



BIRLA KENNAMETAL LIMITED

FIFTEENTH ANNUAL REPORT

2001 - 2002

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BIRLA KENNAMETAL LIMITED

BOARD OF DIRECTORS	:	SHRI YASHOVARHDHAN 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 Kevin G. Nowe
JOINT PRESIDENT	:	SHRI VIVEK BHONSLE	
COMPANY SECRETARY	:	ANAND P. MORE	
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 FIFTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF **BIRLA KENNAMETAL LIMITED** will be held on Tuesday the 30th July 2002 at 03.30 P.M. 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, 2002 and the Balance Sheet as at that date, together with the Report 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 Barry Roger Bryett 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.

By Order of the Board of Directors

VIVEK BHONSLE
Joint President

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

Date : 29th April, 2002

**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 22nd July, 2002 to 25th July 2002 (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.

By Order of the Board of Directors

VIVEK BHONSLE
Joint President

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

Date : 29th April, 2002



DIRECTOR'S REPORT FOR THE YEAR ENDED 31st MARCH 2002

To,
The Shareholders,

Your Directors present the Fifteenth Annual Report together with Audited Statements of Accounts of the Company for the Financial Year ended 31st March, 2002

FINANCIAL RESULTS:

	2001-2002 (Rs.in'000)	2000-2001 (Rs.in'000)
Sales and Other Income :	85938	84876
Profit before Interest, Depreciation and Tax :	24454	21692
Interest :	4341	6475
Profit before Depreciation and Tax :	20113	15217
Depreciation :	8621	8417
Profit before Tax :	11492	6800
Provision for Tax :	2570	—
Net Profit after Tax :	8922	6800

DIVIDEND:

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

OPERATIONS:

Even though the sales growth is marginally higher, the quantitative production output has been 15% higher than the previous year. Company has successfully withered price war in the traditional market of Europe and has been able to improve quantitative sales growth. Exports to Asia Pacific countries were at par with the last year but exports to United States have risen considerably.

As a result of Lean manufacturing programs and RFT concept, company has been able to substantially reduce manufacturing expenses and overheads.

New Products like Drill chucks and Milling chucks have been taken up for development, which has good potential market in Korea, Japan and United States.

During the financial year under report, the company has registered a record profit before tax of Rs.115.00 Lacs as against last years Rs. 68.00 lacs.

Company has been also successfully re-certified for its Quality standard and has been awarded **ISO9001:02** Certification.

DIRECTORS:

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

FIXED DEPOSITS:

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

BIRLA KENNAMETAL LIMITED**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 or loss 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.
- v) **Corporate Governance**

The Company is required to implement Corporate Governance, as per Clause 49 of the Stock exchange listing agreement during the financial year 2002-2003. Accordingly necessary committees are being formed and relevant directives are being followed for implementing for effective corporate governance.

DEMATERIALISATION OF SHARES:

The Company has, pursuant to the intimation received from the Stock Exchange, Mumbai signed a **Tripartite Agreement** with Central Depository Services (India) Limited (CDSL) on 3rd December 2001 and with National Securities Depository Limited (NSDL) on 29th December 2001 in order to provide trading of shares in dematerialised form as mandated by Securities and Exchange Board of India (SEBI) and Stock Exchange, Mumbai. Trading in shares of the Company through the Stock Exchange has to be compulsorily done in dematerialised form for all investors.

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. Krishnarao & 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 employees and thank them for their continued support in the growth of the organization.

For and on behalf of the Board of Directors

Mumbai
April 29, 2002

YASHOVARDHAN BIRLA
CHAIRMAN



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 Drill chucks, Milling chucks 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, 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 exports AT3 Class Tool holders to U.S.A. Europe, Japan & Asia Pacific Countries. The Product quality is well accepted worldwide.

2. Total foreign exchange used and earned:

		2001-02 (Rs. in 000)	2000-01 (Rs. in 000)
Total Foreign Exchange used	:	12330	13529
Total Foreign Exchange earned	:	53364	50154

REPORT OF THE AUDITORS TO THE MEMBERS OF BIRLA KENNAMETAL LIMITED

We have audited the attached Balance Sheet of Birla Kennametal Limited, as at 31st March, 2002 and also the Profit and Loss Account 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.

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 about whether the financial statements are free of material misstatements. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies [Auditor's Report] Order 1988, 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 paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- [i] 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. 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.3 and of related parties in Note No. 1 (xiv) of Schedule 20 of notes to accounts.
- [ii] 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 those books;
- [iii] The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- [iv] In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply in all material respects with the accounting standards referred to in sub-section [3C] of section 211 of the Companies Act, 1956 ;
- [v] On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors who are directors as on the date of Balance Sheet is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause [g] of sub-section [1] of section 274 of the Companies Act, 1956 ;
- [vi] In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon 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
 - [a] In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002, and
 - [b] In the case of the Profit and Loss Account, of the profit for the year ended on that date.

**Krishna Rao & Company,
CHARTERED ACCOUNTANTS**

**Mrs. Vani Kumar
Partner
April 29, 2002**



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, 2002

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