



**BIRLA KENNAMETAL LIMITED**  
**FOURTEENTH ANNUAL REPORT**  
**2000 - 2001**

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**BIRLA KENNAMETAL LIMITED**

**BOARD OF DIRECTORS** :

SHRI YASHOVARDHAN BIRLA	Chairman
SHRI U. S. SETHIA	
SHRI D. K. AGARWAL	
SHRI YOGENDRA P. TRIVEDI	
SHRI BARRY ROGER BRYETT	
SHRI CRAIG BEEGHLY	
SHRI H. P. MAHANES	
SHRI KEVIN G. NOWE	
SHRI SURESH N. TALWAR	Alternate to Shri Barry Roger Bryett
DR. W. R. CORREA	Alternate to Shri Craig Beeghly

**SR. VICE PRESIDENT** : SHRI VIVEK BHONSLE

**AUDITORS** : KRISHNA RAO & COMPANY  
Chartered Accountants  
"SADHANA"  
Near Janata Bazar, Aurangapura,  
Aurangabad.

**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  
"KARVY HOUSE"  
46, Avenue 4,  
Street No. 1,  
Banjara Hills,  
Hyderabad - 500 034



## NOTICE

Notice is hereby given that the **FOURTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF BIRLA KENNAMETAL LIMITED** will be held on **Tuesday the 31<sup>st</sup> July, 2001 at 03.30 PM** at Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133 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, 2001 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 D.K. Agarwal 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 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

5. To appoint a Director in place of Shri Kevin G. Nowe who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th April, 2001 pursuant to Article 130 (a) and 136 of the Articles of Association of the Company and holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder, proposing his candidature for the Office of Director.
6. To appoint a Director in place of Shri H. P. Mahanes who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th April, 2001 pursuant to Article 130 (a) and 136 of the Articles of Association of the Company and holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder, proposing his candidature for the Office of Director.

**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, 2001

**BIRLA KENNAMETAL LIMITED****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 16<sup>th</sup> July, 2001 to 19<sup>th</sup> July, 2001 (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.

**EXPLANATORY STATEMENT TO ITEM NO. 5**

(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)

Shri Kevin G. Nowe was appointed as an Additional Director of the Company by the Board on 30th April, 2001. By virtue of the provisions of Section 260 of the Companies Act, 1956 and Article 130 (a) and 136 of the Articles of Association of the Company, Shri Kevin G. Nowe holds office upto the date of the ensuing Annual General Meeting. The Board considers that it will be in the interest of the Company to continue to avail of his service as member of the Board. The Directors therefore, recommend that Shri Kevin G. Nowe be appointed as Director of the Company. Shri Kevin G. Nowe is interested in the resolution since it concerns his appointment.

**EXPLANATORY STATEMENT TO ITEM NO. 6**

(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)

Shri H. P. Mahanes was appointed as an Additional Director of the Company by the Board on 30th April, 2001. By virtue of the provisions of Section 260 of the Companies Act, 1956 and Article 130 (a) and 136 of the Articles of Association of the Company, Shri H. P. Mahanes holds office upto the date of the ensuing Annual General Meeting. The Board considers that it will be in the interest of the Company to continue to avail of his service as member of the Board. The Directors therefore, recommend that Shri H. P. Mahanes be appointed as Director of the Company. Shri H. P. Mahanes is interested in the resolution since it concerns his appointment.

**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, 2001



## DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2001

To,  
The Shareholders,

Your Directors present the Fourteenth Annual Report together with Audited Statements of Accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2001.

### FINANCIAL RESULTS:

	2000-01 (Rs.in'000)	1999-00 (Rs.in'000)
Sales and Other Income	84876	52076
Profit before Interest, Depreciation and Tax	21692	14320
Interest	6475	5573
Profit before Depreciation and Tax	15217	8747
Depreciation	8417	8044
Profit before Tax	6800	703
Provision for Tax	—	—
Net Profit	6800	703

### DIVIDEND :

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

### OPERATIONS:

Excellent Sales growth to the tune of 64% over the previous year has been registered mainly due to exports in new markets of countries like Japan, Korea & Israel. Exports in the traditional market of Europe have also risen considerably. Some exports have started to United States this year. The total exports have risen to Rs. 501.54 lacs during this year from Rs. 355.04 lacs in the previous year. The company's products continue to enjoy excellent credibility for its superior AT3 class quality, which has now further received a boost in its image by successful entry in Japan.

Company also started marketing entire range of Kennametal tooling in India and has established its products in major industrial segments. Kennametal tooling's excellent quality backed up with comprehensive engineering service are paving ways for good business growth during the years to come.

Company has successfully developed new generation HSK tooling, which has good potential market in Europe and expectations are sizable export sales will be developed next year.

During the financial year under report, the company has registered a profit of Rs.68.00 lacs, which has been all time high in the history of the company.

The Company has already taken adequate measures for Y2K compliance. The Company is also taking appropriate steps to implement the Clause 49 of listing agreement pertaining to Corporate Governance.

### DIRECTORS :

In terms of provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri D. K. Agarwal and 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.1,00,000/- and above per month or Rs.12.00 lacs per annum.

**DIRECTOR'S RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of Companies Act, 1956. The Board reports that:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period ;
- iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that annual accounts have been prepared on a going concern basis.

**BUY BACK OF SHARES :**

As required U/s 217(2B) of Companies Act, 1956, the information regarding buy back of shares U/s 77 A (4) of the Act be treated as nil.

**AUDITORS :**

M/s. Krishna Rao & 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, 2001**



### 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 HSK Toolings & ER Collets was undertaken during the year.

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

Meet market demand of new generation tooling, which are import substitute items and export products to overseas countries.

3. Future Plan of action:

Future development of HSK toolings, ER Collets etc.,

4. Expenditure on R & D.:

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

5. Technology Absorption, Adoption 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 exports AT3 Class Tool holders to U.S.A., Europe & Asia Pacific Countries. The Product quality is well accepted worldwide.

2. Total foreign exchange used and earned:

	2000-01 (Rs. in 000)	1999-00 (Rs. in 000)
Total Foreign Exchange used	13529	3538
Total Foreign Exchange earned	50154	35504

**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, 2001 and the Profit and Loss Account of the Company for the year ended on that date together with the schedules 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 10 and Note No.6 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, 2001; and
    - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date.
  - f) On the basis of written representations received from the Directors themselves (even though there are no separate representations by each of the companies in which they are directors ) as on 31-03-2001 and taken on record by the Board of Directors, we report that none of the Directors who are the Directors as on the date of Balance Sheet is disqualified as on 31-03-2001 from being appointed as director in terms of clause [g] of Sub-section [1] of Sec. 274 of Companies Act 1956.

**Krishna Rao & Company,**  
CHARTERED ACCOUNTANTS

**Mrs. Vani Kumar**  
Partner  
April 30, 2001





**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF BIRLA KENNAMETAL LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2001**

On the basis of the information and explanations furnished to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief in our opinion, we further report that :

- 1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These assets have been physically verified by the management at periodic intervals and no material discrepancies have been noticed on such verification. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets.
- 2) None of the fixed assets of the company were revalued during the year.
- 3) The Management has conducted physical verification in respect of finished goods, raw materials, stores and spares at reasonable intervals. In our opinion, the frequency of such verification is reasonable.
- 4) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 5) The discrepancies between physical stock verification of inventory as compared to book records, which were not material, have been properly dealt with in the books of account.
- 6) In our opinion, the valuation of inventories is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the previous year; excise duty has been considered as a cost in the valuation of finished goods, as was done in earlier year.
- 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. In terms of sub section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to the company on and after October 31, 1998.
- 8) The Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the companies Act, 1956. In terms of sub section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to the company on and after October 31, 1998.
- 9) The other parties to whom loans or advances in the nature of loans have been given by the Company, are repaying the principal amounts as stipulated and are also regular in payment of interest, if any.
- 10) There are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for the purchases of stores, machinery, equipment and other assets and for the sale of goods.
- 11) According to the information and explanations given to us, the transactions of purchase of goods and materials and services and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of a party, have been made at prices which, in our opinion, are reasonable having regard to prevailing