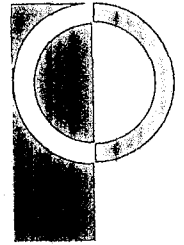


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SANSKO SERVICES LTD.

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ANNUAL
REPORT
1997-98

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IP Rings Ltd.



(A Member of the Amalgamations Group)

Registered Office

Arjay Apex Centre,
24, College Road,
Chennai 600 006.

Factory

D11, 12, Industrial Estate,
Maraimalainagar,
Kanchipuram Dist. 603 209.



DIRECTORS

A. SIVASAILAM Esq.	Chairman
N. VENKATARAMANI Esq.	Executive Vice-Chairman
K.V. SHETTY Esq.	Managing Director
HIRONOBU JIBIKI Esq.	Director
Dr. R. MAHADEVAN Esq.	Director

EXECUTIVE DIRECTOR

Dr. N. GOWRISHANKAR Esq.

GENERAL MANAGER (FINANCE) & SECRETARY

S. RANGARAJAN Esq.

AUDITORS

Messrs. R.G.N. PRICE & COMPANY

BANKERS

ANZ GRINDLAYS BANK
CENTRAL BANK OF INDIA
INDIAN BANK

JULY 1998

Dear Shareholder,



The year that ended on 31st March was a difficult one and your company had to operate under extremely adverse market condition with its margins under constant threat. The situation was not unique to your company but was one that confronted all component manufacturers.

The deceleration in economic growth had led to a steep decline in the market for commercial vehicles and production levels in the concerned segments of the automobile industry fell steeply. In their bid to limit inventories and reduce costs vehicle manufacturers resorted to extreme measures. Consequently component manufacturers were faced with an alarming shrinkage in demand and the scene was rife with reduced off-take, order cancellations and price reductions.

With prudent financial management and innovative productivity and cost efficiency measures, your company was able to mount an adequate response and achieve reasonably good results.

The prospect for the current year is none too bright as it is believed that the economy would continue to be sluggish right through the year. The company is intensifying and augmenting the measures already in place to ensure that costs are contained on all fronts. It is launching an export drive and has already secured some business from the collaborator Nippon Piston Ring Co. Ltd. of Japan. It is also setting up a new production line to cater to the requirement of the two wheeler segment, which has remained unscathed by the downtrend in the economy.

In spite of the adverse conditions the company's strong OEM customer base remains intact and the company has made a successful entry into the after-market and established its presence. The company is well placed to wait out the present quiescent stage in the economy and vigorously exploit emerging opportunities upon the revival of economic activity.

On behalf of the company, I thankfully acknowledge the excellent cooperation it has continued to receive in all its operations from Nippon Piston Ring Co. Ltd. of Japan and India Pistons Ltd.

I convey to the management and employees on your behalf and my own our appreciation of the manner in which they performed under adverse conditions last year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Sivasailam', written over a light blue horizontal line.

A. SIVASAILAM
Chairman.



NOTICE TO THE MEMBERS

NOTICE is hereby given that the SEVENTH ANNUAL GENERAL MEETING of the Members of IP RINGS LIMITED will be held at 2.45 p.m. on Friday, September 04, 1998 at "The Music Academy", 306, TTK Road, Chennai – 600 014, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at March 31, 1998 together with the Profit and Loss Account for the year ended on that date and the Report of the Directors and of the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. A. Sivasailam, who retires by rotation and who is eligible for reappointment.
4. To appoint a Director in place of Mr. N. Venkataramani, who retires by rotation and who is eligible for reappointment.
5. To appoint Auditors and fix their remuneration.

Chennai
27th July 1998

Registered Office :
Arjay Apex Centre,
24, College Road,
Chennai 600 006.

By Order of the Board

S. RANGARAJAN
General Manager (Finance) &
Secretary

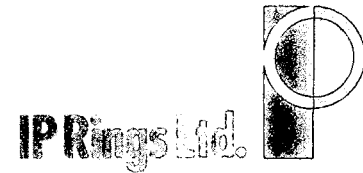
NOTES :

01. 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.
02. The proxy form duly completed should be deposited at the Registered Office of the Company / Office of the Share Transfer Agents not later than 48 hours before the commencement of the Meeting.
03. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, August 27, 1998 to Friday, September 04, 1998 (both days inclusive).
04. The Dividend when approved will be made payable on or after September 04, 1998, to those Members, whose names will appear as Members in the books of the Company on September 04, 1998.
05. As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1975, as amended, all unclaimed dividend in respect of Dividend 1993-94 have been transferred to the General Revenue Account of the Central Government as per details given below :

Dividend for the year ended	No. of Equity Shares	No. of Holders	Amount (Rs.)	Date of Transfer
31.03.1994	98,000	868	2,43,561.00	19.11.1997

Members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Shastri Bhavan, Haddows Road, Chennai 600 006.

06. The Unpaid Dividend pertaining to the Dividend for 1994-95 (paid in October 1995) is due to be transferred to the General Revenue Account of the Central Government after November 10, 1998. Those who have not encashed the Warrant may please write to the Company so as to reach the Company before November 10, 1998.
07. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
08. Members/Proxies are requested to bring their copy of Annual Report to the Meeting.
09. Members who have multiple Folios in identical names or joint names in the same order are requested to intimate to the Company these Folios to enable the Company to consolidate all such Shareholdings into a single Folio.



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventh Annual Report together with the Accounts for the year ended March 31, 1998 and the Auditor's Report thereon.

FINANCIAL RESULTS

	1998	1997
	(Rs. in lakhs)	
Profit Before Interest, Depreciation & Tax	709.21	1,251.36
Interest	90.12	124.86
Depreciation	195.68	168.48
Profit Before Tax	423.41	958.02
Provision for Taxation	55.00	244.00
Profit After Tax	368.41	714.02
Add : Balance brought forward from last year	75.14	57.96
Profit available for appropriation	443.55	771.98
Less : Dividend @ 20% (including Tax on Dividend)	154.93	296.84
Transfer to General Reserve	200.00	400.00
Balance carried forward	88.62	75.14

OPERATIONS AND OUTLOOK

The slump in the economy had a severe impact on the Automobile Industry last year. It was most marked in the commercial vehicles segment with almost all the units in it scaling down their production volumes. The passenger car segment too suffered from the impact, though to a lesser extent. The after-market also was sluggish with a demand that was visibly depressed.

As a direct consequence of the above the components manufacturers had to face serious reduction in off-take volumes, cancellation of schedules and persistent demand for price reduction. Your company had to operate under these adverse conditions and its sales and profit performance was under pressure right through the year. It responded adequately by adopting a series of measures aimed at improvement in productivity and cost efficiency. These enabled the company end the year with results that are reasonably satisfactory under the given conditions.

It is expected that the stagnant phase in the economy will last through the greater part of the current financial year. The company has commenced export against orders from the collaborator. In a thrust to extend its product range and cover the two wheeler segment, it is setting up an additional production line, expected to go on stream in the last quarter of the year. With these measures, the company expects to ward off severe erosion of margins.

DIVIDEND

Your Directors recommend a dividend of 20% for the year ended 31st March 1998.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. A. Sivasailam and Mr. N. Venkataramani, Directors, retire by rotation and are eligible for reappointment.

AUDITORS

Messrs. R.G.N. Price & Co., Chartered Accountants retire at the Annual General Meeting and are eligible for reappointment.

PARTICULARS OF EMPLOYEES

The information regarding particulars of employees under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, is set out in the annexure, forming part of this Report.

DISCLOSURE OF PARTICULARS

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the Technical Assistance extended by Messrs. Nippon Piston Ring Co. Ltd., Japan and Messrs. India Pistons Limited, Chennai.

Your Directors wish to thank the Financial Institutions and Bankers for their continued support to the Company.

Your Directors also wish to place on record their appreciation of the contribution made by the employees, at all levels.

For and on behalf of the Board

Chennai
27th July 1998.

N. VENKATARAMANI
Executive Vice Chairman.

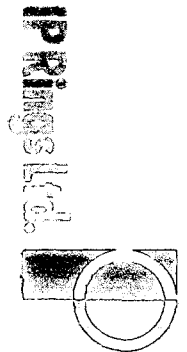
K.V. SHETTY
Managing Director.

Annexure to Directors' Report :

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 1998 :

Name	Age	Designation	Gross Remuneration Rs.	Qualification	Experience Years	Date of Commencement of employment	Particulars of last employment
S. RANGARAJAN	41	G.M. (Fin) & Secretary	5,24,807	M.Com., C.A.I.I.B., A.I.C.W.A., A.C.S.	18	Nov., 1992	D.G.M. (Fin) & Secy The Sree Meenakshi Mills Limited, Madurai

- Gross Remuneration includes salary, allowances, taxable value of perquisites and Company's contribution to Provident Fund, Superannuation & Gratuity Schemes.
- Nature of employment is contractual.
- Employee is not related to any Director of the Company.
- Other terms and conditions as per Company's rules.



**Annexure to the Directors' Report for the year ended 31st March 1998
Statement containing particulars pursuant to the Companies (Disclosure of particulars of
the Report of Board of Directors) Rules, 1988.**

I. CONSERVATION OF ENERGY

Various measures to conserve the energy at all points of manufacturing are being emphasised and implemented. Simultaneously, efforts are on to optimise the efficiency and product mix, to conserve energy.

A. POWER & FUEL CONSUMPTION

Electricity :	1997-98	1996-97
(a) Purchased :		
Units in Lakhs	22.13	18.53
Total Amount Rs. in Lacs	79.89	57.04
Rate/Unit — Rs.	3.61	3.08
(b) Own Generation :		
Through Diesel Generator		
Units in Lakhs	1.38	1.29
Units per Litre of Diesel	3.72	3.99
Cost/Unit Rs.	5.43	4.26

B. CONSUMPTION PER UNIT OF PRODUCTION

Products	Standards if any	1997-98	1996-97
Piston Rings :			
Electricity	No Standards	1.03 Kws/Unit	0.62 Kws/Unit