



BIRLA KENNAMETAL LIMITED

TWELFTH ANNUAL REPORT

1998-99



Get a firm grip on PRODUCTIVITY



BOARD OF DIRECTORS	:	SHRI YASHOVARDHAN BIRLA	Chairman
	:	SHRI U.S. SETHIA	
	:	SHRI D. K. AGARWAL	
	:	SHRI R. C. HENDRICKS	
	:	SHRI A. D. TILSTONE	
	:	SHRI BARRY ROGER BRYETT	
	:	SHRI YOGENDRA P. TRIVEDI	
	:	DR. W. R. CORREA	Alternate to Shri A. D. Tilstone
	:	SHRI SURESH N. TALWAR	Alternate to Shri Barry Roger Bryett
	:	SHRI LIM KEK LIAN	Alternate to Shri R. C. Hendricks
SR. VICE PRESIDENT	:	SHRI CRAIG BEEGHLY	
	:	SHRI VIVEK BHONSLE	

AUDITORS : S. R. BATLIBOI & CO.
Chartered Accountants,
Vaswani Mansions,
Dinsha Vacha Road,
Churchgate,
Mumbai - 400 020.

BANKERS : Bank of Maharashtra

REGISTERED OFFICE & FACTORY : B-15/4, M.I.D.C. Industrial Area
Waluj,
Aurangabad - 431 133 (M.S.)

REGISTRAR & TRANSFER AGENTS : Karvy Consultants Limited.
46, Avenue 4,
Street No. 1,
Banjara Hills,
Hyderabad - 500 034.



NOTICE

Notice is hereby given that the TWELFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF BIRLA KENNAMETAL LIMITED will be held at Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133 on THURSDAY the 29th July, 1999 at 03.30 p.m. to transact with or without modifications, as may be permissible, the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date, together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Yashovardhan Birla who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Craig Beeghly who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Barry Roger Bryett who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To pass the following resolution as an ordinary resolution with or without modification if any,

"RESOLVED that consent be and is hereby accorded, subject to the provisions of Section 269, 198, 301 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, for re-appointment of Shri Vivek Bhonsle as "Manager" of the Company for a period of 5 (five) years with effect from 01-02-1999 on the existing terms and conditions and that he be paid remuneration within permissible scale as laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956, by way of Salary, allowances & perquisites as below effective from 01.02.1999."

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**BIRLA KENNAMETAL LIMITED**

Sr. No.	Particulars	Per Month Rs.
1.	Basic Salary	21300.00
2.	Medical Reimbursement	1775.00
3.	Leave Travel Assistance	1775.00
4.	Reimbursement of House Maintenance exps.	1775.00
5.	Gas, Electricity and Water Allowance	2130.00
6.	Reimbursement of Servant Expenses	1000.00
7.	Education Allowance	500.00
8.	Reimbursement of News Paper bill	400.00
9.	Reimbursement of Guest Entertainment exps.	750.00
10.	Reimbursement of Club Fees	700.00
11.	House Rent Allowance	9585.00
12.	Mediclaime policy Premium	473.00
Total per Month		42163.00

"FURTHER RESOLVED that, the actions taken by Shri Vivek Bhonsle, Manager, during the period 01.02.99 to 30.04.99 be and are hereby approved and ratified."

"FURTHER RESOLVED that the Manager shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration mentioned hereinabove :

- Contribution to provident fund, superannuation fund or annuity fund to the extent these either or put together are not taxable under the Income-tax Act, 1961.
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- Encashment of leave at the end of the tenure.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to revise the remuneration in any manner, payable to Shri Vivek Bhonsle, Manager, within the permissible Scale as laid down in Section II of Part II of the Schedule XIII to the Companies Act, 1956."

By Order of the Board of Directors

VIVEK BHONSLE
SR.VICE PRESIDENT

Regd. Office :
Birla Kennametal Limited.
B-15/4, M.I.D.C. Waluj,
Aurangabad - 431 133

Date : 30th April, 1999

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY to attend and vote instead of himself and a proxy need not be a member of the Company. A proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share transfer books of the Company will remain closed from 16th July, 1999 to 20th July, 1999 (both days inclusive.)
3. Members are requested to notify immediately any changes in their full address in Block Capitals with Pin Code number of Post Office, to the Company's Share Transfer Agent M/s KARVY CONSULTANTS LTD., KARVY HOUSE, 46 AVENUE 4, STREET NO. 1, BANJARA HILLS, HYDERABAD - 500 034
4. Due to the Prohibitive cost of papers and printing, copies of this Annual Report will not be distributed to the members at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
5. EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 :

Pursuant to provision of section 269, 198, 301 read with schedule XIII and other applicable provisions of the companies Act, 1956, Shri Vivek Bhonsle is re-appointed by the Board as "Manager" of the Company w.e.f. 01.02.1999 for a period of 5 (Five) years. Reappointment of Manager and his remuneration requires approval of the members in General Meeting as such Board recommends it for approval.

Except appointee no other Directors are interested in the resolution.





DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

To,

The Shareholders,

Your Directors present the Twelfth Annual Report together with Audited Statements of Accounts of the Company for the Financial Year ended 31st March, 1999.

FINANCIAL RESULTS:

	1998-99 (Rs. in 000)	1997-98 (Rs. in 000)
Sales and Other Income	42380	19231
Profit / (Loss) before Interest, Depreciation & Tax	10111	(4356)
Interest	3852	2119
Profit / (Loss) before Depreciation and Tax	6259	(6475)
Depreciation	5311	3525
Profit / (Loss) before Tax	948	(10000)
Provision for Tax	—	—
Net Profit / (Loss)	948	(10000)

DIVIDEND :

In view of the accumulated losses, your Directors regret their inability to recommend any dividend for the year under review.

OPERATIONS :

AT3 project with cost of Rs. 650 lacs to produce high speed, high performance toolings has been successfully commissioned in November, 98. BKL now is having one of the most modern manufacturing facilities to manufacture CNC toolings with some of the equipments being "state of the art" being employed first time in any CNC tooling manufacturing company in the world. The production planning system based on a German software has also been installed for production planning which will ensure on time delivery performance to the customers.

The quality of the AT3 toolings has been widely accepted by all the customers worldwide and from December'98 to March '99, AT3 toolings worth over Rs. 192 lacs have been exported to Europe, USA & Asia Pacific countries.

After a valley of losses in last couple of years, company has registered a profit of Rs. 9.48 lacs during the financial year under report.

BIRLA KENNAMETAL LIMITED

Company has been recertified for ISO9002 quality management system for another 3 years and is also aiming for Environment Management System i.e. ISO 14001 during FY 1999-2000. Company has already taken adequate measures for Y2K compliance.

DIRECTORS :

In terms of provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. Yashovardhan Birla, Shri. Barry Bryett, Shri. Craig Beeghly retire by rotation and, being eligible, offer themselves for re-appointment.

FIXED DEPOSITS :

The Company has not invited any fixed deposits during the year.

PERSONNEL :

Information as required under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 1975 and forming part of the Directors Report is not applicable, as no employee is drawing remuneration @ Rs. 50,000/- and above per month or Rs. 6.00 lacs per annum.

AUDITORS:

M/s S.R. Batliboi & Co., Chartered Accountants, the Auditors of the Company retire and being eligible, offer themselves for re-appointment as Auditors.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The particulars as required under Section 217 (1) (e) of the Companies Act, 1956 and the Rules therein pertaining to the above are set out in Annexure-I forming part of this report.

APPRECIATION:

The Board wishes to place on record their gratitude for the co-operation and support received from the Financial Institutions, Banks, State Government, Company's Staff and Workers etc. and thank them for their continued support more particularly during the critical phase.

For and on behalf of the Board of Directors

YASHOVARDHAN BIRLA
CHAIRMAN

MUMBAI,
April 30, 1999



ANNEXURE TO THE DIRECTORS' REPORT (ANNEXURE-I)

A. **Conservation of Energy** : not relevant to our Industry.

B. **Technology absorption** : Research & Development.

1. Specific Areas in which R & D carried out by the Company

Development of products such as AT3 Class Tool holders was undertaken during the year.

2. Benefit derived as a result of the above R & D.

Meet market demand, which are import substitute items.

3. Future Plan of action:

Development of ER Collets, Hydraulic Cylinders etc.

4. Expenditure on R & D :

a) Capital)	Not Quantified.
b) Recurring)	
c) Total)	
d) Total R & D Expenditure as a percentage of total turnover.)	

5. Technology Absorption, Adaption and innovation :

Process of Technology transfer continued in the areas mentioned above.

C. **Foreign Exchange Earning and Outgo:**

1. Activities relating to export, initiatives taken to increase exports:

Company executed orders from Kennametal U.S.A., Europe & Asia Pacific Countries. The Product quality is accepted by Kennametal.

2. Total foreign exchange used and earned :

	1998-99 (Rs.in 000)	1997-98 (Rs.in 000)
Total Foreign Exchange used	27147	14712
Total Foreign Exchange earned	29846	2806



D) **Y2K Compliance**

1. **The risk of the Company's year 2000 issue :**

No risk to company, as the company uses software package version, which has century capability up to 31.12.2999.

2. The cost to address the Company's year 2000 issues - Nil.

3. The risk to the company due to year 2000 bug : Nil No Risk

4. **Contingency Plan :**

In the event of any problem, the accounts, commercial functions etc. can be switched over to manual working & plant can be restarted without any interruption.





REPORT OF THE AUDITORS TO THE MEMBERS OF BIRLA KENNAMETAL LIMITED.

We have audited the attached Balance Sheet of **BIRLA KENNAMETAL LIMITED** as at March 31, 1999 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) 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 purpose of our audit. We have relied on the information given by the management on the identification of small scale industrial units, as disclosed in Schedule 11 and Note no 4 of Schedule 20 of notes to accounts.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - (c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet and the Profit and Loss Account comply, in all material respects, with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) in case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1999; and
 - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date.

S.R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS

Per
Nawshir H. Mirza
A Partner
April 30, 1999