



Bimetal Bearings Limited



REPORT AND ACCOUNTS 2004 - 2005

BIMETAL BEARINGS LIMITED

DIRECTORS

Mr. A. KRISHNAMOORTHY (*Chairman & Managing Director*)

Mr. N. VENKATARAMANI

Mr. A. B. AVERY

Mr. S. GOPINATH RAO

Mr. K.V. SHETTY

Dr. R. MAHADEVAN

PRESIDENT - OPERATIONS

Mr. N.P. MANI

VICE PRESIDENT – FINANCE

Mr. N. VENKATARAMAN

COMPANY SECRETARY

Mr. K. VIDHYA SHANKAR

AUDITORS

Messrs. PRICE WATERHOUSE, CHENNAI

BANKERS

CENTRAL BANK OF INDIA

LEGAL ADVISERS

Messrs. KING & PARTRIDGE, CHENNAI

Messrs. RAMANI & SHANKAR, COIMBATORE

DEPOSITORY REGISTRAR AND SHARE TRANSFER AGENT

Messrs. GNSA INVESTOR SERVICES (P) LIMITED

NEW No. 18/1 (OLD No. 17/1), BALIAH AVENUE

LUZ, MYLAPORE, CHENNAI – 600 004

REGISTERED OFFICE

STRIP MILL PLANT

"HUZUR GARDENS", SEMBIAM,

CHENNAI 600 011

Phone : (044) 25375581

FACTORIES

"HUZUR GARDENS", SEMBIAM, CHENNAI 600 011.

371, MARUDHAMALAI ROAD, COIMBATORE 641 041.

HOSUR – KRISHNAGIRI ROAD, HOSUR 635 125.

5/186, OLD MAHABALIPURAM ROAD, CHENNAI 600 096.

BIMETAL BEARINGS LIMITED

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

NOTICE TO THE SHAREHOLDERS OF THE FORTY FOURTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the shareholders of the company will be held at New Woodlands Hotel, 72/75, Dr. Radhakrishnan Salai, Chennai 600004 on Wednesday, the 20th day of July 2005 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 2005 and the Audited Profit and Loss Account for the year ended 31st March 2005 and the Auditors' and Directors' Report thereon.
2. To declare a dividend
3. To appoint a Director in the place of Mr.N.Venkataramani who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Mr.K.V.Shetty who retires by rotation and being eligible offers himself for re-election.
5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that the retiring Auditors, M/s. Price Waterhouse, Chartered Accountants, Chennai be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and that the Board of Directors be and is hereby authorised to fix the remuneration payable to them".

Special Business :

6. To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :

"RESOLVED THAT Dr.R.Mahadevan, who was appointed an Additional Director by the Board of Directors on 16-03-2005 and who holds office upto the date of the Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying her intention to propose Dr.R.Mahadevan as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

By order of the Board

Chennai 600 011
June 10, 2005

K. Vidhya Shankar
Company 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 M/s.GNSA INVESTOR SERVICES (P) LIMITED, 18/1, (Old No. 17/1), Baliah Avenue, Luz, Mylapore, Chennai 600 004. (Telephone Nos. 24661675 / 24661976 / 24662448), 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 / DPID Number in all their correspondence.

2. The Register of members and Share Transfer Books of the Company will remain closed from 07-07-2005 to 20-07-2005 (Both days inclusive).
3. In the case of dematerialised shares, the Dividend that may be declared at this meeting will be paid within the stipulated period to the members whose names appear in the Beneficiary Position list submitted by the NSDL and CDSL as on 07-07-2005. In the case of all other holders, the dividend amount will be paid to those names which appear in the Register of Members as on 20-07-2005.
4. The Company has, pursuant to Section 205 of the Companies Act, 1956, transferred the amounts of unclaimed dividends declared upto the Financial Year 1996-97 to the General Revenue Account of the Central Government / Investor Education and Protection Fund accordingly. Members who have not encashed the Dividend Warrants for the year ended 31-03-1998 and / or any subsequent dividend payments are requested to make their claim to the company.
5. With a view to providing protection against fraudulent encashment of dividend warrants, the members were requested in the past to provide full particulars of their Bank Accounts. Those members who have not provided such information to our Registrars and Share Transfer Agents are again requested to provide the details quoting their Folio Number / DPID Number in the format enclosed. The shareholders will appreciate that the company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants. Further such of those shareholders who wish to receive their Dividend Amount through the ECS (Electronic Clearing System) route at the specified centres are requested to furnish the relevant details in the form provided.

Annexure to the Notice :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No.6 :

Dr.R.Mahadevan was appointed as Additional Director of the Company with effect from 16-03-2005 pursuant to Section 260 of the Companies Act, 1956 and Article 30(e) of the Articles of Association of the Company. Dr.R.Mahadevan will hold the office of the Additional Director only upto the date of the ensuing Annual General Meeting.

The Company has received the requisite notice and deposit under Section 257 of the Companies Act, 1956 from a member signifying her intention to propose at the forthcoming Annual General Meeting the name of Dr.R.Mahadevan for appointment as Director of the Company, liable to retire by rotation. The details of Dr.R.Mahadevan to be furnished to the members pursuant to the provisions of Clause 49 of the Listing Agreement are furnished separately.

The directors recommend the resolution for consideration and approval. None of the directors except Dr.R.Mahadevan is concerned or interested in the resolution.

**Details of director(s) seeking appointment and retiring by rotation and seeking re-appointment
(In pursuance to clause 49 of the Listing Agreement)**

Name	Mr.N.VENKATARAMANI	Mr.K.V.SHETTY	Dr R.MAHADEVAN
Date of Birth	09-12-1939	04-02-1934	05-02-1943
Date of appointment	08-02-1985	30-03-2000	16-03-2005
Qualifications	Honours Degree in mathematics from Delhi University. Specialised in Mechanical Engineering and obtained B.Sc. (Hons) and M.Sc. Degrees from the University of London. Diploma in production technology from the Imperial College of London. A fellow member of the Institute of Mechanical Engineers (U.K.)	Fellow member of the Institute of Chartered Accountants of India. Certified Internal Auditor from the Institute of Internal Auditors Inc., U.S.A.	Mechanical Engineering degree from Indian Institute of Technology, Chennai. M.Tech degree from Indian Institute of Technology, Kharagpur. Ph.D from Indian Institute of Technology, Chennai
Expertise in specific functional areas	Overall Business Management	Financial Management	Technocrat
Directorships in other companies	M/s. George Oakes Limited M/s. IP Pins & Liners Limited M/s. IP Rings Limited M/s. India Pistons Limited M/s. Indiapistons Repco Limited M/s. Amalgamations Valeo Clutch Private Limited M/s. AEIP Precision Products Limited M/s. Amalgamations Repco Limited M/s. Stanes Amalgamated Estates Limited M/s. Stanadyne Amalgamations Private Limited M/s. NTTF Industries Limited	M/s. IP Rings Limited M/s. India Pistons Limited M/s. IP Pins & Liners Limited M/s. AEIP Precision Products Limited M/s. Simpson & General Finance Company Limited M/s. Indiapistons Repco Limited	M/s. India Pistons Limited M/s. IP Rings Limited M/s. IP Pins & Liners Limited M/s. AEIP Precision Products Limited M/s. BBL Daido Private Limited
Chairman / Member of Committees of the Board of Companies of which he is a Director	M/s. AEIP Precision Products Limited – Chairman, Audit Committee M/s. India Pistons Limited – Member, Audit Committee	M/s. IP Rings Limited – Member, Investors Grievances Committee M/s. IP Rings Limited – Member, Share Transfer Committee M/s. IP Rings Limited – Member, Investment Committee M/s. India Pistons Limited – Member, Audit Committee M/s. AEIP Precision Products Limited Member, Audit Committee	M/s. IP Rings Limited – Chairman, Investors Grievance Committee. M/s. IP Rings Limited – Member, Audit Committee M/s. IP Rings Limited – Member Share Transfer Committee.

BIMETAL BEARINGS LIMITED**REPORT OF DIRECTORS**

Your Directors have pleasure in presenting the Forty Fourth Annual Report for the year ended 31st March 2005 together with the accounts and Auditors' Report thereon.

FINANCIAL RESULTS :

	Year Ended 31-03-2005 Rs. in Lacs	Year Ended 31-03-2004 Rs. in Lacs
Net Sales (Net of Excise Duty)	7,998.88	6,860.65
Profit before Interest, Depreciation and Taxation	1,953.06	1,894.64
Less : Interest	13.04	15.13
Depreciation	362.84	347.49
Profit before Tax	1,577.18	1,532.02
Less: Taxation (Net)	481.00	434.50
Profit after Tax	1,096.18	1,097.52
Add : Balance brought forward from previous year	140.98	127.36
Profit available for appropriation	1,237.16	1,224.88
Less : Transfer to		
Proposed Dividend	239.06	229.50
Dividend Tax	34.12	29.40
General Reserve	850.00	825.00
Balance Carried to Balance Sheet	113.98	140.98

OPERATIONS:

As reported last year the automotive industry had registered a significant growth both in the commercial vehicle and car segments. The year also witnessed a substantial improvement in production by the Tractor industry. This had enabled the Manufacturing Plants in the Company to achieve higher levels of activity and output.

The increased volumes of production by the vehicle and tractor Original Equipment Manufacturers has enabled our growth in this segment by 25% compared to the previous year. Our Company has a significant presence in the car segment with 100% fitment with major manufacturers. Our Company's products are well accepted with increasing levels of usage on the higher volume of production.

The replacement market for our products had been affected during the year with a declining trend, on engine overhauls, unlike the early years. Actions and policies have been initiated to more effectively pursue and improve our share in this market.

The steps taken by the Company to enlarge the export market has been reflected in the impressive growth of this area by 34% compared to previous year. We are currently supplying to a major Original Equipment Manufacturer and to Replacement Market in Europe and U.S.A. The opportunities to further improve the Strip supplies to Bearing Manufacturers are being pursued and is anticipated to benefit the Company in the current year.

The overall sales for the year of Rs.80 Crores is an increase of around 16% over the last year.

Despite increase in off-take with higher levels of activity in the manufacturing plants, margins have been under considerable pressure due to increase in the cost of raw material inputs and power. Steps are being implemented to address these factors to sustain and improve the operational results.

The operational profit has been augmented by the income from Treasury operation.

Absence of tax benefits hitherto available on exports coupled with higher rate of taxation, profit after tax more or less remained the same.

The Agreement with Daido Metal Co. Ltd., Japan for Technology is under implementation resulting in progressive benefit to the operations.

DIVIDEND :

Your Directors recommend a Dividend of 62.5% (Previous year: 60%) on the Paid-Up Capital for the year ended 31.03.2005.

DIRECTORS' RESPONSIBILITY STATEMENT :

Statement under Section 217(2AA) of the Companies Act, 1956 :

- (a) The applicable accounting standards had been followed with no material departure.
- (b) The Accounting policies that have been selected have been applied consistently and the judgements and estimates based on them are prudent and reasonable to give a true and fair view of the state of the affairs of the company as on 31-03-2005 and of the profit for the year ended on that date.
- (c) Proper and sufficient care has been taken for 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 Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

The matters relating to Corporate Governance as per the Listing Agreement are given in the Annexure forming part of this Report.

DISCLOSURE OF PARTICULARS :

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors), Rules 1988 is given in the Annexure forming part of this Report.

DIRECTORS :

Dr.R.Mahadevan was appointed as an Additional Director on 16.03.2005. A notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director at the ensuing Annual General Meeting.

Mr.N.Venkataramani and Mr.K.V.Shetty, Directors are retiring at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment.

AUDITORS :

M/s. 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 and Depositors. The Company also wishes to acknowledge the technical support extended by Daido Metal Company Limited, Japan.

For and on behalf of the Board

Chennai 600 011
June 10, 2005

A. Krishnamoorthy
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT:

The structure of the Engine Bearing Industry has not undergone any major change. The demands on the industry from practically all its market segments have increased in quantitative and logistic terms. The industry as stated earlier is witnessing very high competitive pressures to retain higher volume of share of business in the market. As informed, India has come to be recognised as a potential source for low cost sourcing and there has been an increase in exports of auto components in the recent years.

The industry, which has all along been predominantly domestic oriented, is now moving towards a scenario of global competitiveness, to take advantage of the interest evinced by global majors in viewing Indian auto component industry as a technically mature, low cost alternative source. The Replacement Segment which is high incentive oriented, is likely to marginally shrink due to better quality of new generation vehicles.

The structure therefore is moving towards quality upgradation, TS16949 certification, supply chain logistics and new product development capabilities. Leading component manufacturers including your company are taking steps to take advantage of this structural change.

OPPORTUNITIES AND THREATS:

Your company has witnessed a growth commensurate with the industry and has been maintaining the share of business in the OE and export segments of the Market. The export of our products is one area to be concentrated upon in the immediate future for enlarging the business. The Company is pursuing opportunities in the newer generation vehicle components in the domestic market with appropriate technology and materials to maintain its leadership in the market. As indicated, the after market segment is shrinking in size due to improved vehicle maintenance practice and the prolonged life of components due to better technology and consequently engine overhauls as a factor of vehicle population will be showing a marginal decline.

OUTLOOK:

Plans for the year have a strategic approach with emphasis on taking advantage of market growth in major segments of the auto industry through aggressive market share acquisition.

The Export segment will continue to maintain growth during the year with resultant benefits for the company.

INTERNAL CONTROL SYSTEM:

The company maintains adequate internal control systems and the internal audit is handled by a reputed auditing firm, i.e. M/s. Fraser & Ross, Chartered Accountants.

FINANCIAL PERFORMANCE:

The year under progress, viewed in the context of market growth projections in major segments and enhanced levels of market share planning, would result in increased utilization of the plant capacities reflecting in improved performance.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

During the year under review, the industrial relations in the company were cordial.

The Company's resource base in terms of personnel at all levels is fully engaged towards higher productivity and active participation in quality upgradation movements. The average number of employees of the Company was 488 during the year.

BIMETAL BEARINGS LIMITED

Annexure to Directors' Report

Report on Corporate Governance

01) Company's Philosophy on code of governance :

With the aim of strengthening corporate governance the Board of Directors would continue:

- To strive towards enhancement of shareholder value through prudent business management, sound business decisions and high standards of ethics with attendant transparency.
- To achieve excellence in Corporate Governance by complying in all respects with the mandatory guidelines in this regard and also regularly reviewing management systems for further improvement.

02) Board of Directors :

- (a) The Board of Directors consisted of the following Directors as on March 31, 2005 :

Executive Chairman & Managing Director	:	Mr.A.Krishnamoorthy
Non-Executive Director	:	Mr.N.Venkataramani
Non-Executive Independent Directors	:	Mr.S.Gopinath Rao
		Mr.A.B.Avery
		Mr.K.V.Shetty
		Dr.R.Mahadevan

- (b) The Board met seven times during the year i.e., on May 19, 2004, June 14, 2004, July 28, 2004, October 29, 2004, January 31, 2005, March 23, 2005 and March 31, 2005.

- (c) The attendance by the Directors at Board Meetings and last Annual General Meeting :

Name of the Director	Board Meeting	Annual General Meeting
Mr.A.Krishnamoorthy	7	Attended
Mr.N.Venkataramani	6	Not Attended
Mr.S.Gopinath Rao	7	Attended
Mr.A.B.Avery	1	Attended
Mr.K.V.Shetty	6	Attended
Dr.R.Mahadevan	2	Not Attended

The time gap between two Board Meetings did not exceed 4 months. The last Annual General Meeting was held on July 28, 2004.

- (d) Directors' membership as on March 31, 2005 in the Board or Committees thereof (excluding foreign companies):

Name of the Director	Other Boards	Other Board Committees
Mr.A.Krishnamoorthy	13	3 (of which 2 as chairman)
Mr.N.Venkataramani	11	2 (of which 1 as chairman)
Mr.S.Gopinath Rao	2	None
Mr.A.B.Avery	None	None
Mr.K.V.Shetty	6	5
Dr.R.Mahadevan	5	3 (of which 1 as chairman)

03) Audit Committee:

The Board of Directors constituted on March 30, 2002 an Audit Committee under the chairmanship of Mr.K.V.Shetty (a Chartered Accountant) with Mr.N.Venkataramani and Mr.S.Gopinath Rao as its members. The Committee was constituted as per Paragraph II of Clause 49 of the Listing Agreement and is empowered as per the requirements of Paragraph IIC of Clause 49 of the Listing Agreement. At the Board Meeting held on 23-03-2005, Dr.R.Mahadevan was co-opted as a member of the Audit Committee. During the year ended 31-03-2005, the Audit Committee met 4 times i.e. on May 19, 2004, June 14, 2004, October 29, 2004 and January 31, 2005.

The attendance by the Directors at Audit Committee Meetings:

Name of the Director	No. of Audit Committee Meetings attended
Mr.K.V. Shetty	4
Mr.N.Venkataramani	4
Mr.S.Gopinath Rao	4
Dr.R.Mahadevan	Nil

Mr.K.Vidhya Shankar, Company Secretary is the Secretary of the Audit Committee.

04) Remuneration Committee:

The Board of Directors have constituted a Remuneration Committee on 17-03-2005 with Mr.K.V.Shetty, Mr.A.B.Avery and Dr.R.Mahadevan as its members. Mr.K.V. Shetty shall be the chairman of the Remuneration Committee. During the financial year ended 31-03-2005, the Remuneration Committee met on 23-03-2005. All the members of the Remuneration Committee except Mr.A.B.Avery attended the said meeting.

The remuneration for Chairman & Managing Director for the financial year ended 31-03-2005 is paid on the basis of the approval accorded by the shareholders in the Extra-Ordinary General Meeting held on May 8, 2000. Non-Executive Directors are paid sitting fees for meetings attended by them. Details of remuneration paid / payable to all the Directors for the year ended March 31, 2005 are:

Name of the Director	Amount (Rs.)
Mr.A.Krishnamoorthy	
Fixed Component	
Salary	9,00,000
Contribution to Provident & other Funds	2,80,500
Other Benefits	6,72,353
Variable Component – Commission	64,79,871
Total	83,32,724
Sitting Fees paid to Directors	
Mr.N.Venkataramani	25,000
Mr.S.Gopinath Rao	27,500
Mr.A.B.Avery	2,500
Mr.K.V.Shetty	27,500
Dr.R.Mahadevan	7,500

05) Shareholders Committee:

The Share Transfer and Shareholders / Investors Grievance Committee is constituted and functioning under the chairmanship of Mr. S. Gopinath Rao. At the Board Meeting held on 31-03-2005, Mr. K.V.Shetty was inducted as member of the Committee. Mr. K. Vidhya Shankar, Company Secretary is the Compliance Officer of the Company in matters relating to shareholders, Stock Exchanges, SEBI and other related regulatory matters. During the year Eighty Seven complaints / request letters were received from shareholders all of which were satisfactorily dealt with. No Complaint was pending as at March 31, 2005. As on that date there were no pending share transfers.