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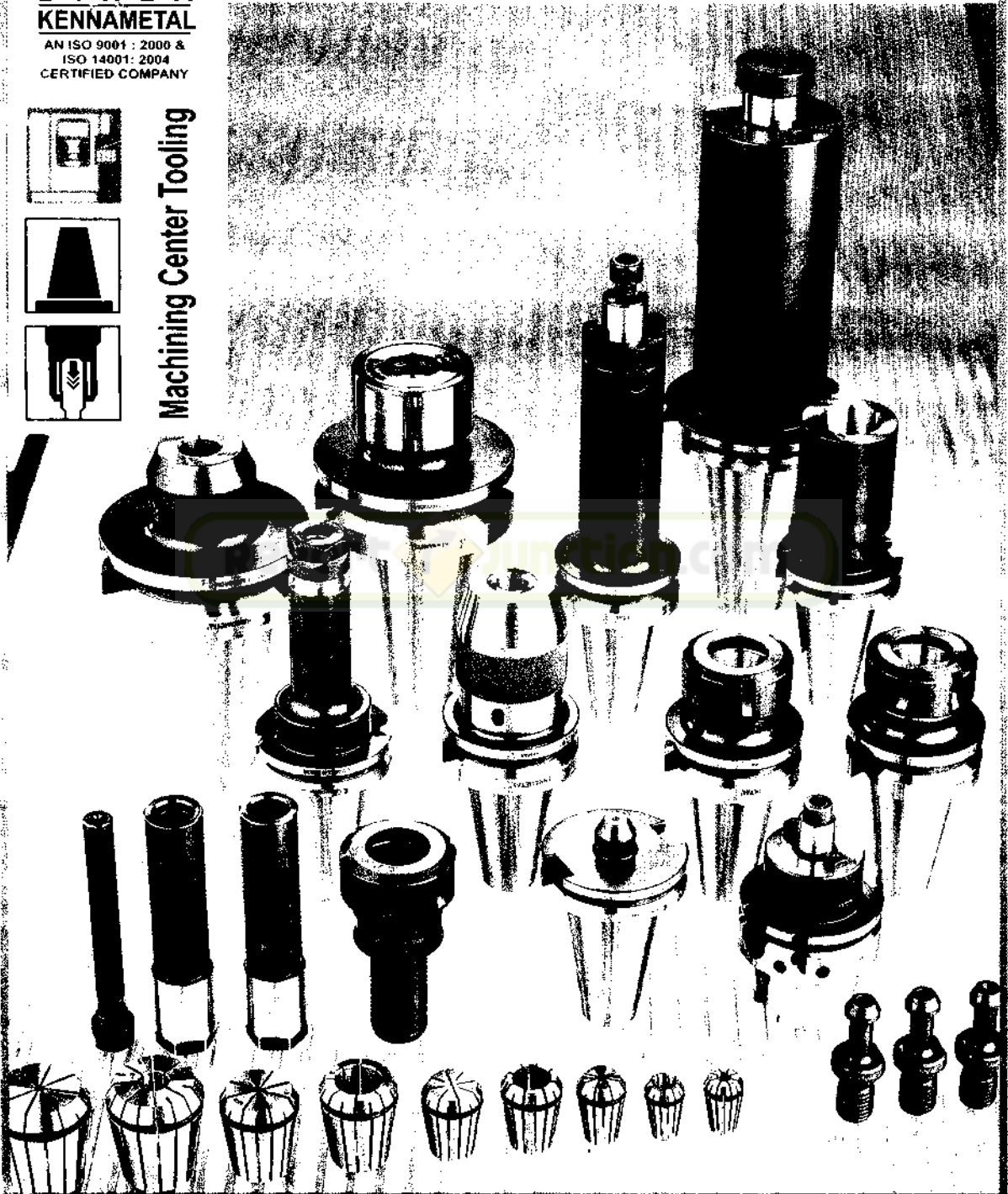
**BIRLA  
KENNAMETAL**

AN ISO 9001 : 2000 &  
ISO 14001: 2004  
CERTIFIED COMPANY

# 19<sup>TH</sup> ANNUAL REPORT 2005-2006



Machining Center Tooling



**Get a firm grip on PRODUCTIVITY**



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**19th Annual General Meeting**  
 Tuesday, 25th July, 2006 at 03.30 P.M.  
 at Registered Office of the Company at  
 B-15/4, M.I.D.C., Waluj,  
 Aurangabad - 431 133. (M.S.)



### COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	:	SHRI YASHOVARDHAN BIRLA SHRI ARUN JAIN SHRI KUMAR KANETKAR DR. W. R. CORREA SHRI SHAILESH SHETH	Chairman
<b>GENERAL MANAGER</b>	:	SHRI ANIL CHOUDHARI	
<b>COMPANY SECRETARY</b>	:	SHRI ANAND P. MORE	
<b>AUDITORS</b>	:	DALAL & SHAH Chartered Accountants East & West Insurance Building, 2nd Floor, 49/55, Bombay Samachar Marg, Fort, Mumbai - 400 023, India.	
<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 Private Limited "KARVY HOUSE" 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034	



## NOTICE

NOTICE IS HEREBY GIVEN THAT the **Nineteenth Annual General Meeting of the Members of Birla Kennametal Limited will be held on Tuesday 25<sup>th</sup> July, 2006 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 the following business:

### **ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, the audited Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended 31<sup>st</sup> March 2006.
3. To appoint a Director in place of Dr. W. R. Correa, 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 of the Company and to authorise the Board to fix their remuneration. The retiring Auditors M/s. Dalal & Shah, Chartered Accountants Mumbai, being eligible, offer themselves for re-appointment.

### **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 Shailesh Sheth 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 : 22<sup>nd</sup> May, 2006.

**NOTES :**

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the meeting.
2. The Register of Members and the Share transfer books of the Company will remain closed from 12<sup>th</sup> July, 2006 to 15<sup>th</sup> July, 2006 (both days inclusive).
3. Members holding shares in physical form 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.
4. Members are requested to bring their copies of the Annual Report to the Meeting.
5. Dividend as recommended by the Directors for the year ended 31<sup>st</sup> March, 2006, if declared, will be payable to those members whose names appear in the Register of Members, as at the close of business hours of 11<sup>th</sup> July, 2006 and in respect of shares held in demat form as per the list of beneficial owners furnished by NSDL/CDSL as on 11<sup>th</sup> July, 2006.
6. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with the respective Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.
7. Members may address all correspondence to the Company's Registrar and Share Transfer Agent at the following address:  
  
M/s. Karvy Computershare Private Limited  
"KARVY HOUSE"  
46, Avenue 4, Street No.1.  
Banjara Hills Hyderabad - 500 034. (A.P.)  
Telephone : (040) 23420815 to 820  
Fax : (040) 23420814  
E-mail : [sreedharamurthy@karvy.com](mailto:sreedharamurthy@karvy.com), [ussingh@karvy.com](mailto:ussingh@karvy.com)  
  
Contact Person : Mr. K. Sreedhara Murthy / Mr. U.S.Singh  
  
Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number in all correspondence.
8. The Equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN allotted to the Company's equity shares is INE372E01017.



9. The identity/signature of the Members holding shares in demat form is liable for verification with the specimen signatures furnished by NSDL/CDSL. Such Members are advised to bring the relevant identity card, if any, issued by the Depository Participant, to the Annual General Meeting.

**EXPLANATORY STATEMENT, PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

**Item No.5**

Shri Shailesh Sheth was appointed as an Additional Director of the Company by the Board on 01<sup>st</sup> July, 2005. 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 Shailesh Sheth 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 Shailesh Sheth is a M.B.A. from Indian Institute of Management (IIM) Ahmedabad. He is a corporate advisor to small and medium enterprises in Europe. He has a rich experience of over 20 years as a Director and Advisor on various Companies. He is also a member of various organizations (CII, IMTMA, etc.) and has many publications to his name.

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

Shri Shailesh Sheth 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. Wafuj,  
Aurangabad - 431 133

Date : 22<sup>nd</sup> May, 2006



## DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

To,

Dear Shareholders,

Your Directors are pleased to present the 19<sup>th</sup> Annual Report and the audited accounts of the Company for the Financial Year ended 31<sup>st</sup> March 2006.

### FINANCIAL RESULTS:

	2005-06 (Rs.in'000)	2004-05 (Rs.in'000)
Net Sales including Other Income	153512	141538
Profit before Interest, Depreciation and Tax	49231	43412
Less: Interest	1904	1898
Profit before Depreciation and Taxation	47327	41514
Less: Depreciation	12212	11052
Add: Prior period adjustments	(109)	141
Profit before Taxation	35006	30603
Less: Provision for taxation:		
Current Tax	12250	11000
Deferred Tax Debit/(Credit)	(202)	650
Fringe benefit Tax	340	0
<b>Net Profit after taxation</b>	<b>22618</b>	<b>18953</b>
Add: Balance brought forward from previous year	20353	9264
Less: Impairment loss on fixed assets	0	1185
<b>Total available for appropriation</b>	<b>42971</b>	<b>27032</b>
<b>Appropriation:</b>		
Transferred to General Reserve	3500	3061
Proposed Dividend	3840	3200
Tax on Dividend	539	418
<b>Balance carried to Balance Sheet</b>	<b>35092</b>	<b>20353</b>

### DIVIDEND

Considering the improved performance of the Company during the year, your Directors are pleased to recommend a dividend @ 12% on the Equity Shares of the Company for the year ended 31<sup>st</sup> March 2006.

### OPERATIONS

The turnover of the company for the year has shown a growth of 8.46% over last year. The profit before taxation for the financial year 2005-06 amounted to Rs.350.06 Lacs as against last year's Rs.306.03 lacs, registering an improvement of 14.39% over the last year. Profit after taxation has improved to Rs. 226.18 Lacs from Rs.189.53 lacs of the previous year registering a growth of 19.34% over the last year. The overall improvement in performance has resulted in increasing the net worth of your Company to its highest level since its inception.

To meet the increasing demand of domestic market as well as of overseas market, the Company plans to expand its capacity to manufacture the product namely "Rotating Tool Holder" by making an investment of approximately 3.00 Crores for adding new generation machines during the next Year.





In order to be economical in the price sensitive overseas market, the Company is going to partially convert its existing Tool Holder and Work Holding manufacturing section into an 100% Export Oriented Unit from 1<sup>st</sup> June, 2006.

### **DIRECTORS**

Shri Mirko Cvjeticanin – Director, resigned from the Board of Directors w.e.f. 08th April, 2006.

The Board placed on record its appreciation for the valuable services rendered by Shri Mirko Cvjeticanin during his tenure as a Director of the Company.

During the year Shri Shailesh Sheth was appointed as an Additional Director on the Board of the Company w.e.f. 01<sup>st</sup> July, 2005.

In terms of provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. W. R. Correa retires by rotation and being eligible, offers himself for re-appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- 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.

### **PARTICULARS OF EMPLOYEES**

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.

### **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.

### **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.

### **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.



**CORPORATE GOVERNANCE**

As required under amended Clause 49 of the listing agreement of Stock Exchanges, a report on corporate governance & the management discussion and analysis is annexed to this report. (Annexure-II)

**AUDITORS**

M/s. Dalal & Shah, Chartered Accountants, Mumbai, Auditors of the Company who retire at the Annual General Meeting are eligible for re-appointment.

**INDUSTRIAL RELATIONS**

The Company enjoyed harmonious relations with employees throughout the year.

**ACKNOWLEDGEMENTS**

Your Directors would like to express their appreciation for assistance and co-operation received from the Financial Institutions, Banks, Government authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their gratitude for the committed services of the Executives, Staff and Workers of the Company.

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

Place: Mumbai  
Date: 10th June, 2006

**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 Square Shank Tool holders, HSK100, Drill Chucks and Milling Chucks 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 special HSK tooling, Shrink fits, Lathe Tooling being taken up.

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:**

	2005-06 (Rs. in 000)	2004-05 (Rs. in 000)
Total Foreign Exchange used	13542	20222
Total Foreign Exchange earned	134508	129160