other non-executive directors belong to the Company's promoter group. The remaining Non-Executive Directors comprising of six independent Directors possess requisite qualifications and experience in general corporate management, finance, banking, and other allied fields which enable them to contribute effectively to the Company in their capacity as Directors.

Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that these Directors would be entitled to under the Companies Act, 1956 as Non-Executive Directors, none of these directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its directors, its Senior Management or its Subsidiaries and Associates which in their judgment would affect their independence. None of the Directors, other than those belonging to the promoter group of the Company are inter-se related to each other.

The Senior Management of the Company have made disclosures to the Board confirming that there are no material financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

#### a. Composition of the Board

The Board comprises twelve Directors as on 31<sup>st</sup> March 2011. The names and categories of Directors, the number of Directorships and Committee positions held by them in the companies are given below. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the Companies in which he is a Director:

#### b. Board Procedure

A detailed Agenda folder is sent to each Director in advance of the Board and to the Director concerned in advance of the committee Meetings. To enable the Board to discharge its responsibilities effectively, Managing Director apprises the Board at every Meeting of the overall performance of the Company, followed by presentations as and when necessary. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by your Company to rectify instance of non-compliances, review of major legal issues, adoption of quarterly/half years/ annual results, significant labour issues, transactions pertaining to purchase/disposal of property(ies), major accounting provisions and write-offs/impairment etc. Minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of officers just below the Board level, including the Company Secretary and Compliance Officer.

**c. Number of Board Meetings, Attendance of Directors at Meetings of the Board and at the Annual General Meeting**

Name of Director	Number of Board Meeting held during his / her tenure and attended by him/her		Attendance at AGM	No. of Outside Directorship held	No. of Committee Membership held	Number of Committee Chairmanship held
	Held	Attended				
<b>Executive Directors</b>						
Mr. Sudhir Munjal	5	5	Yes	None	None	None
Mrs. Anju Munjal	5	4	Yes	None	None	None
Mr. Anuj Munjal	4	3	Yes	None	None	None
<b>Non-Executive Directors</b>						
Mr. Satyanand Munjal	5	None	No	3	None	None
Mr. Brijmohan Lall Munjal	5	None	No	4	None	None
Mr. Om Prakash Munjal	5	None	No	5	None	None
<b>Non-Executive and Independent Directors</b>						
Mr. Vikram Shah	5	5	Yes	None	None	None
Mr. Naresh Chawla	5	4	Yes	None	None	None
Mr. Mahendra Sanghvi	5	3	Yes	3	2	None
Mr. Ramkisan Devidayal	5	4	Yes	3	5	2
Mr. Sudesh Kumar Duggal	5	5	Yes	1	None	None
Mr. Jal Ratanshaw Patel	5	5	Yes	6	3	4

**d. Meeting of Independent Directors**

The Independent Directors of the Company meet before the Board Meeting to examine various Corporate Governance issues, function of the Company and other issues. These Meetings are conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to the affairs of the Company and put forth their views and recommend their suggestion to the Board.

**e. Director seeking re-appointment**

According to the Articles of Association, one-third of the Directors retires by rotation and, if eligible, offers themselves for re-election at the Annual General Meeting of Shareholders. Accordingly, Mr. Satyanand Munjal, Mr. Om Prakash Munjal and Mr. Vikram Shah will retire in the ensuing Annual General Meeting. Mr. Satyanand Munjal and Mr. Vikram Shah of them, being eligible, offer themselves for reappointment. Mr. Om Prakash Munjal has expressed his unwillingness to reappoint due to his preoccupation.

The Board has recommended the reappointment of Mr. Satyanand Munjal and Mr. Vikram Shah.

The detailed resumes of all these Directors are provided in the *Noticetothe Annual General Meeting*.

**f. Code of Conduct**

The Company is in the process of formulating two separate Codes of Conduct ('Codes') – One for the Board Members and other for the Senior Management and Employees of the Company.

**g. CEO/CFO Certification**

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, Managing Director and the GM (Finance) of the Company have certified to the Board regarding the Financial Statements for the year ended 31<sup>st</sup> March, 2011.

**2. Remuneration to Directors**

**a. Remuneration Policy**

While deciding the remuneration of Executive Directors, Remuneration/Compensation Committee ("Committee") considers the performance of your Company, the current trends in the industry, the qualification of the appointees(s), their experience, past performance and other relevant factors. The Board/Committee regularly keeps track of the market trends in terms of compensation levels and practices in relevant industries. Staying abreast with such information is used to review remuneration policies.



**b. Remuneration paid/payable to Managing/Executive Director (Whole-time Directors) for the year ended 31<sup>st</sup> March, 2011**

Following is the remuneration paid/payable to the Executive Directors during the year ended 31<sup>st</sup> March, 2011.

(Amount in Rs.)

Name of Directors	Fixed salary	Variable salary	Benefits, Perquisites and allowances	Commission	Sitting Fee & allowance	Total Compensation	Notice period (in days)
Mr. Sudhir Munjal	48,00,000	-	59,36,400	60,76,365	-	1,68,12,765	180
Ms. Anju Munjal	36,00,000	-	43,92,000	47,00,000	-	1,26,92,000	180
Mr. Anuj Munjal	20,00,000	-	24,40,000	25,00,000	-	69,40,000	180
Mr. Brijmohan Lall Munjal	-	-	-	-	-	-	-
Mr. Satyanand Munjal	-	-	-	-	-	-	-
Mr. Om Prakash Munjal	-	-	-	-	-	-	-
Mr. Vikram Shah	-	-	-	-	1,11,000	1,11,000	-
Mr. Naresh Chawla	-	-	-	-	72,000	72,000	-
Mr. Mahendra Sanghvi	-	-	-	-	62,000	62,000	-
Mr. Ramkisan Devidayal	-	-	-	-	80,000	80,000	-
Mr. Sudesh Kumar Duggal	-	-	-	-	50,000	50,000	-
Mr. Jal Ratanshaw Patel	-	-	-	-	50,000	50,000	-

**3. Risk Management**

Your Company has a well-defined risk management framework in place. Further, your Company has established procedures to periodically place before the Board, the risk assessment and minimization procedures being followed by the Company and steps taken by it to mitigate these risks.

**4. Committees of the Board**

**a. Audit Committee**

This Committee comprises solely of Independent Directors viz. Mr. Vikram Shah, Mr. Naresh Chawla, Mr. Mahendra Sanghvi, and Mr. Ramkisan Devidayal. All the Members of the Committee possess strong accounting and financial management knowledge.

The Company's Audit Committee functions under the Chairmanship of Mr. Vikram Shah. Four Audit Committee meetings were held on May 12, 2010, August 12, 2010, October 30, 2010 & January 31, 2011 in due compliance with the stipulated provisions. The attendance record of members of the Audit Committee is given below:

Name of Committee Member	Position held	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Vikram Shah	Chairman	4	4
Mr. Naresh Chawla	Member	4	3
Mr. Mahendra Sanghvi	Member	4	3
Mr. Ramkisan Devidayal	Member	4	4

Mr. Vikram Shah, the Chairman of the Committee is a Chartered Accountant.

The terms of reference of this committee are wide. Besides having access to all the required information from Company, the committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.



## b. Remuneration/Compensation Committee

The role of the Remuneration/Compensation Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director & Executive Director of the Company. One Remuneration Committee meetings was held on August 12, 2010. The attendance record of the Remuneration Committee is given below :

Name of Director	Position held in the Committee	No. of Meetings held	No. of Meetings Attended
Mr. Mahendra Sanghvi	Chairman	1	1
Mr. Satyanand Munjal	Member	1	-
Mr. Naresh Chawla	Member	1	1
Mr. Vikram Shah	Member	1	1

Remuneration Committee is to discharge the Board's responsibilities relating to compensation of the Company's Executive Directors. The Committee has overall responsibility for approving and evaluating the Executive Director's compensation plans.

Remuneration Committee reviews the compensation structure for the Executive Directors and recommend to the Board for revision, if any, in remuneration of Executive Directors from time to time based on certain performance parameters, growth in business as well as profitability and in line with the practices prevailing in the industry.

The annual compensation of the Executive Directors is approved by the Remuneration Committee, within the parameters approved by the Board of the Company and confirmed by the shareholders of the Company. The compensation payable to Executive Directors and the method of calculation are disclosed separately in the financial statements.

The remuneration of the Executive Directors comprises of salary, commission, perquisites and allowances, contribution to provident fund & superannuation fund and gratuity. The Executive Directors are also entitled to leave and leave encashment as per the rules of the Company. The Non-Executive Directors are paid sitting fee for Board / Committee meetings and reimbursement of travelling and out of pocket expenses for attending such meetings.

The Company does not have any stock option scheme. None of the Directors hold any shares in the Company except Mr. Naresh Chawla who hold 50 shares & Ms. Anju Munjal who hold 250 shares

## c. Shareholders/Investor Grievance Committee

The Shareholders/ Investors Grievance Committee functions under the Chairmanship of Mr. Naresh Chawla. Four Investor Grievance Committee meetings were held during the year on May 12, 2010, August 12, 2010, October 30, 2010 & January 31, 2011. The attendance record of members of the Shareholder Grievance Committee is given below :

Name of Director	Position held in the Committee	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Naresh Chawla	Chairman	4	3
Mr. Vikram Shah	Member	4	4
Mr. Mahendra Sanghvi	Member	4	3
Mr. Ramkisan Devidayal	Member	4	4

The Committee meets as and when required, to inter alia deal with matters relating to transfer of shares and monitor redressal of complaints from Shareholders relating to transfers, non-receipt of Balance Sheet, non-receipt of dividends declared etc. With a view to expediting the process of share transfers, necessary authority has been delegated to approve the transfers of shares.



## COMPLAINTS / REQUESTS RECEIVED AND REDRESSED DURING 2010-11

Nature of Complaint / Query	Received	Cleared	Pending
1. Inquiry pertaining to non receipt of shares sent for transfer	11	11	-
2. Non receipt of Dividend	59	59	-
3. Dematerialization of shares/ Transmission of shares/ Name deletion	21	21	-
4. Letters received from SEBI / stock exchanges / other statutory bodies	-	-	-
5. Loss of Shares / Issue of duplicate certificates	24	24	-
6. Request for nominations	-	-	-
7. Exchange New Certificate	11	11	-
8. Miscellaneous queries	41	41	-

### d. Share Transfer Committee

The 'Share Transfer Committee' oversees the functioning of the secretarial department to render effective and satisfactory services to the investors. The meetings of Share Transfer Committee are held every fortnight. During the year, the Committee met 16 times to consider and approve the requests pertaining to the share transfers, transmission, dematerialization, rematerialisation, issue of duplicate share certificates, etc. Details of the Share Transfer Committee members are given below:

Name of Director	Position held in the Committee
Mr. Vikram Shah	Chairman
Mr. Satyanand Munjal	Member
Mr. Sudhir Munjal	Member

The Committee expresses satisfaction with the Company's performance in dealing with Investor's grievances and its share transfer system.

### Name & designation of Compliance Officer

Mr. Rakesh Johari: Company Secretary

## 5. Disclosure

### a. Disclosure of transactions with Related Parties

During the financial year 2010-11, there were no materially significant transactions entered into between the Company and its Promoter, Directors or the Management, Subsidiaries or Relatives, etc, that may have potential conflict with the interests of the Company at large.

Consequent upon change in the structure of Shareholding in Munjal' Family, Thakur Devi Investments Private Limited has become the Holding Promoter Company w.e.f. 28<sup>th</sup> May,2010 of Munjal Auto Industries Limited.

### b. Disclosure of Accounting Treatment in preparation of Financial Statements.

Your Company has followed the Accounting Standards laid down by the Companies (Accounting Standards) Rule, 2006 in preparation of its financial statements.

### c. Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of insider Trading for its designated employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The code lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them of the consequences of violations.

## d. Share holder Information

### 1. Annual General Meeting

Date	September 24, 2011
Day	Saturday
Time	3.00 PM
Venue	Registered Office of the Company: 187, GIDC Industrial Estate, Waghodia – 391760, Dist. Vadodara

### 2. Dates of Book Closure

September 16, 2011 to September 24, 2011 (both days inclusive)

### 3. Date of Dividend Payment

On or after September 24, 2011, but within the statutory time limit of 30 days, subject to shareholders' approval.

### 4. Financial Year of the Company

Financial reporting for the quarter ending	
Jun 30, 2011	On or before Aug 15, 2011
Sep 30, 2011	On or before Nov 15, 2011
Dec 31, 2011	On or before Feb 15, 2012
Mar 31, 2012	On or before May 31, 2012

### 5. Registered Office

187, GIDC Industrial Estate, Waghodia 391 760. Dist: Vadodara, Gujarat. India  
Tel: +91 2668 262421-26, Fax: +91 2668 262427  
Email: mail@munjalauto.com Website: www.munjalauto.com

### 6. Corporate Office :

301, 3<sup>rd</sup> Floor, Galleria Tower, DLF Phase IV, Gurgaon- 122 002,  
Tel : (0124) 4057891/4057892

### 7. Listing of Ordinary (Equity) Shares on Stock Exchange:

#### Listing Fees:

Listing fees for the year 2011-12 has been paid to the Stock Exchanges, wherein the equity shares of the Company are listed (i.e. BSE & NSE) within stipulated time.

**Listing on Stock Exchanges:** Equity shares of the Company are presently listed on following Stock Exchanges:

Name of Stock Exchange	Address
Bombay Stock Exchange Limited (BSE)	25 <sup>th</sup> floor, Sir PJ Towers, Dalal Street, Mumbai – 400023.
National Stock Exchange of India Limited (NSE)	'Exchange Plaza', Bandra-Kurla Complex, Bandra (E), Mumbai – 400051

### 8. Stock Code

The Bombay Stock Exchange Limited (BSE)	520059
National Stock Exchange of India Limited (NSE)	MUNJALAU
International Securities Identification Number (ISIN) for NSDL & CDSL	INE 672B01024



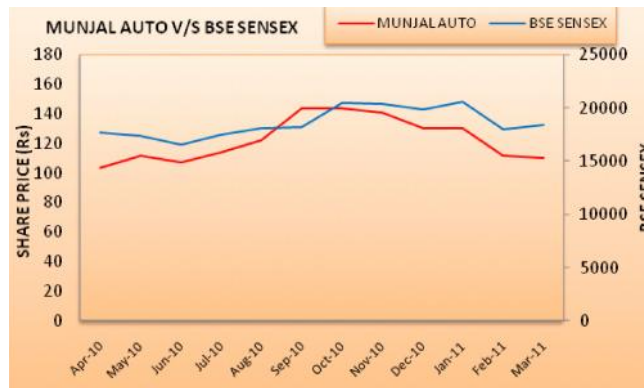
## 9. Stock Performance

Monthly high and low stock quotations during the financial year 2010-11 on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) are given below:

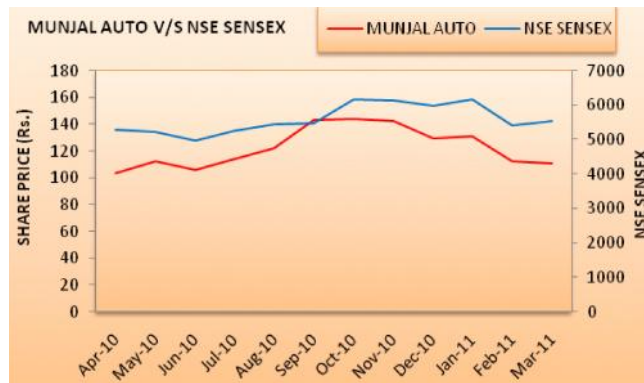
### SHARE PRICE DATA (NSE & BSE)

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2010	115.05	99.00	214256	115.95	100.15	356780
May 2010	118.75	101.65	178173	118.40	92.00	250650
June 2010	117.90	104.00	170363	117.10	88.00	201727
July 2010	130.90	113.00	432435	131.00	113.50	681002
August 2010	147.70	120.50	515832	147.50	120.25	620917
September 2010	162.00	138.30	398017	160.00	137.70	645615
October 2010	152.40	141.10	146598	154.00	141.60	184239
November 2010	149.00	120.50	101963	157.00	120.15	96595
December 2010	131.75	118.00	49012	134.20	117.00	49012
January 2011	132.70	105.00	50614	132.45	102.30	47615
February 2011	118.20	100.75	102776	119.80	98.60	99091
March 2011	120.45	104.00	138437	121.00	100.20	182272

### COMPANY'S SHARE PRICE MOVEMENT VIS A VIS BSE SENSEX



### COMPANY'S SHARE PRICE MOVEMENT VIS A VIS NIFTY



## 10. Registrar and Transfer Agent

### M/s. MCS Limited

Contact Person: Mr. S. M. Gandhi

1<sup>st</sup> floor, Neelam Apartment, 88, Sampatrao Colony, B/h Standard Chartered Bank, Alkapuri, Vadodara – 390 007 (Gujarat)

Tel.: +91 265 2350490 / 2314757, Fax: +91 265 2341639 E-mail: mcsltbaroda@yahoo.com

## 11. Share Transfer System

The Share Transfer Committee meets every fortnight to consider the requests for shares sent for physical transfer / transmission etc. The transfer / transmission of shares are generally effected within 15 days of receipt of the requests, if documents are clear in all respect. Shares under objection are returned within a week's time.

The total number of shares transferred in physical form during the year 2010-11 was 8,33,396.

## 12. Distribution of Shareholding as on 31<sup>st</sup> March, 2011

Distribution of Shareholding by number of shares held and Shareholding Pattern in percentage (pursuant to Clause 35 of the Listing Agreement) as on March 31, 2011 are given below:

No. of equity shares held	No. of shareholders	%	No. of shares	%
Up to 500	7996	92.01	983802	9.84
501 – 1000	342	3.94	283502	2.84
1001 – 2000	183	2.11	278473	2.78
2001 – 3000	69	0.79	176459	1.76
3001 – 4000	16	0.18	55523	0.56
4001 – 5000	26	0.30	127145	1.27
5001 – 10000	37	0.43	274998	2.75
10001 – 50000	19	0.22	339453	3.39
50001 – 100000	1	0.01	828596	8.29
100001 & above	1	0.01	6652049	66.52
<b>Total</b>	<b>8690</b>	<b>100.00</b>	<b>10000000</b>	<b>100.00</b>

### Shareholding Pattern as on 31<sup>st</sup> March, 2011

Category	Holders (No.)	No. of shares held	Voting strength (%)
<b>PROMOTER HOLDING</b>			
Indian promoters	2	7,480,645	74.81
<b>Total of promoter holding</b>	<b>2</b>	<b>7,480,645</b>	<b>74.81</b>
<b>NON PROMOTER HOLDING</b>			
Institutional investors			
- Mutual funds	4	2100	0.02
- Banks, financial institutions, insurance companies	7	5141	0.05
- Foreign institutional investors	0	0	0
Others			
- Private Corporate bodies	284	371786	3.72
- Indian public	8243	2072713	20.72
- NRIs / OCBs	150	67615	0.68
- Co-op Banks, Co-op. Societies, Trust	0	0	0.00
- Shares in transit	0	0	0.00
<b>Total of non promoter holding</b>	<b>8688</b>	<b>2519355</b>	<b>25.19</b>
<b>Grand total</b>	<b>8690</b>	<b>10000000</b>	<b>100.00</b>



### 13. Dematerialization of Shares

Equity shares of the Company, which are under compulsory dematerialisation list, are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2011, a total of 88,36,987 equity shares of the Company, forming 88.36% of the total paid up equity share capital, stands dematerialised. All requests for dematerialisation of shares are processed within the stipulated time.

### 14. Outstanding GDRs/ADRs/Warrant or any Convertible Instruments, Conversion date and likely impact on equity

Not applicable

### 15. Plant Locations

#### Regd. Office & Unit I

187, GIDC Industrial Estate,  
Waghodia – 391 760  
Dist. Vadodara, Gujarat. India  
Tel: +91 2668 262421-26  
Fax: +91 2668 262427

#### Unit II

Plot No.37, Sector 5  
Phase II, Growth Centre  
Bawal – 123 501  
Dist. Rewari, State : Haryana  
Tel: (01284) 264434-36

#### Unit III

Plot No.11, Industrial Park -2  
Village :Salempur, Mehdoot  
Haridwar – 243 402  
Dist. Haridwar, Uttarakhand  
Tel:(01334)235530/ 645256-57

### 16. Address for Correspondence

For queries relating to:

#### Shares and Dividend

Mr. Rakesh Johari  
Company Secretary  
Munjal Auto Industries Limited,  
187, GIDC Industrial Estate,  
Waghodia 391 760. Dist. Vadodara (Gujarat)  
Tel: +91 2668 262421-26  
Fax: +91 2668 262427  
E-mail: cs@munjalauto.com

#### Financial Statements

Mr. S.K. Sharma  
General Manager(Finance)  
Munjal Auto Industries Limited  
187, GIDC Industrial Estate  
Waghodia 391 760. Dist. Vadodara (Gujarat)  
Tel: +91 2668 262421-26  
Fax: +91 2668 262427  
E-mail: sksharma@munjalauto.com

## 6. Other Disclosures

### a. Details of Annual General Meetings and Special Resolutions passed

Financial year (ended)	Date	Time	Venue	Special Resolution passed
Mar 31, 2008	September 26, 2008	3.00 p.m.	187, GIDC Industrial Estate, Waghodia 391 760, Dist. Vadodara, Gujarat. India	No Special Resolution was passed
Mar 31, 2009	August 29, 2009	3.00 p.m.	- do -	Special Resolution was passed for reappointment of Ms. Anju Munjal as Whole Time Director for 5 Years.
Mar 31, 2010	September 25, 2010	3.00 p.m.	- do -	Special Resolution was passed for appointment of Mr. Anuj Munjal as Whole Time Director for 5 Years.

### b. Postal Ballot

The Board of Directors of the Company at its meeting held on 7th March,2011 had initiated the Postal Ballot Process for obtaining the approval of members of the Company by way of Ordinary Resolution for authorising the Board to mortgage/ hypothecate movable and immovable properties of the Company for securing its borrowings in favour of Banks/ financial Institutions/ any other lenders under section 293(1)(a) of Companies Act,1956 which was conducted by Mr. Devesh A. Pathak,practising Company Secretary as a scrutinizer.99.96 % assented and .04 % dissented out of total votes cast to the resolution.There is no proposal of passing any resolution through the postal ballot for the time being.

**c. Details of non compliance etc.**

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the stock exchanges or SEBI or any other authorities, on any matter related to capital market during the last three years.

**d. Means of Communication**

The Company has regularly sent, both by post as well as by fax (within 15 minutes of closure of the Board Meeting) the annual audited as well as quarterly un-audited results to both the Stock Exchanges, BSE & NSE, after they are taken on record by the Board of Directors.

Quarterly, half-yearly and annual results are published in prominent daily newspaper such as the Economic Times. The Company also informs StockExchanges in a prompt manner, all price sensitive information or such other matters, which in its opinion are material & relevant for theshareholders, and subsequently issues a press release on the said matters.

The Company's website [www.munjalauto.com](http://www.munjalauto.com) contains information on the Company and its performance. Presentations to analysts, as and when made, are immediately put on the website for the benefit of the shareholders and the public at large.

**e. Compliance with Mandatory requirements**

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49.

**f. Compliance with Non-mandatory requirements**

The Company has not adopted the non-mandatory requirements asspecified in Annexure- 3 of the Listing Agreement except Clause (b) relating to Remuneration Committee.

The Company's financial statements are free from any qualifications by the Auditors.

**g. Whistler Blower Policy :**

The Company has not adopted any separate "Whistler Blower" Policy. However under the provision of Fraud Prevention Policy adopted by the Company, a whistler Blower Policy is in place for reporting of fraud or suspected fraud involving employees of the company as well as representatives of vendors, suppliers, contractors, consultants, service providers or any other party doing the business with Munjal Auto Industries Limited. All reports of fraud or suspected fraud are investigated with utmost speed.

**h. Compliance with the Corporate Governance-Voluntary Guidelines,2009**

In December 2009, the Government of India, Ministry of Corporate Affairs (MCA) had issued Corporate Governance Voluntary Guidelines 2009 (the Guidelines). MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporate and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance.

Your Company has been a strong believer in good Corporate Governance and has been adopting the best practices that have evolved over the last two decades.

Your Company is in substantial compliance with the Guidelines and it will always be the Company's endeavor to attain the best practices in Corporate Governance.





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## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO  
THE MEMBERS OF MUNJAL AUTO INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance of Munjal Auto Industries Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. 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 and representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 VAKIL JAIN & HINDOCHA  
Chartered Accountants  
Firm Registration No.112894W

Place : Vadodara  
Date : August 11, 2011

SURENDRA MODIANI  
PARTNER  
Membership No.047966

## CEO & CFO CERTIFICATE

We hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011, and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of Internal Control Systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit committee:
  - (i) Significant changes in Internal Control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

Date : August 11, 2011

Place : Waghodia

S K Sharma  
GM (Finance)

Sudhir Munjal  
Managing Director



## NOTICE

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting (AGM) of the Members of MUNJAL AUTO INDUSTRIES LIMITED will be held on Saturday, September 24, 2011, at 3.00 p.m. at the Registered Office of the Company at 187, GIDC Industrial Estate, Waghodia – 391 760, Dist: Vadodara, to transact the following business :-

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the profit & loss account for the year ended on that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend of Rs.7.50/- per equity share on 1,00,00,000 equity shares of Rs.10/- each for the financial year 2010-11.
3. To appoint Director in place of Mr. Satyanand Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Mr. Vikram Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Director in place of Mr. Om Prakash Munjal, who retires by rotation and being eligible but express his unwillingness to continue due to his preoccupation.
6. To appoint M/s. Vakil, Jain & Hindocha, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Place : Waghodia  
Date : August 11, 2011

By Order of the Board of Directors  
For Munjal Auto Industries Ltd.

Registered Office:  
187, GIDC Industrial Estate,  
Waghodia – 391 760  
Dist.: Vadodara (Gujarat)

Rakesh Johari  
Company Secretary

### NOTES:

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company, at 187, GIDC Industrial Estate, Waghodia-391 760, Dist: Vadodara not less than 48 hours before the commencement of the meeting.
4. Members / proxies should bring duly filled attendance slips sent herewith to attend the meeting.
5. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
6. The Register of Members and Share Transfer Books will remain closed from September 16, 2011 to September 24, 2011 (both days inclusive).
7. Subject to the provisions of Section 206 A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if approved, at the meeting, will be payable on or after September 24, 2011 to those members whose names appear on the register of members as on September 16, 2011.
8. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participants.
9. Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agent, M/s. MCS Limited, 1<sup>st</sup> Floor, Neelam Apartments, 88, Sampatrao Colony, Vadodara 390 007, Gujarat, India, Tel: +91(265) 2350490/2314757 Fax: +91 (265) 2341639. Email: mcsLtdbaroda@yahoo.com

10. Members, who desire to seek any information pertaining to Annual accounts and operations of the Company, are requested to address their questions / queries to the Secretary of the Company so as to reach at least seven days before the date of the Annual General Meeting to enable the Company to make the information sought available to the best extent possible.
11. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with Company Secretary, at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund. Members are encouraged to utilize the electronic clearing system (ECS) for receiving dividends.
12. Dividend for the financial year ended 31<sup>st</sup> March, 2004, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government ('IEPF') this year, pursuant to Section 205A of the Companies Act, 1956. Dividend declared for the financial year 2003-04 is in the process of transfer to IEPF.

Members may please note that once the unclaimed dividend is transferred to the Investor Education and Protection Fund of the Central Government, no claim shall lie in respect thereof.

13. Information in respect of unclaimed dividend pertaining to the 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	04.09.2004	10.09.2011
31.03.2005	28.09.2005	04.10.2012
31.03.2006	23.09.2006	29.09.2013
31.03.2007	22.09.2007	28.09.2014
31.03.2008	26.09.2008	02.10.2015
31.03.2009	29.08.2009	04.09.2016

## INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

### (1) Mr. Satyanand Munjal

Mr. Satyanand Munjal, the Chairman of the Company is one of the founder members of Hero Group. He joined the Board of Munjal Auto Industries Limited as Chairman & Director in the year 1996. This is his leadership ability and visionary approach that has helped the Company to turnaround in the year 1999-2000. At present, he is on the Board of following Companies and Committees thereof.

Sr. No.	Name of Companies in which Directorship / Chairmanship is held as on March 31, 2011	Position held	Committee Membership / Chairmanship in other Public Ltd. Companies
1.	Satyam Auto Components Ltd.	Director	-
2.	Shivam Autotech Ltd.	Director	-
3.	Highways Industries Ltd.	Director	-
4.	Munjal Auto Industries Limited	Director	Member : Share Transfer Committee Remuneration Committee



(2) **Mr. Vikram Shah**

Mr. Vikram Shah is a Chartered Accountant by profession. He joined the Board of Munjal Auto Industries Limited in the year 1996 as an Independent Director. He has a rich experience of more than 20 years in areas relating to finance, accounts and corporate market etc. He is making very valuable contribution in the Board Meeting / Committee Meeting especially in the matters of finance and accounts. Presently, he is on the Board of the following Companies and Committees thereof;

<b>Sr. No.</b>	<b>Name of Companies in which Directorship / Chairmanship is held as on March 31, 2011</b>	<b>Position held</b>	<b>Committee Membership / Chairmanship in other Public Ltd. Companies</b>
1.	Vikram Portfolio Management Pvt. Ltd.	Director	-
2.	Vikram Venture Capital Pvt. Ltd.	Director	-
3.	Munjal Auto Industries Limited	Director	Chairman : Audit Committee Member: Investor Grievance Committee Share Transfer Committee Remuneration Committee

Place : Waghodia  
Date : August 11, 2011

Registered Office:  
187, GIDC Industrial Estate,  
Waghodia – 391 760  
Dist.: Vadodara (Gujarat)

By Order of the Board of Directors  
**For Munjal Auto Industries Ltd.**

Rakesh Johari  
Company Secretary

Dear Shareholder,

## **GREEN INITIATIVE IN CORPORATE GOVERNANCE**

The Ministry of Corporate Affairs (MCA) has taken a “Green Initiative in Corporate Governance” (Circular No. 17/2011 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011) permitting Companies to send documents like Notice convening General Meeting, Audited Financial Statements, Directors’ Report, Auditors’ Report or any other communication in electronic form to its Members.

Keeping in view of above, we propose to send all the documents to shareholders in electronic form at their e-mail address provided by them and made available to us by the Depositories.

Shareholders holding shares in electronic mode are requested to update their e-mail ID with their DPs and those who hold shares in physical form, are requested to send an e-mail to [cs@munjalauto.com](mailto:cs@munjalauto.com) to received the Annual Report & documents in electronic mode.

Yours faithfully,  
For Munjal Auto Industries Limited

Rakesh Johari  
Company Secretary

**MUNJAL AUTO INDUSTRIES LIMITED**

Registered Office: 187, GIDC Industrial Estate, Waghodia 391 760, Dist. Vadodara, Gujarat

**26<sup>th</sup> Annual General Meeting**

**ATTENDANCE SLIP**

Folio No. \_\_\_\_\_

No. of share(s) Held: \_\_\_\_\_

DP ID*	_____
--------	-------

Client ID*	_____
------------	-------

Name(s) in full

Father/Husband's Name

Address as registered  
With the Company

- |          |       |       |
|----------|-------|-------|
| 1. _____ | _____ | _____ |
| 2. _____ | _____ | _____ |
| 3. _____ | _____ | _____ |

I/We hereby record my/our presence at the 26<sup>th</sup> Annual General Meeting of the Company being held at Registered Office of the Company at 187, GIDC Estate, Waghodia – 391 760 Dist. Vadodara (Gujarat) on Saturday, the 24<sup>th</sup> September, 2011 at 3.00 p.m.

Signature of the Member(s)/Proxy

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

\* Applicable for members holding share(s) in electronic form.

Notes:

1. A member/proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance of meeting hall.
2. A member intending to appoint a proxy should complete the Proxy Form printed below and deposit it at the Company's Registered Office not later than 48 hours before the commencement of the meeting.

**MUNJAL AUTO INDUSTRIES LIMITED**

Registered Office: 187, GIDC Industrial Estate, Waghodia 391 760, Dist. Vadodara, Gujarat

**26<sup>th</sup> Annual General Meeting**

**PROXY FORM**

Folio No. \_\_\_\_\_

No. of share(s) Held: \_\_\_\_\_

DP ID*	_____
--------	-------

Client ID*	_____
------------	-------

Name(s) in full

Father/Husband's Name

Address as registered  
With the Company

- |          |       |       |
|----------|-------|-------|
| 1. _____ | _____ | _____ |
| 2. _____ | _____ | _____ |
| 3. _____ | _____ | _____ |

being a member(s) of Munjal Auto Industries Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me / us on my / our behalf at the 26<sup>th</sup> Annual General Meeting of the Company to be held on Saturday, the 24<sup>th</sup> September, 2011 at 3.00 p.m. and any adjournment thereof.

Signature of the Member(s)

Signature of proxy

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

\* Applicable for members holding share(s) in electronic form

Note: The Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of meeting.



**MUNJAL AUTO INDUSTRIES LIMITED****ELECTRONIC CLEARING SERVICE (CREDIT CLEARING)****MANDATE FORM**

Shareholder's authorization to receive dividends through Electronic Credit Clearing Mechanism

1.	Name of the first / sole Shareholder									
2.	Registered Folio No. / DP ID / Client ID									
3.	No. of shares held									
4.	Name of the Bank									
5.	Account Number ( as appearing on cheque book)									
6.	Account type (Please tick)	Savings	<input type="checkbox"/>	Current	<input type="checkbox"/>	Cash Credit	<input type="checkbox"/>			
7.	Ledger No. / Ledger Folio No. (As appearing on the cheque book / pass book)									
8.	9-digit code number of the Bank and branch appearing on the MICR cheque issued by the Bank									

(in lieu of Bank certificate to be obtained as under, you may attach a blank cancelled cheque, or photocopy of a cheque or the front page of the pass-book of your savings account issued to you by your bank, for verification of all the above particulars.)

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I will not hold Munjal Auto Industries Limited responsible. I have read the option invitation letter and agree to discharge the responsibility expected from me as a participant under the scheme.

Date:

Place:

Signature of the Shareholder

Certified that the particulars furnished above are correct as per our records

Bank's Stamp

Date:

Signature of the Authorised Official from the Bank

Note:

**1. Please fill the above Mandate Form and send it to :**

- the Company at its Registered Office at 187, GIDC Industrial Estate, Waghodia – 391 760, Dist. Vadodara (Gujarat) in case you are holding shares in physical form;
  - the Depository Participant (DP) with whom you are maintaining your Demat account, in case you are holding the shares in electronic form.
- Kindly note that the information provided by you should be accurate and complete in all respect and duly certified by your bank. In lieu of the bank certificate, you may attach a blank cancelled cheque or photocopy of a cheque or the front page of the pass-book of your account issued to you by your bank, for verification of the above particulars.
  - In case of more than one folio, please complete the details on separate sheets.
  - The information provided by you will be treated confidential and would be utilized only for the purpose of effecting the payments meant for you. You also have the right to withdraw from this mode of payment by providing the Company an advance notice of 6 weeks.



Registered Office: 187, GIDC Industrial Estate,  
Waghodia 391 760,  
Dist. Vadodara, (Gujarat)  
Tel. Nos. (+91 02668) 262421-26  
Fax No. (+91 02668) 262427