

**BK**

**BIRLA  
KENNAMETAL**

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



**Machining Center Tooling**

# 20<sup>TH</sup> ANNUAL REPORT 2006 - 07



**Get a firm grip on *PRODUCTIVITY***



<b>Contents</b>	<b>Page No.</b>
Company Information	2
Notice	3 - 11
Directors' Report	12 - 14
Report on Corporate Governance and Certificate	15 - 23
Auditors' Report	24 - 27
Balance Sheet	28
Profit and Loss Account	29
Cash Flow Statement	30
Schedules	31 - 35
Notes to Accounts	36 - 45
Balance Sheet Abstract	46

**20th Annual General Meeting**  
 Thursday, 27th September, 2007 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

**BOARD OF DIRECTORS :** SHRI YASHOVARDHAN BIRLA Chairman  
 SHRI ARUN JAIN  
 DR. W. R. CORREA  
 SHRI SHAILESH SHETH

**VICE PRESIDENT :** SHRI ANIL CHOUDHARI

**COMPANY SECRETARY :** SHRI ANAND P. MORE

**AUDITORS :** DALAL & SHAH  
 Chartered Accountants  
 East & West Insurance Building,  
 2nd Floor, 49/55,  
 Bombay Samachar Marg, Fort,  
 Mumbai - 400 001, India.

**BANKERS :** Bank of Maharashtra

**REGISTERED OFFICE & FACTORY :** B-15/4, M.I.D.C. Industrial Area  
 Waluj,  
 Aurangabad - 431 133 (M.S.)

**REGISTRAR & SHARE TRANSFER AGENTS :** Karvy Computershare Private Limited  
 "KARVY HOUSE"  
 46, Avenue 4,  
 Street No. 1,  
 Banjara Hills,  
 Hyderabad - 500 034



### NOTICE

Notice is hereby given that the 20<sup>th</sup> ANNUAL GENERAL MEETING OF THE MEMBERS OF BIRLA KENNAMETAL LIMITED will be held at Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad-431 133 (M.S.), on Thursday, the 27<sup>th</sup> September 2007 at 3.30 p.m. to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares for the financial year ended 31<sup>st</sup> March 2007.
3. To appoint a Director in place of Shri Arun Jain, 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 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 modifications(s) the following resolution as a Special Resolution :-**

**"RESOLVED THAT** each of the existing equity shares of Rs.10/- each in the capital of the company, on which a sum of Rs. 10/- is credited as paid-up be sub-divided into 5 shares of Rs. 2/- each, upon each of which a sum of Rs. 2/- shall be credited as paid-up."

6. **To consider and if thought fit, to pass with or without modifications(s) the following resolution as a Special Resolution :-**

**"RESOLVED THAT** subject to the approval of the Central Government/Registrar of Companies under Section 21 and other applicable provisions, if any, of the Companies Act, 1956, the name of the company be changed from "Birla Kennametal Limited" to "Birla Precision Technologies Limited" and that the Memorandum of Association and Articles of Association of the Company be amended accordingly to give effect to the change of name of the Company."

7. **To consider and if thought fit, to pass with or without modifications(s) the following resolution as a Special Resolution :-**

**"RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), the Articles of Association of the Company be and is hereby altered in the following manner:

**A. Clauses (f) of Article 2, to read as :** The Company or 'this company' means  
**Birla Precision Technologies Limited**

**B. Clause (z) of Article 2 be deleted altogether.**

**C. Article 130 be replaced with the following new Article :**

130. Notwithstanding anything contained in Article 131, 132, 149 and 150 of the Articles of Association and subject to the provisions of Section 255 of the Companies Act, 1956, the Chairman of the Board of Directors of the Company shall be a Permanent Director and shall not be liable to Retire by Rotation in the General Meetings.

**D. Article 134 be replaced with the following new Article:**

134. The Board may appoint any person who is recommended for such appointment by a Director (hereinafter called "the Original Director") to act as an Alternate Director for him during his absence for a period of not less than three months from the state in which the





meetings of the Board are ordinarily held and such appointee, while he holds office as an Alternate Director shall be entitled to notice of meetings of the Directors and to vote thereat accordingly and to the same rights and privileges as the Original Director. Alternate Director appointed under this article shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office as and when the Original Director returns to the said state. If the term of the office of the Original Director is determined before he so returns to the state as aforesaid, any provisions in the Act or in this articles for the automatic re-appointment of a retiring Director in default of any other appointment shall apply to the Original Director and not to the Alternate Director.

**E. Article 135 be replaced with the following new Article:**

135. Subject to the provisions of the Act and these articles, if the office of any Director is vacated before his term of office will expire in the normal course the resulting casual vacancy may be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office, if the vacancy had not occurred.

**F. Article 149 be replaced with the following new Article:**

149 (1) Subject to the provisions of Section 255 of the Act, all Directors of the Company, (other than the non-retiring Directors appointed under Article 130, the Directors, if any, appointed pursuant to Articles 131 and 132 and the Managing Director/Whole-time Director) shall be elected by the Members in general meeting and shall be liable to retire by rotation as hereinafter provided:

(2) At every Annual General Meeting one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from the office.

**G. Article 164 be replaced with the following new Article:**

164. Any questions arising or decision taken at a Meeting of the Board of Directors or any Committee thereof shall be decided by a majority of the votes and in the case of an equality of votes, the Chairman shall have a second or a casting vote, which he may cast at his sole discretion.

**H. Article 167 be replaced with the following new Article:**

167 (1) A resolution passed by circular without a meeting of the Board or a Committee of the Board appointed under Article 165 shall, subject to the provision of sub-clause (2) hereof and the Act be as valid and effectual as a resolution duly passed at a meeting of the Board or of its committee duly called and held.

(2) No resolution shall be deemed to have been duly passed by the Board, by circulation, unless the resolution has been circulated in draft together with the necessary papers, if any, to all the Directors for the time being who are entitled to vote on the resolution.

**I. Article 226 be deleted altogether.**

**8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-**

**“RESOLVED THAT** authorized share capital of the company be increased from existing Rs. 5,00,00,000 (Rs. Five Crores) to Rs. 50,00,00,000 (Rs. Fifty crores only) divided into 25,00,00,000 (Twenty Five crores) Equity shares of Rs.2/- each (Rs. Two only) and that Clause (104) V. of Memorandum of Association be changed as below:”

Clause (104) V.

The authorized share capital of the Company is Rs. 50,00,00,000 (Rs. Fifty crores only) divided into



25,00,00,000 (Twenty Five crores) Equity shares of Rs.2/- each (Rs. Two only) with power to increase, divide, sub-divide into various classes of shares and attach thereto such preferential/deferred, special rights/privileges/conditions as may be determined by the company in accordance with its regulations.

**9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) Article 5 of the Articles of Association of the Company be altered in the following manner :

5. The authorized Share Capital of the company as per Clause (104) V. of the Memorandum of Association with rights , privileges and conditions attached thereto as per the relevant provisions contained in that behalf in these articles and legislative provisions for the time being in force in this behalf and with power to increase or reduce the capital and to divide the Shares in Capital of the Company for the time being into equity share capital and preference share capital and attach thereto respectively and preferential, qualified or special rights, privileges or conditions as may be determined in accordance with these Articles and the legislative provisions for the time being in force in these behalf to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the Act or provided by these Articles.

**10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification, amendments or re-enactment thereof for the time in force) and in accordance with the provisions of the Articles of Association and the Memorandum of Association of the Company and such rules, guidelines and regulations, if any, as may be prescribed by Securities and Exchange Board of India (SEBI) , Reserve Bank of India (RBI) and all other concerned and relevant authorities to the extent applicable from time to time and subject to such approvals consents permissions and sanctions of the Government of India (GOI) , SEBI, RBI and all other appropriate authorities, institutions or bodies, including those of Ministry of Commerce, Ministry of finance, Ministry of Industry, Secretarial for Industrial Assistance and/or Foreign Investment Promotion Board as may be required and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents , permissions and sanctions which the Board of Directors of the Company (hereinafter referred as the "Board" which expression shall be deemed to include person(s) authorized or any committee(s) constituted/ to be by the scared to exercise its powers including the powers conferred by this Resolution) is hereby authorized, on behalf of the Company, to create, offer, issue and/or allot. In the course of one or more public issue or rights issue or private offerings in domestic and/or one or more international markets, such number of equity shares and/or preference shares and/or Foreign Currency Convertible Bonds and/or Global Depository Receipts (GDR) and/or American Depository Receipts (ADR) and/or such other instruments including debentures convertible into equity shares at the option of the Company and/or the holder(s) of such securities, and/or securities linked to equity shares and/or securities with or without detachable/non-detachable warrants with a right exercisable by the warrant-holder to subscribe for equity shares, and/or warrants with an option exercisable by the warrant holder to subscribe for equity shares, and/or any instrument or securities representing either equity shares and/or convertible securities linked to equity shares, convertible debentures in one or more tranches (whether fully convertible or not and whether secured or not). (all of which are hereinafter collectively referred to as 'Securities') to Promoters Existing Shareholders or Directors, employees, Indian public, Foreign Institutional Investors (FIIs) Mutul Funds, Financial Institutions, Banks, Insurance companies and/or any other persons or entities (hereinafter referred to as "investors") whether residents and/or non-residents and/or strategic investors and/or non resident individuals and/or corporate bodies and whether or not such investors are members of the Company) through prospectus and or offer letter or circular and/or on private/preferential placement basis for an aggregate amount of upto Rs.150 Crores (Rupees One Hundred Fifty Crores only) or its equivalent including premium. Such issue/



offer and allotment to be made at such time or times in one or more tranches, at such price or prices, at a discount, at par to or at a premium to market price or prices, in such a manner and where necessary, in consultation with the Lead Managers and/or underwriters and/or other advisors or otherwise on such terms and conditions as the Board, may, in its absolute discretion, decide at the time of issue/offer/allotment."

**"RESOLVED FURTHER THAT** without prejudice to the generally of the above the aforesaid issue/offer of the securities may have all or any terms or combinations of terms in accordance with prevalent market practice including but not limited to terms and conditions relating to payment of interest, dividend, premium or redemption at the option of the company and/or holders of any securities, including terms for issue/offer of additional equity shares or variations of the price or period of conversion of securities into equity shares or issue/offer of equity shares during the period of the securities or terms pertaining to voting rights or option(s) for early redemption of securities. For the purpose of giving effect to the above, the Board be and is hereby authorized to determine the form, terms and timing of the issue(s)/offers including the class of investors, to whom the securities are to be allotted, number of securities to be allotted in each tranche, issue/offer price, face value, premium amount on issue/conversion of securities/exercise of warrants/redemption of securities, rate of interest, redemption period, listings on one or more stock exchange in India and/or overseas as the Board in its absolute discretion deems fit and to make and accept any modification in the proposal as may be required by the authorities involved in such issues/offers in India and/or overseas, to do all acts, deeds matters and things as may be necessary and to settle any questions or difficulties that may arise in regard to the issue(s) /offer(s)."

**"RESOLVED FURTHER THAT** in case of any equity linked issue/offer, the Board be and is hereby authorized to offer, issue/offer and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the issue/offer, all such shares ranking pari passu inter se, with the then existing equity shares of the Company in all respects, in accordance with the law applicable at the time of such issue, offer or the allotment as the case may be."

**"RESOLVED FURTHER THAT** the consent of the Company be and is hereby granted in terms of the applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any other above mentioned securities to be issued, by the creation of mortgage and/or mortgage and/or charge on all or any of the Company's immovable and/or movable assets, both present and further in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

**"RESOLVED FURTHER THAT** any one of the Directors of the Board, be and are hereby severally authorized to make appointments as may be required of Managers (Including Lead Managers), Merchant Bankers, Underwriters, Guarantors, Financial and/or Legal Advisors, Depositories, Custodians, Principal Paying/Transfer/Conversion Agents, Registrars, Trustees and all other agencies, whether in India or overseas and to enter into and execute all such arrangement(s) agreements(s) with any such Managers (including Lead Managers)/Merchant Bankers / Underwriters/ Guarantors/Depositories Custodians, Principal Paying/Transfer/Conversion Agents. Listing Agents, Registrars, Trustees and all such agents, Trustees and all such agents as may be involved or concerned in such offering of Securities and to remunerate all such agents including by way of payment of commission, brokerage fees, expenses incurred in relations to the issue/offer of Securities and other expenses, if any."

**"RESOLVED FURTHER THAT** the Preliminary and as well as the final offer document for the aforesaid issue/offer be finalized, approved and signed by the Directors of the Board for and on behalf of the Company with authority to amend, vary, modify the same as may be considered desirable of or expedient and for the purpose aforesaid to give such declaration, affidavits, undertakings, certificates, consents, authorities as may be necessary required from time to time."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to any issue, offer or allotment of equity shares of securities or instruments representing the same, as described above any one of the



Directors of the Board be and are hereby severally authorized on behalf of the company, to sign execute and issue consolidated receipts(s) for the securities, listing application, various agreements (including but not limited to Subscription Agreement, Trustee Agreement). Undertakings, deeds, declarations, any applications to Government of India (Ministry of Finance) and or Reserve bank of India and/or other regulatory authorities and all other documents and to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary or desirable and to settle any questions, difficulties or doubts that may arise in regard to the offering, issue/offer, allotment and utilization of the issue/offer proceeds, including for the purpose of complying with all the formalities as may be required in connection with and incidental to the aforesaid offering of Securities, including for the post issue/offer formalities."

**"RESOLVED FURTHER THAT** the Board do open one or more bank accounts in the name of the Company in Indian currency or foreign currency(ies) with such bank or banks in India and/or such foreign countries as may be required in connection with the aforesaid issue/offer, subject to requisite approvals from Reserve Bank of India and other overseas regulatory authorities, if any."

**"RESOLVED FURTHER THAT** to the extent permitted as per the existing provisions of law in this regard, Equity Shares to be allotted, if any, as an outcome of the issue/offer of the securities mentioned above, shall rank pari passu in all respect with the then existing Equity Shares of the Company, in accordance with the law applicable at the time of such issue, offer or the allotment as the case may be."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors, or Executive Director or any officer of the Company to give effect to the aforesaid resolution."

**11. To consider and if thought fit, to pass, the following resolution, with or without modification(s), as a Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), authority and consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board", which expression shall include a Committee of Directors duly authorised in this behalf) to borrow and raise such sum or sums of money or monies from time to time as may be required for the purpose of business of the Company notwithstanding that the money or monies to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserved not set apart for any specific purpose, subject to the proviso that the aggregate of such borrowings shall not exceed Rs. 50 Crores at any point of time."

**12. To consider and if thought fit, to pass, the following resolution with or without modification(s), as a Special Resolution:**

**"RESOLVED THAT** pursuant to section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all or any part of the immovable and/or movable properties/assets of the Company wherever situate, both present and future, to or in favour of any Bank(s), Financial Institution(s), Company(ies) or other Organisation(s) or Institution(s) or Trustee(s) (hereinafter referred to as the 'Lending Agencies') in order to secure the loans (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business) advanced/to be advanced by such lending agencies to the Company together with interest at the respective agreed rates, compound/additional interest, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said borrowings.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things and to execute such deeds, documents or writings as are





necessary or expedient, on behalf of the Company for creating the aforesaid mortgages and/or charges as it may in its absolute discretion deem necessary or expedient for such purpose and for giving effect to the above resolution."

**13. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:**

**"RESOLVED THAT** subject to the Securities and Exchange Board of India (SEBI) Regulations, Guidelines and other applicable provisions, if any, the Board of Directors of the Company is hereby authorized to seek voluntary delisting of Company's 32,00,000 Nos. of Equity Shares of Rs.10/- each fully paid up from Ahmedabad Stock Exchange Limited (ASE) and for that matter to approach the said Stock Exchange and any other concern authorities seeking its/ their approval for voluntary delisting of Equity Shares from the said Stock Exchange."

**"RESOLVED FURTHER THAT** the Board of Directors or any officer authorized by the Board is authorized to take all such steps, to do all such acts, deeds, things and to settle all questions difficulties or doubts as may arise in this regards to the aforesaid voluntary delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval from the Members."

**NOTES:**

1. The relative explanatory statements, pursuant to section 173 of the Companies Act, 1956, in respect of the special business under item Nos. 5 to 13 above, are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. 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.
3. The Register of Members and the Share transfer books of the Company will be closed from Tuesday, 18<sup>th</sup> September, 2007 to Friday, 21<sup>st</sup> September, 2007 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
5. Members are requested to bring their copies of the Annual Report to the Meeting.
6. If the dividend on shares as recommended by the Directors is passed at the Meeting, payment of such dividend will be made on and after 27<sup>th</sup> September, 2007 to those members whose names are on the Companies Register of Members on 17<sup>th</sup> September, 2007. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 17<sup>th</sup> September, 2007 as per details furnished by the depositories for this purpose.
7. 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.
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.



## BIRLA KENNAMETAL LIMITED

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.
10. 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) 23114087/23420815

Fax : (040) 23420814

E-mail : sreedharamurthy@karvy.com , ussingh@karvy.com

Contract 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.

**By Order of the Board of Directors**

Place : Mumbai

Date : 22<sup>nd</sup> August, 2007

**Anand P. More**

**Company Secretary**

**Registered Office :**

**Birla Kennametal Limited**

**B-15/4, M.I.D.C. Waluj,**

**Aurangabad-431 133 (M.S.)**

### EXPLANATORY STATEMENT

The following Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 (hereinafter referred to as "the Act"), sets out all material facts relating to the special business mentioned at item nos. 5 to 13 of the accompanying Notice dated 22<sup>nd</sup> August, 2007.

#### Item No. 5.

In view of the abolition of fixed par value of Rs. 10/- by SEBI, the company proposes to sub-divide its equity share capital by reducing its par value from Rs.10/- to Rs. 2/- each.

Further, the sub-division of shares will facilitate widening the shareholders base by increased floating shares.

It is now proposed to pass this special resolution to effect the sub-division in accordance with section 94(1) (d) of the Companies Act, 1956.

None of the Directors are concerned or interested in the aforesaid Resolution.

#### Item No. 6.

Consequent upon divesting of stake by the erstwhile Joint Venture Partner M/s. Kennametal Inc, USA, the name of the company is proposed to be changed as specified in the resolution subject to the approval of Registrar of Companies/ Central Government. The shareholders are requested to accord the approval.

None of the Directors are interested in the resolution.

#### Item No. 7.

The present Articles of Association contains provisions with regard to the Joint Venture Agreement