



An ISO 9001 & 14001 Company

# **BIRLA KENNAMETAL LIMITED**

## **SIXTEENTH ANNUAL REPORT**

### **2002 - 2003**



**Get a firm grip on PRODUCTIVITY**

**BIRLA KENNAMETAL LIMITED**

<b>BOARD OF DIRECTORS</b>	:	SHRI YASHOVARDHAN BIRLA	Chairman
		SHRI U. S. SETHIA	
		SHRI D. K. AGARWAL	
		SHRI YOGENDRA P. TRIVEDI	
		SHRI BARRY ROGER BRYETT	
		SHRI H. P. MAHANES	
		SHRI KEVIN G. NOWE	
		SHRI PAUL MONTGOMERY	
		DR. W. R. CORREA	Alternate to Shri Kevin G. Nowe
<b>JOINT PRESIDENT</b>	:	SHRI VIVEK BHONSLE	
<b>COMPANY SECRETARY</b>	:	SHRI ANAND P. MORE	
<b>AUDITORS</b>	:	KRISHNA RAO & COMPANY Chartered Accountants "SADHANA" Near Janata Bazar, Aurangapura, Aurangabad	
<b>BANKERS</b>	:	Bank of Maharashtra	
<b>REGISTERED OFFICE &amp; FACTORY</b>	:	B-15/4, M.I.D.C. Industrial Area Waluj, Aurangabad - 431 133 (M.S.)	
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	:	Karvy Consultants Limited "KARVY HOUSE" 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034	



## NOTICE

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF **BIRLA KENAMETAL LIMITED** will be held on Thursday the 31<sup>st</sup> July 2003 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, 2003 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 U. S. Sethia who retires by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri Kevin G. Nowe who retires by rotation and being eligible, offer himself 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 consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Paul Montgomery who was appointed by the Board of Directors as an Additional Director of the Company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Shri Paul Montgomery for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered by inserting the following heading as Article 4 (a) after Article 4 of the Articles of Association of the Company.

### DEMATERIALISATION OF SECURITIES

#### Definitions

- 4 (a) (1) For the purpose of this Article:

"SEBI" means the Securities and Exchange Board of India.

"Depository" means a Company formed and registered under the Depositories Act, 1996 and which has been granted a certificate of registration by SEBI under the Securities and Exchange Board of India Act, 1992.

"Beneficial Owner" means a person or persons whose name(s) is/are recorded in the Register maintained by a Depository under the Depositories Act, 1996.

"Security" means such security as may be specified by SEBI from time to time.



"Member" in respect of dematerialized shares means the beneficial owner thereof, i.e. the person or persons whose name(s) is/are recorded as the beneficial owner in the Register maintained by a Depository under the Depositories Act, 1996 and in respect of other shares the person or persons whose name(s) is/are duly registered as a holder of a share in the Company from time to time and includes the Subscribers to the Memorandum of Association.

#### **Dematerialisation of Securities**

- (2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialized form pursuant to the provisions of the Depositories Act, 1996 or otherwise.

#### **Issue of Securities and option for Investors**

- (3) Notwithstanding anything contained in these Articles, every issue of security by the Company shall be in the dematerialised form and the Company shall intimate the details of allotment to the depository immediately on allotment of such securities.

Investors in a new issue and the beneficial owners shall have the option to rematerialize the shares subsequent to the allotment or dematerializations, as the case may be, in which event the Company shall issue to the investor/beneficiary the required certificates of securities subject to the provisions of applicable laws, rules, regulations or guidelines. The shares so rematerialized shall bear new distinctive numbers so as to identify them from the shares not dematerialised.

#### **Securities in depository mode to be in fungible form**

- (4) All securities held in the depository mode with a Depository shall be dematerialised and be in fungible form. To such securities held by a depository on behalf of beneficial owner, nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply.

#### **Rights of Depositories and Beneficial Owners**

- (5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have other membership rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities held in the depository mode of which he is the beneficial owner.

#### **Service of documents**

- (6) Notwithstanding anything contained in the Act or these Articles, where securities are held in a depository mode, the records of the beneficial owner may be served by a depository on the Company by means of electronic mode or by delivery of floppies or discs.

**Transfer of Securities**

- (7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered in the Register maintained under the Depositories Act by a Depository as beneficial owners.

**Distinctive numbers of securities held in the depository mode**

- (8) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the depository mode.

**Register and Index of Beneficial Owners.**

- (9) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and holders of securities for the purpose of these Articles and the Act."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article No 138 (1) of the Articles of Association of the Company be and is hereby amended and altered as below "

138. Subject to the provisions of Sections 198,309,310 and 311 of the Act, the remuneration payable to the Directors of the Company shall be as hereinafter provided.

- (1) Subject to the provisions of the aforesaid Sections, each of the Directors of the Company (inclusive of the Chairman) shall be entitled to payment of a sum not exceeding such amount as permissible under the provisions of the Act, and as fixed by the Board of Directors from time to time for each meeting of the Board or of one or more committees of the Board attended by him. The Directors shall be paid such further remuneration, if any, either on the basis of percentage on the net profits of the Company or otherwise, as the Company in General Meeting shall from time to time determine, and such additional remuneration and further remuneration shall be divided amongst the Directors in such proportion and manner as the Board may from time to time determine, and in default of such determination, shall be divided amongst the Directors equally.

**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 : 30<sup>th</sup> April, 2003

**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 22<sup>nd</sup> July 2003 to 25<sup>th</sup> July 2003 (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****PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)****ITEM No 5**

Shri Paul Montgomery was appointed as Additional Director of the Company by the Board on 17<sup>th</sup> January 2003. 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 Paul Montgomery 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 Paul Montgomery be appointed as Director of the Company. Shri Paul Montgomery is interested in the resolution since it concerns his appointment.

**ITEM No 6**

Securities and Exchange Board of India introduced Depository System with a view to enhance the efficiency of Capital Markets in India. The System offers various advantages to the Company and Investors which inter-alia include elimination of voluminous and cumbersome paper work involved in the present scrip-base system, avoidance of fake certificates being transacted in the Stock Markets, saving in cost towards stamp duty payable on the market value of the shares etc.

As per instructions of Securities and Exchange Board of India (SEBI) to Stock Exchange Mumbai (BSE), The Securities of The Company are to be dematerialized and Investors have to compulsorily trade in Demat Mode from 01<sup>st</sup> January 2002.

The Company has already entered into an agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) to have electronic depository facilities for the shares of the Company.



In view of these benefits for the Investors and share holders and also as per the requirements of SEBI, it is proposed to incorporate enabling provisions in the Articles of Association of the Company, which requires approval of the members.

A copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by Members of the Company at the Registered Office of the Company on any working day.

Accordingly, the Directors recommend the Special Resolution for your approval.

None of the Directors of the Company is concerned or interested in the above Resolution.

#### ITEM No 7

At present maximum sitting fees of Rs. 250/- per meeting is allowed to be paid to the Directors under the provisions of Article 138 for attending the Board of Directors meeting or any Committee meeting thereof. The Government has notified maximum sitting fees of Rs.5000/- for attending the Board Meeting or Committee Meetings. In view of the inflationary conditions, the amendment in Article 138 is proposed to be made so as to enable the Board to pay the sitting fees to the Directors as may be permissible under the Act, or guidelines issued by the Government.

A copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by Members of the Company at the Registered Office of the Company on any working day.

Accordingly, the Directors recommend the Special Resolution for your approval.

None of the Directors of the Company is concerned or interested in the above Resolution.

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 : 30th April, 2003



## DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2003

To,

The Shareholders,

Your Directors present the Sixteenth Annual Report together with Audited Statements of Accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2003.

### FINANCIAL RESULTS:

	2002-03 (Rs.in'000)	2001-02 (Rs.in'000)
Sales and Other Income	92756	85938
Profit before Interest, Depreciation and Tax	25053	24454
Interest	2627	4341
Profit before Depreciation and Tax	22426	20113
Depreciation	8765	8621
Extra Ordinary expenses	261	-
(Interest on share application money refundable)		
Profit before Tax	13400	11492
Provision for Tax (MAT & Deferred Tax)	5340	2570
Net Profit (After taxation)	8060	8922

### DIVIDEND :

No dividend is proposed considering the expansion of the existing plant so as to cater to additional global demands.

### OPERATIONS:

In the tough market conditions company has been able to register 8% sales growth in absolute value and 24% growth in quantity terms. The company has also been able to conclude two new supply agreements for entire North American market requirements from the parent company, 'Kennametal Inc. Latrobe' as well as its wholly owned distributor 'J&L Livonia'. This additional requirement will necessitate an expansion in the existing capacity, which is underway.

New products like Milling Chuck, Drill chucks & Shrink fit arbors have also been developed during the year under report which are expected to fetch good business in the next year.





Lean Manufacturing & TPM concepts have been firmly implemented in the company resulting in continuous improvement in all aspects of the operation and thereby, continuous reduction in manufacturing cost.

E.H.S. activities concerning Environment, Health, & Safety have also been implemented in the company and as a result of it, company has been awarded an **ISO14001** Certificate, first in tooling industry in India.

#### **DIRECTORS:**

During the year Shri Craig Beeghly ceased to be the Director on the Board and in his place Shri Paul Montgomery was appointed as an additional Director with effect from 17.01.2003.

Shri S. N. Talwar Alternate Director to Shri Barry Roger Bryett resigned from Directorship with effect from 31.07.2002.

The Board of Directors places on record its appreciation for the valuable guidance rendered by these Directors during their tenure as Directors of the Company.

In terms of provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri U.S. Sethia and Shri Kevin G. Nowe retire by rotation and, being eligible, offer themselves for re-appointment.

#### **PUBLIC DEPOSITS:**

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

#### **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.2.00,000/- and above per month or Rs.24.00 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.

### **Corporate Governance**

The Company has implemented Corporate Governance, as per Clause 49 of the Stock exchange listing agreement during the financial year 2002-2003 and annexed report on Corporate Governance forms part of this Annual Report.

### **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.

### **INDUSTRIAL RELATIONS**

The Company enjoyed harmonious relations with employees through out the year.

### **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.

**For and on behalf of the Board of Directors**

**YASHOVARDHAN BIRLA**  
**CHAIRMAN**

**Place : Mumbai**  
**Date : 30th April, 2003**