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BIMETAL BEARINGS LIMITED

DIRECTORS

Mr. A. KRISHNAMOORTHY, (*Chairman & Managing Director*)
Mr. N. VENKATARAMANI,
Mr. A. B. AVERY,
Mr. S. GOPINATH RAO.
Mr. P.V. SUNDARAM (Alternate to Mr. A.B. AVERY)

ASSISTANT SECRETARY

Mr. K. VIDHYA SHANKAR

AUDITORS

Messrs. PRICE WATERHOUSE, CHENNAI

BANKERS

CENTRAL BANK OF INDIA

LEGAL ADVISERS

Messrs. KING & PARTRIDGE, CHENNAI
Messrs. K.N.V. RAMANI & SHANKAR, COIMBATORE

REGISTRARS AND TRANSFER AGENTS

Messrs. GNSA INVESTOR SERVICES (P) Ltd.,
1/302, 2nd FLOOR, 52nd STREET, 7th AVENUE, ASHOK NAGAR,
CHENNAI 600 083.

REGISTERED OFFICE

STRIP MILL PLANT
"HUZUR GARDENS", SEMBIAM, CHENNAI 600 011

ADMINISTRATIVE OFFICE

18, RACE COURSE ROAD, COIMBATORE 641 018

FACTORIES

"HUZUR GARDENS", SEMBIAM, CHENNAI 600 011.
371, MARUDHAMALAI ROAD, COIMBATORE 641 041.
HOSUR – KRISHNAGIRI ROAD, HOSUR 635 125.
5/227, OLD MAHABALIPURAM ROAD, CHENNAI 600 096.

BIMETAL BEARINGS LIMITED

Registered Office : "Huzur Gardens", Sembiam Chennai 600 011.

NOTICE TO THE SHAREHOLDERS OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty-Eighth Annual General Meeting of the Shareholders of the Company will be held at New Woodlands Hotel, 72/75, Dr. Radhakrishnan Salai, Chennai 600 004 on Monday, the 12th July 1999 at 10.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the Annual Balance Sheet as at 31st March 1999 and the Audited Profit and Loss Account for the year ended 31st March 1999 and the Auditor's and Directors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. N. Venkataraman who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration.

Chennai
2nd June, 1999.

By Order of the Board
K. VIDHYA SHANKAR
Assistant Secretary

NOTES :

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies in order to be effective shall be duly stamped, completed, signed and deposited, not less than 48 hours before the commencement of the meeting at **GNSA INVESTMENT SERVICES (P) LTD., 1/302, 2nd Floor, 52nd Street, 7th Avenue, Ashok Nagar, Chennai 600 083**, Company's Registrars and Share Transfer Agents. Members/Proxies are requested to bring the attendance slip duly filled in and also their copy of the Annual Report to the Meeting. Members are requested to quote their Registered Folio Number in all correspondence.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 1st July, 1999 to 12th July 1999, both days inclusive.
3. Any dividend that may be declared at this meeting will be paid within the stipulated period to the Members (or their mandates) whose names appear in the Register of Members of the Company as on 12th July, 1999.
4. The Company has, pursuant to Section 205-A(5) of the Companies Act, 1956 transferred the amounts of Unclaimed Dividends declared upto the Financial Year 1994-95 to the General Revenue Account of the Central Government and the same can be claimed by the concerned shareholders from the Registrar of Companies (Tamilnadu), Shastri Bhavan, Haddows Road, Chennai - 600 006. In respect of Unclaimed Dividends for the subsequent years, they are requested to contact Company's Registrars and Share Transfer Agents at the address aforesaid.
5. With a view to providing protection against fraudulent encashment of Dividend Warrants, the members were requested in the past to provide their bank account numbers, names and addresses of the bank branches to enable the Company to incorporate the said details in the Dividend warrants. Those members who have not yet provided such information to our Registrars and Share Transfer Agents are again requested to provide the details quoting their Folio Numbers to enable the Company to incorporate the same in the Dividend Warrants that may be issued in future. The shareholders will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of Dividend Warrant.

BIMETAL BEARINGS LIMITED

REPORT OF DIRECTORS

Your Directors have pleasure in presenting their Thirty-Eighth Annual Report for the year ended 31st March 1999 together with the Accounts and Auditors' Report thereon.

FINANCIAL RESULTS :

	Year Ended 31-3-1999 Rs. in Lakhs	Year Ended 31-3-1998 Rs. in Lakhs
Net Sales	<u>4,779.62</u>	<u>4,606.28</u>
Profit before Interest, Depreciation, and Taxation	<u>1,237.47</u>	<u>1,335.15</u>
Less :		
Interest	<u>104.72</u>	<u>163.25</u>
Depreciation	<u>313.44</u>	<u>320.03</u>
Profit before Tax	<u>819.31</u>	<u>851.87</u>
Less :		
Taxation	<u>240.00</u>	<u>241.00</u>
Profit after Tax	<u>579.31</u>	<u>610.87</u>
Add :		
Balance brought forward from previous year	<u>126.15</u>	<u>87.54</u>
Investment Allowance Reserve written back	<u>30.70</u>	<u>—</u>
Profit available for appropriation	<u>736.16</u>	<u>698.41</u>
Less : Transfer to		
Proposed Dividend (35%)	<u>133.87</u>	<u>133.87</u>
Dividend Tax	<u>14.73</u>	<u>13.39</u>
General Reserve	<u>475.00</u>	<u>425.00</u>
	<u>112.56</u>	<u>126.15</u>

OPERATIONS :

As apprehended in the Chairman's Speech at the last Annual General Meeting held on July 23rd 1998, the auto industry did not witness any recovery. On the contrary, the Commercial Vehicle segment in light, medium and heavy categories suffered a further decline of around 11.5% compared to the previous year, which was by itself a bad year. The Multi-Utility Vehicle segment registered a steep decline of about 16% in 1998-99. The Tractor Industry, which had been registering a high two-digit growth till 1997-98, registered a marginal 1.6% growth in 1998-99. The Passenger Car segment, which has recorded a growth of 1.5% in 1997-98, saw a decline of 2% in 1998-99.

This adverse trend, coupled with strong pressures on prices on the components industry, had its own impact on the Company's sale in the O.E. segment, resulting in a decline of 8.8% compared to 1997-98. However, as outlined in the Directors' Report of 1997-98, the Company's marketing strategies in the replacement trade, have enabled the Company to register a growth of 2.30%. Exports of finished bearings and alloy powder registered a growth of 98.4% over the previous year. Overall, despite the unfavourable market conditions, the Company has been able to register a marginal growth of about 4% compared to last year.

During the year under review, the Company introduced a voluntary retirement scheme for rationalisation of the work-force in the Coimbatore plant consequent to technology improvements in production processes and these appropriate actions are continuing in the current year also.

The drive towards cost improvement on a continuous basis, is evident in the steps taken by the Company to revamp the plating operations at Hosur, which will enable the Company to update its technology to reach contemporary standards.

The Company's unique record of the sole supplier to Hyundai Motors India for the Santro Model cars, has been further intensified with opportunity conferred on the company by HMI for its LCI model cars scheduled for release in the third quarter of the current financial year. The company's development efforts in the last two years for new products are getting reflected in the workmix for the current financial year. Export efforts have also been intensified and the company hopes to significantly improve its export performance during the current year.

Better management of the working capital funds has enabled the company to contain the interest expenditure and improve the interest income.

Overall the company's performance for the year under review can be termed satisfactory.

DIVIDEND

Your Directors recommend a Dividend of 35% for the year ended 31-3-1999.

URBAN LAND CEILING ACT :

Consequent to the enactment of the Central Government of withdrawing Urban Land Ceiling Act and passing of a Bill in the Tamil Nadu Legislative Assembly, withdrawing the Tamil Nadu Urban Land (Ceiling & Regulation) Act, 1978, which is now awaiting the approval of the president of India, our application pending before the Government for extension of time for utilising the land at Coimbatore, has become infructuous.

DISCLOSURE OF PARTICULARS :

The information required under Section 217 (i) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

PARTICULARS OF EMPLOYEES :

A statement giving particulars of employees under Section 217 (2A) of the Companies Act, 1956 is also given in the Annexure.

PUBLIC DEPOSITS :

Of the Unclaimed Deposits of Rs. 6.25 lakhs as on 31st March 1999, Rs. 75,000/- has been either renewed or repaid and for the balance amount instructions are yet to be received from the Depositors. During the later part of the year, the Company has taken a conscious decision to refund most of the deposits on maturity in order to hasten the pace of regularisation of surplus deposits.

Y2K PROBLEM :

Adequate steps are being taken to make all the Hardware, System Software and Micro processor controlled machines Y2K compliant. This process is likely to be completed by October 1999. The cost to address Y2K problem would not be material. The Company does not foresee any disruption in this regard.

DIRECTORS :

During the year Mr. A.K. Sivaramakrishnan retired from the Board on 31-8-1998 due to his advancing age. The Board of Directors place on record their appreciation for the valuable services rendered by Mr. A.K. Sivaramakrishnan during the tenure of Office as Director.

Mr. K.A. Arjunan expired on 31-8-1998. The Board of Directors place on record their appreciation for the significant contribution made by late Mr. K.A. Arjunan during his tenure as Director.

Mr. P.V. Sundaram was appointed as an Alternate Director to Mr. A.B. Avery at the Board Meeting held on May 17, 1999.

In accordance with the Articles of Association of the Company, Mr. N. Venkataramani, Director retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS :

Messrs. Price Waterhouse, Chennai, the retiring Auditors are eligible for re-appointment.

ACKNOWLEDGEMENT :

Your Directors wish to place on record the good performance of employees at all levels as also the excellent support given by the Company's Bankers, Financial Institutions and Depositors.

Chennai
2nd June, 1999.

For and on behalf of the Board
A. KRISHNAMOORTHY
Chairman & Managing Director



ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.1999

Statement containing particulars pursuant to the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

The Company continues its efforts to improve energy conservation based on recommendations arising out of the Energy Audit.

Total energy consumption and energy consumption per unit of production as prescribed in Form A is given below:

A. POWER AND FUEL CONSUMPTION :

1. Electricity

Current Year	Previous Year
ended	ended
31.3.1999	31.3.1998

(a) Purchased :

Unit	KWH	56,26,08	71,44,924
Total Amount	Rs.	2,55,65,22	2,79,64,981
Rate/Unit	Rs.	4.44	3.914

(b) Own Generation :

Through Diesel Generators :

Unit	KWH	34,66,89	21,65,837
Unit Per Ltr. of Diesel Oil	KWH	3.51	3.102
Cost/Unit	Rs.	3.27	3.577

The particulars relating to coal, furnace oil are not applicable to the Company.

B. CONSUMPTION PER UNIT OF PRODUCTION :

Products (with details) Standards (if any) #	Current Year (1)			Previous Year (2)		
	Thin Walled Bearings, Bushings & Washers	Alloy Powders (for sale)	Bimetallic Strips (for sale)	Thin walled Bearings, Bushings & Washers	Alloy Powders (for sale)	Bimetallic Strips (for sale)
	(1)	(2)	(3)	(1)	(2)	(3)
Unit	KWH/No.	KWH/MT	KWH/1000 FT.	KWH/No.	KWH/MT	KWH/1000 FT.
Electricity	0.672	995	1,723	0.653	1,024	1,546
Furnace Oil	Nil	Nil	Nil	Nil	Nil	Nil
Coal (specify quantity)	Nil	Nil	Nil	Nil	Nil	Nil
Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil
# No standards are available for comparison.						

2. TECHNOLOGY ABSORPTION :

A. Research and Development (R & D) :

1. Specific areas in which R & D is carried out by the Company
 - Development and introduction of bearings for new generation of engines and upgraded versions of engines introduced in Indian and International Markets.
 - Support to OEM's in development and testing of bearings and bearing materials.
 - Import substitution, identification of the emerging requirements of the newer OEM's, expansion of the range of materials and the testing of different bearing materials to specific requirements.
 - Certification to ISO 9002 Standard through Lloyds Register Quality Assurance was maintained by the Company.
 - Continuous improvements in Manufacturing, Process and Materials Technology to improve the quality and productivity.
2. Benefits derived as a result of the above R & D.
 - Expansion of the range of products manufactured, reduced imports due to import substitution and improved quality and productivity.
3. Future plan of action :
 - To continuously improve the manufacturing, process and materials technology to maintain a strategic competitive advantage and effectively respond to the demands of the market.
4. Expenditure on R & D :

(a) Capital	Rs.	Nil
(b) Recurring	Rs.	19,54,469
(c) Total	Rs.	19,54,469
(d) Total R & D Expenditure as a % of net Turnover		0.41%

B. Technology Absorption, Adaptation and Innovation :

The manufacturing process and material technology for Aluminium Tin has enabled the Company to be self reliant.

Technology imported during the last FIVE years :

- | | | |
|--|---|---|
| (a) Technology imported | : | Manufacture of Aluminium Tin & Aluminium Lead Strips. |
| (b) Year of import | : | 1994 |
| (c) Has the technology been fully absorbed | : | Yes |

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- | | | |
|--|---|--|
| <ol style="list-style-type: none"> 1. Activities relating to Exports 2. Initiatives taken to increase Exports 3. Development of new export market for products and services and 4. Export Plan | } | <p>The Company is continuously pursuing new opportunities and strengthen the existing markets.</p> |
|--|---|--|

4. TOTAL FOREIGN EXCHANGE USED AND EARNED :

- (a) Foreign Exchange Used : Refer Note Nos. 11, 12 & 13 of Sch. 19.
- (b) Foreign Exchange Earned : Refer Note Nos. 14 & 15 of Sch. 19.

**STATEMENT UNDER SECTION 217 (2A) (a) (1) AND b) OF THE COMPANIES
(PARTICULARS OF EMPLOYEES) RULES, 1955 AS AMENDED.**

(1) Name	: Mr. N.P. Mani
(2) Designation/Nature of duties	: President (Operations)
(3) Remuneration	: Rs. 7,06,483
(4) Qualification	: D.M.E.T. (Marine Engg.), M.O.T.
(5) Experience (Years)	: 39
(6) Age (Years)	: 62
(7) Date of Commencement of Employment	: 1-4-1987
(8) Particulars regarding previous employment	: General Works Manager, M/s. Shardlow India Ltd., Chennai.

Notes :

- (a) Remuneration includes Salary, Allowances, Contribution to Superannuation Fund and Value of perquisites evaluated under Income Tax Rules,
- (b) Designation describes nature of duty,
- (c) The above appointment is contractual in nature and
- (d) Employee is not a relative of any Director of the Company.

AUDITORS' REPORT TO THE MEMBERS OF BIMETAL BEARINGS LIMITED

1. We report that we have audited the Balance Sheet of Bimetal Bearings Limited as at March 31, 1999, and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 1999 and its profit for the year ended on that date.
3. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for our audit. 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 the books and the above mentioned accounts are in agreement therewith. In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, dated 7th September 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
 - 4.1 The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and physical inventory have been noticed.
 - 4.2 The fixed assets of the Company have not been revalued during the year.
 - 4.3 The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management during the year.
 - 4.4 In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - 4.5 The discrepancies between the physical stocks and the book stocks, which have been properly dealt with, were not material.
 - 4.6 In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years.
 - 4.7 The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956 and/or from companies under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
 - 4.8 In our opinion, the rates of interest and other terms and conditions in respect of unsecured loans granted to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. The Company has not granted any loans, secured or unsecured to Companies under the same management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956.
 - 4.9 The parties including employees to whom loans and advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.