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# **BIRLA KENNAMETAL LIMITED**

## **17<sup>TH</sup> ANNUAL REPORT**

### **2003 - 04**

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<b>BOARD OF DIRECTORS</b>	:	SHRI YASHOVARDHAN BIRLA	Chairman
		SHRI U. S. SETHIA	
		SHRI D. K. AGARWAL	
		SHRI ARUN JAIN	
		SHRI BARRY ROGER BRYETT	
		SHRI KUMAR KANETKAR	
		SHRI KEVIN G. NOWE	
		DR. W. R. CORREA	Alternate to Shri Kevin G. Nowe
<b>GENERAL MANAGER</b>	:	SHRI ANIL CHOUDHARI	
<b>COMPANY SECRETARY</b>	:	SHRI ANAND P. MORE	
<b>AUDITORS</b>	:	KRISHNA RAO & COMPANY Chartered Accountants "SADHANA" Near Janata Bazaar, 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; SHARE TRANSFER AGENTS</b>	:	Karvy Computershare Pvt. Ltd. "KARVY HOUSE" 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034	



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**NOTICE**

Notice is hereby given that the **Seventeenth Annual General Meeting of the Members of Birla Kennametal Limited will be held on Wednesday the 29<sup>th</sup> September, 2004 at 03.30 P.M.** at Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad (M.S.) - 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 Accounts for the year ended 31st March, 2004 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Yashovardhan Birla, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Barry Roger Bryett, who retires by rotation and being eligible offers 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 Shri Arun Jain who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

Anand P. More  
Company Secretary

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

Date : 31<sup>st</sup> May, 2004

**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 **21st September, 2004 to 24<sup>th</sup> September, 2004** (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 Computershare Private Limited, 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 (2) OF THE COMPANIES ACT, 1956.**

**ITEM NO. 5**

Shri Arun Jain was appointed as an Additional Director of the Company by the Board on 15<sup>th</sup> October, 2003. By virtue of the provisions of Section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company, Shri Arun Jain 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 services as a member on the Board.

Shri Arun Jain is a Chartered Accountant and has a reach experience of over 25 years as a Company Executive of M/s. Zenith Limited.

The Board of Directors is of the view that the services of Shri Arun Jain will be of immense value to the Company. Your Directors, therefore, recommend his appointment as a Director of the Company.

Shri Arun Jain is interested in the resolution, since it concerns his appointment.

By Order of the Board of Directors

Anand P. More  
Company Secretary

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

Date : 31<sup>st</sup> May, 2004



## DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2004

To,  
The Shareholders,  
Your Directors present the Seventeenth Annual Report together with Audited Accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2004.

### FINANCIAL RESULTS:

	2003-04 (Rs.in'000)	2002-03 (Rs.in'000)
Net Sales including Other Income	103864	91589
Profit before Interest, Depreciation and Tax	26987	25053
Less: Interest	1953	2627
Profit before Depreciation and Taxation	25034	22426
Less: Depreciation	9997	8765
Add: Prior period adjustments	117	-
Less: Share application money refundable and Interest thereon	-	261
Profit before Taxation	15154	13400
Less: Provision for Income Tax (M.A.T.)	1350	400
Less: Provision for Deferred Taxation	3160	4940
Net Profit after taxation	10644	8060

### DIVIDEND:

No dividend is proposed with a view to retain the earning of the company for taking advantage of the potential opportunities of growth in the global market scenario.

### OPERATIONS:

In the increasing competitive market and despite price pressure, the company has been able to register 11% overall sales growth. During the year the Company has also registered Export Sales growth of 49% by achieving a break through in the U.S. market in addition to good performance in the traditional market of Europe and Asia Pacific.

The profits before taxation for financial year 2003-04 are Rs.151.54 lacs as against last year's Rs.134.00 lacs. Profit after taxation has improved to Rs.106.44 from Rs.80.60 lacs for the previous year.

To cope up with the increased demand, the Company proposes to augment the plant capacity with an investment plan of over Rs. 4.00 crores during the next 2 years.

### DIRECTORS / KEY PERSONNEL:

During the year Shri H.P.Mahanes ceased to be the Director on the Board and in his place Shri Kumar Kanetkar was appointed as a non-retiring Director on the Board w.e.f. 01.07.2003.

During the year Shri Y.P.Trivedi ceased to be the Director on the Board and in his place Shri Arun Jain was appointed as an additional Director w.e.f. 15.10.2003.

During the year Shri Paul Montgomery, Director resigned from Directorship with effect from 23.01.2004.

During the year Shri Vivek Bhonsle, Manager/Joint President of the Company resigned w.e.f. 1<sup>st</sup> July 2003 and Shri Anil N.Choudhari was appointed as General Manager of the Company w.e.f. 1<sup>st</sup> July 2003.

The Board of Directors places on record its appreciation for the valuable guidance and services rendered by these Directors/Managers during their tenure with the Company.

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.

**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.

**DIRECTORS' 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) During the year, the Company has changed the policy for charging Depreciation and accordingly the depreciation on fixed assets is provided on the basis of useful life of the assets estimated by the management, in respect of the fixed assets acquired on or after 01.04.2003.
- iv) 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.
- v) 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. Krishnarao & Co., Chartered Accountants, 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.

**CORPORATE GOVERNANCE:**

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report. (Annexure - II)

**INDUSTRIAL RELATIONS:**

The Company enjoyed harmonious relations with employees throughout 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**

**Place: Mumbai**

**Date: May 31, 2004**

**Yashovardhan Birla**  
**Chairman**



## ANNEXURE – I TO THE DIRECTORS' REPORT

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 R-8 Shank, Bearing Type Lock Nuts (E.R.Series) and Shrinkfit adaptors 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 products such as HSK Tooling, Balance Holders and Small bore 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, 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 & Asia Pacific Countries. The Product quality is well accepted worldwide.

2. **Total foreign exchange used and earned:**

	2003-04 (Rs. in 000)	2002-03 (Rs. in 000)
Total Foreign Exchange used	19424	10191
Total Foreign Exchange earned	85153	58059



## ANNEXURE - II TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and integrity in all facets of its operations and its relations and interactions with Shareholders, Customers, Employees, the Government and other business associates.

## 2. BOARD OF DIRECTORS:

**a) COMPOSITION :** The Company's Board at present has eight Directors headed by Shri Yashovardhan Birla, a Non-Executive Chairman, who is a renowned industrialist and Seven Non-Executive Directors. The Board members have the skills, expertise & experience necessary to guide the Company.

**b) BOARD MEETINGS:** During the financial year 2003-04, the Board met 4 times, on 30th April 2003, 30th July 2003, 30th October 2003 and 23rd January 2004.

Details of Directors' attendance during the year and other particulars are given below:

Name of the Director	No. of Board Meetings Attended	Last A.G.M. Attendance (Yes/No)	No. of Memberships In Board of other public companies	Status
Shri Yashovardhan Birla	4	No	6	Promoter Non-Executive
Shri U.S.Sethia	3	Yes	5	Independent Non-Executive
Shri D.K.Agarwal	3	No	4	Independent Non-Executive
Shri Y.P.Trivedi *	1	No	6	Independent Non-Executive
Shri Barry Roger Bryett	1	No	4 xx	Non-Executive
Shri Kevin G.Nowe	-	No	1 xx	Non-Executive
Shri H.P.Mahanes **	-	No	4 xx	Non-Executive
Dr. W.R.Correa (Alternate to Shri Kevin G.Nowe)	2	No	2	Non-Executive
Shri Paul Montgomery ***	1	No	5 xx	Non-Executive
Shri Arun Jain #	2	No	-	Independent Non-Executive
Shri Kumar Kanetkar ##	1	No	-	Non-Executive

\* Ceased to be a Director w.e.f 15.10.2003.

\*\* Ceased to be a Director w.e.f 01.07.2003.

\*\*\* Ceased to be a Director w.e.f 23.01.2004.

# Appointed as Additional Director w.e.f. 15.10.2003.

## Appointed as non-retiring Director w.e.f. 01.07.2003.

xx Directors outside of India - Foreign Directors.

None of the Directors is a member in more than 10 Committees or acts as Chairman of more than 5 Committees across all companies in which he is a Director.

## 3. AUDIT COMMITTEE:

The Audit Committee is headed by Shri U.S.Sethia as a Chairman alongwith Shri D. K. Agarwal, Shri Y.P.Trivedi and Shri Barry Bryett all of them are non-executive directors. Shri Y. P. Trivedi ceased to be a Director w.e.f. 15.10.2003 and in his place Shri Arun Jain was appointed as





member of the Audit Committee w.e.f. 30.10.2003 and Shri Kumar Kanetkar was appointed as a member of Audit Committee in place of Shri Barry Bryett w.e.f. 30.10.2003. The Company Secretary acts as the secretary to the Committee.

- 1) The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreement.
- 2) During the year under review, three meetings of the Audit Committee were held, the dates being April 30, 2003, October 10, 2003 and January 23, 2004.
- 3) The attendance of the members at the Audit Committee Meetings held during the year are as follows:

Name of the Director	Number of Meetings Attended	
Shri U.S.Sethia	2	
Shri D.K. Agarwal	3	
Shri Y.P.Trivedi	2	Ceased to be member w.e.f 15.10 2003.
Shri Arun Jain	1	Appointed as a member w.e.f 30.10.2003.
Shri Kumar Kanetkar	-	Appointed as a member w.e.f 30.10.2003.
Shri Barry Roger Bryett	1	Ceased to be member w.e.f 30.10.2003.

#### 4. REMUNERATION COMMITTEE:

The Company had formed Remuneration Committee in the year 2002. It comprises 3 Directors as members viz Shri Yashovardhan Birla as a Chairman, Shri U.S.Sethia and Shri Paul Montgomery as Non Executive Directors. During the year Shri Paul Montgomery ceased to be the Director and member of the Committee and in his place Shri Kumar Kanetkar was appointed as a member of the Remuneration Committee w.e.f 23.01.2004. The broad terms of reference are to determine and recommend to Board, compensation payable to the Executive, Non-Executive Directors and Managerial personnel. At present Company is not having Managing Director and no remuneration is paid to Non Executive Directors except sitting fees (@Rs.750/- per meeting) for attending the meetings of the Board of Directors or Committee thereof. Remuneration Committee Meeting will be held as and when necessitated.

The Company does not currently have a stock option plan or performance linked incentive for its Directors.

#### 5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The SHAREHOLDERS/INVESTORS GRIEVANCE Committee constituted by the Board of Directors comprises of three Directors, namely, Shri U.S.Sethia as a Chairman and Dr. W.R.Correa and Shri Arun Jain Directors as members. During the year Shri Y.P.Trivedi ceased to be a Director and member of the Committee and in his place Shri Arun Jain was appointed as a member w.e.f. 30.10.2003. The Committee looks into redressing of shareholders/investors' complaints like transfer of shares, non-receipt of balance sheet, and to handle the queries/complaints relating to dematerialization of shares etc. The Committee oversees the performance of overall improvement of the quality of investor's services. During the year under the review, One Shareholders / Investors' Grievance Committee meeting was held on 26th September, 2003.

**6. GENERAL BODY MEETINGS:**

Location, date & time of last three Annual General Meetings were held:

YEAR	2000-2001	2001-2002	2002-2003
DATE	31.07.2001	30.07.2002	31.07.2003
TIME	03.30 P.M.	03.30 P.M.	3.30 P.M.
LOCATION	At Registered Office: B-15/4, M.I.D.C. WALUJ, AURANGABAD - 431 133	At Registered Office: B-15/4, M.I.D.C. WALUJ, AURANGABAD-431 133	At Registered Office: B-15/4, M.I.D.C. WALUJ, AURANGABAD-431 133

There were no Resolutions put through the Postal Ballot. There is no business at the ensuing A.G.M. requiring implementation of the Postal Ballot under the applicable rules.

**7. DISCLOSURES:****Related Party Transactions:**

Related party transactions under clause 49 of the Listing Agreement are defined as the transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

Among the related party transactions are contracts or arrangements, made by the Company from time to time with Companies in which the Directors are interested. All these contracts or arrangements are entered in Register of Contracts under section 301 of the Companies Act, 1956 and the register is placed before the Board.

There were no material transactions during the year 2003-2004 that are prejudicial to the interest of the Company.

**Statutory Compliance, Penalties and Strictures:**

The Company has complied with the requirements of the Stock Exchange/SEBI and Statutory Authorities, matters related to capital markets during the last three years.

No penalties / strictures have been imposed on the Company by any regulatory authority for non-compliance of any law.

**8. MEANS OF COMMUNICATIONS:**

Quarterly / Half-yearly financial results of the Company are forwarded to the Mumbai and Ahmedabad Stock Exchanges immediately after the Board Meeting and also published in 'Free Press Journal' and 'Navshakti', the newspapers within 48 hours of the Board Meeting. The results are also displayed on the Company's web-site [www.birlakennametal.com](http://www.birlakennametal.com) and in the SEBI's website under EDIFAR (Electronic Data Information Filling and Retrieval System).

**9. GENERAL SHAREHOLDERS' INFORMATION:**

Details of Annual General Meeting.

Date	:	29/09/2004	:
Time	:	03.30 p.m.	:
Location	:	Regd. Office & Factory: B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133.	:
Financial Year	:	Year ending March 31, 2004.	:
Date of Book Closure	:	21/09/ 2004 to 24/09/ 2004. (both days inclusive)	: