



THE YASH BIRLA GROUP

Birla Precision Technologies Limited

**23rd Annual Report
2009-10**

BPT
BIRLA
PRECISION

ISO 9001 : 2000 &
ISO 14001 : 2004
CERTIFIED

COMPANY INFORMATION

BOARD OF DIRECTORS : Shri Yashovardhan Birla - Chairman
Shri M. S. Arora - Managing Director
Shri P. V. R. Murthy - Director
Shri Shailesh Sheth - Director
Shri M. S. Adige - Director
Shri A. P. Kurias - Director

AUDITORS : Dalal & Shah
Chartered Accountants
252, Veer Sawarkar Marg,
2nd Floor, Shivaji Park,
Dadar (W), Mumbai - 400 028

BANKERS : ICICI Bank Limited
Bank of Maharashtra

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

PLANT LOCATIONS: Tool Holder Division:
- B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133
Tool Division:
- B-15/3/1, M.I.D.C., Waluj, Aurangabad - 431 133
- 62/63, M.I.D.C., Satpur, Nashik - 422 007

**REGISTRAR & SHARE
TRANSFER AGENTS** : M/s. Karvy Computershare Pvt. Ltd.
17-24, Vittalrao Nagar, Madhapur,
Hyderabad - 500 081 (A.P.)

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23rd Annual General Meeting
Tuesday, 28th September, 2010
at 3.30 p.m.
at Registered Office of the Company at
B-15/4, M.I.D.C., Waluj,
Aurangabad - 431 133 (M.S.)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 23RD ANNUAL GENERAL MEETING OF BIRLA PRECISION TECHNOLOGIES LIMITED will be held on Tuesday, 28th September, 2010 at 3.30 p.m., at the Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133 (M.S.) to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 and the Balance Sheet as at that date together with the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri M.S. Adige who retires by rotation and is eligible for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Chaturvedi & Shah, Chartered Accountants, (Registration no. 101720W) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company in place of M/s. Dalal & Shah, Chartered Accountants, the retiring Auditors of the Company, who have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting.

RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Statutory Auditors.”

By Order of the Board of Directors

Place: Mumbai
Date: 31st August, 2010

M.S. Arora
Managing Director

NOTES

1. 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 Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued by the member organization.
2. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 23rd September, 2010 to Tuesday 28th September, 2010 (both days inclusive).
3. Members holding shares in physical form may be aware that trading of the Equity Shares of the Company has to be in demat form. In view of this and several other benefits of holding shares in demat mode, you are requested to have your shares dematerialized to avail the benefits of electronic form of trading.
4. Members are requested to promptly notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form. This will help the Company and its Registrars and Share Transfer Agents to provide efficient and better service to the Members.
5. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.

EXPLANATORY STATEMENT, AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 3 - Appointment of Statutory Auditors:

M/s. Dalal & Shah, Chartered Accountants, Mumbai, the present auditors who retire at this Annual General Meeting have informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company at the forthcoming Annual General Meeting. Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Chaturvedi & Shah, Chartered Accountants, as the Statutory Auditors of the Company in place of M/s.

Dalal & Shah, Chartered Accountants, the retiring Auditors of the Company, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Chaturvedi & Shah, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956. The members approval is being sought for the appointment of M/s. Chaturvedi & Shah, Chartered Accountants, as the Statutory Auditors of the Company and to authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors.

None of the Directors are concerned or interested in the said resolution. The Board recommends the resolution as mentioned in Item no.3 of the notice.

By Order of the Board of Directors

Place: Mumbai

Date: 31st August, 2010

M.S. Arora

Managing Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

To the Members,

Your Directors are pleased to present the Twenty Third Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS:

<u>Particulars</u>	<u>2009-10</u>	<u>2008-09</u>
	(Rs.in '000)	(Rs.in '000)
Net Sales including other Income	803627	273437
Profit before Interest, Depreciation and Tax	94251	46460
Less: Interest & Financial Charges	24168	8647
Profit before Depreciation and Taxation	70083	37813
Less: Depreciation & Amortisation	55017	28369
Profit before taxation	15066	9444
Less: Provision for taxation	5500	3806
Net Profit after taxation	9566	5638
Add/(Less) Prior period adjustments	--	(27)
Profit for the year	9566	5611
Balance of Profit & Loss account as per last Balance Sheet	126991	124194
Add: Net surplus for the year ended 31 st March, 2009 transferred from Zenith Birla (India) Limited on account of merger of Tool Division [Refer Note No. B(2)]	42609	--
Add: Net surplus as per Scheme of Merger of Tool Division of Zenith Birla (India) Limited [Refer Note No. B (2)]	174799	--
Total Profit available for appropriation	353965	129805
Appropriation:		
Transferred to General Reserve	--	942
Proposed Dividend	--	1600
Tax on Proposed Dividend	--	272
Balance carried to Balance Sheet	353965	126991

SCHEME OF ARRANGEMENT

The Scheme of Arrangement between the Company, Zenith Birla (India) Limited, Tungabhadra Holdings Private Limited and their respective shareholders has been sanctioned by the Hon'ble High Court of Bombay on 8th January, 2010. According to the Scheme, the Tooling Business of Zenith Birla (India) Limited has been demerged from Zenith Birla (India) Limited and merged with the Company. The Scheme has been made effective from 11th February, 2010. The Appointed date of the Scheme was 1st April, 2008.

The Company in consideration for the transfer of and vesting of the assets and liabilities of the Tooling Business of Zenith Birla (India) Limited, has allotted 1,60,27,996 equity shares of Rs. 2/- each to the shareholders of Zenith Birla (India) Limited in the ratio of 2 (Two) Equity share of the face value of Rs. 2/- each credited as fully paid up of the Company, for every 5 (five) Equity shares of the face value of Rs. 10/- each held in Zenith Birla (India) Limited.

PERFORMANCE REVIEW

The Net Sales and Other Income of the Company for the Financial Year 2009-10 stood at Rs. 8036.27 lacs as against Rs. 2734.37 lacs of last year. Profit After Tax stood at Rs. 95.66 lacs as against Rs. 56.11 lacs of last year.

On account of the Scheme of Arrangement being given effect to during the year under review, the figures of the year under review are not comparable with those of the year ended 31st March, 2009.

DIVIDEND

Your Directors have not recommended dividend for the year ended 31st March, 2010 considering the fund requirement for future business expansion.

INSURANCE

All properties and insurable interests of the Company including Building and Plant & Machinery have been adequately insured.

PARTICULARS OF EMPLOYEES

During the year under review, there was no employee covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

PUBLIC DEPOSIT

Your Company has not accepted any fixed deposit from the public. As such, no amount of principal or interest is outstanding as on the Balance Sheet date.

DIRECTORS

Shri M.S. Adige, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statement for the period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that:

- I) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- II) Appropriate accounting policies have been selected and applied consistently and made judgments 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) Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability;
- IV) The annual accounts have been prepared on a “going concern basis”.

AUDITORS & AUDITORS' REPORT

M/s. Dalal & Shah, Chartered Accountants, auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Dalal & Shah, Chartered Accountants, expressing their unwillingness to be re-appointed as Auditors.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Chaturvedi & Shah, Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Chaturvedi & Shah, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

The notes to the Accounts are self explanatory and therefore do not call for any further comments.

The Board of Directors explanation to the Auditors adverse remark is as follows:

Auditors Adverse Remark	Directors Explanation
Cost of finished goods and goods under process of Tool Division of the Company is determined by using retail method whereby the cost is computed by reducing from the sale value of the inventory, the global gross margin which is not as per Accounting Standard AS-2 on "valuation of Inventories" referred to in sub-section (3C) of Section 211 of the Act. The impact of this on the profit for the year has not been quantified.	The Tool Division of the Company has been valuing finished goods and goods under process, since inception at lower of estimated cost and net realizable value. Estimated cost is arrived at using retail method which is arrived at by adjusting the selling price by estimated gross margin, globally for all types of products. Since valuation of finished goods and goods under process is done on the same basis followed in the past, there is no effect on the profit and loss account for the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Company has taken effective steps at every stage to reduce energy consumption and conserve energy in all phases of operation. Your Company has been continuously upgrading facilities in order to minimize power consumption, maximizing on power factors at its manufacturing locations.

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as Annexure 'A'.

MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report and Auditors' certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

HUMAN RESOURCE & INDUSTRIAL RELATIONS

Industrial relations were harmonious throughout the year. The Board wishes to place on record their sincere appreciation to the co-operation extended by all employees in maintaining cordial relations.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and Government authorities and stock exchange for their continued support. The Directors also wish to place on record their appreciation for the contribution made by business partners / associates at all levels.

For and on behalf of Board of Directors

Place: Mumbai
Date: 31st August, 2010

M.S. Arora
Managing Director

P.V.R. Murthy
Director

ANNEXURE – ‘A’ TO THE DIRECTORS’ REPORT

A. Conservation of Energy:

a) **Energy Conservation Measures Taken :** The Company has taken following measures for energy conservation during the year under review:

1. Replacement of old High Voltage Step Down Electrical Transformer to New On Load Tap Changer Transformer (OLTC) at Nasik plant. This will reduce the power transformer losses by 3% to 5%.
2. Addition of a timer to stop compressor during break period to reduce electricity consumption at Tool Holder division at Aurangabad.
3. Installation of Air Booster in CMM room to eliminate use of second compressor at Tool Holder division at Aurangabad.

b) Further R & D work is being carried on for reduction of time cycle of the Process.

c) Impact of measures of (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above measures have resulted in energy saving and consequent decrease in the cost of production.

d) Details regarding Total Energy Consumption and Energy Consumption per unit of production is not applicable to any units of the Company.

B. Technology absorption : Research & Development.

1. **Specific Areas in which R & D carried out by the Company:**

Development of Hydraulic chucks, Sealed collets, Tap collets, precision components 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 Hydraulic Sleeves, Bonded collets of different sizes, HSK50, Tap adaptors 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, Adaptation 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, collets and precision components to U.S.A., Europe & Asia Pacific Countries. The Product quality is well accepted worldwide.

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

	2009-10	2008-09
	(Rs. in 000)	(Rs. in 000)
Total Foreign Exchange used	155449	99038
Total Foreign Exchange earned	139584	232603

MANAGEMENT DISCUSSION & ANALYSIS REPORT

GLOBAL ECONOMY

During the year under review, international economic conditions exhibited a marked improvement with the global economy getting into an early recovery mode. After June 2009, world trade flows entered into an expansionary mode after declining for several months and GDP growth turned positive. A corrective policy action on both fiscal & monetary fronts has been at the very core of the recovery witnessed. However, the recovery process has not been uniform and has varied in speed & strength across countries and regions, with emerging economies leading the way.

INDIAN ECONOMY

During the year 2009-10, the real GDP growth stood at around 7.5 percent, however, baseline projection of real GDP growth for 2010-11 is placed at 8 percent. Further, the Economic Survey points out that a strong domestic demand will support the recovery in India. The notable improvement in both domestic and export demand should enhance business prospects, and hence attract investments.

Industrial growth is expected to remain at 2009-10 levels on the back of sustained increase in demand – both exports and domestic. Agriculture is expected to grow at a higher rate than its trend because of a low base of 2009-10, when the sector had contracted due to severe drought.

INDUSTRY STRUCTURE & OPPORTUNITIES

Your Company is engaged in the business of manufacturing of wide range of precision AT3 Class tool holders, HSK tooling, Expanding Mandrels and Sleeves besides advanced products like hydro grip and shrink fit CNC tooling. These products are mainly used by automobile and engineering sectors. Tool Holder is an essential accessory for CNC machining centers.

As already mentioned in Directors' Report that during the year under review, the Tooling Business (Cutting Tools) of Zenith Birla (India) Limited has been demerged from Zenith Birla (India) Limited and merged with the Company.

Auto industry is a major consumer of Cutting Tools which consumes approximately 65% of its total production. The growth of Cutting Tool industry is 8-12% and is likely to improve in coming years.

The future of Cutting Tools and Tool Holder industry largely depends on the growth of automobile and engineering sector. As India is emerging as one of the key auto and engineering centres in the world, the demand for Cutting Tools and Tool Holders will increase manifold.

THREATS / RISKS & CONCERNS

The major risks and concerns attributed to the performance of the Company are:

1. Profitability may be affected on account of competition from existing manufacturers of the Company's products. Increase of competition in unorganized sector is also a cause of concern.
2. Increase in raw material costs, change in tax structure, change in government policies, development and stability of Indian economy against the negative external and internal forces may also impact the overall performance of the Company.
3. The Company is exposed to risks from market fluctuation of foreign exchange.

FINANCIAL HIGHLIGHTS

The Net Sales and Other Income of the Company for the financial year 2009-10 stood at Rs. 8036.27 lacs as against Rs. 2734.37 lacs of last year. Profit after tax stood at Rs. 95.66 lacs as against Rs. 56.11 lacs of last year.

On account of the Scheme of Arrangement providing for merger of Tooling Business of Zenith Birla (India) Limited with the Company, being given effect to during the year under review, the figures of the year under review are not comparable with those of the year ended 31st March, 2009.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

Your Company has identified two business segments in line with accounting standards on segment reporting. These are Tool Holder and Tools. The segment wise performance in detail is given in the notes to the accounts.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has placed considerable emphasis and efforts on internal control systems. The internal control system ensures optimum use of the resources and its protection. The Company has an internal audit system, which carries out independent periodic reviews. The prime objective of such audit is to evaluate the functioning and quality of internal controls and provide assurance of its adequacy and effectiveness. The scope of internal audit covers a wide variety of operational and financial matters and includes a follow-up review of corrective actions agreed for implementation.

The adequacy of the internal control system as well as the internal audit report is reviewed by the audit committee of the Board of Directors. The adequacy of the internal control system has also been reported by the statutory auditors of the Company in their report as required under the Manufacturing & Other Companies (Auditors Report) Order, 2003.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

Your Company continues to lay emphasis on qualitative growth of its human resources by providing congenial and constructive work environment, in consonance with its strong belief that the real strength of its organization lies in its employees. In addition to this, formal training is also conducted from time to time in acquiring domain knowledge and imbibing the corporate quality culture. The Company has in its direct employment, 918 employees and enjoyed harmonious relations with them through out the year.

None of the Senior Management Personnel have any material financial and commercial transaction where they have personal interest that may have potential conflict with the interest of the Company at large.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. However actual results may differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.