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*9th
Annual
Report
1999-2000*



Registrars and Share Transfer Agents:

Tata Consultancy Services

21, Industrial Estate

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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
CORPORATION BANK

REGISTERED OFFICE

Arjay Apex Centre,
24, College Road,
Chennai – 600 006.
Tel : 8270860 / 8272682
E-mail : iprcorp@vsnl.com

FACTORY

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Maraimalai Nagar,
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E-mail : iprmmn@vsnl.com

Dear Shareholder,



It is a comforting thought that the year 1999-2000 saw not only the end of the old millennium, but also the end of the downslide that had plagued the Automobile Industry and industries allied to it, for over two years. There was a marked revival of activity, and production and sales in all segments of the industry, except in the Tractor segment, picked up sharply.

In the passenger car segment particularly, new entrants had established themselves, progressed well in their localisation programmes and reached near capacity operational levels. The heightened activity in the Automotive Industry boded well for all component manufacturers and capacities that had been idle were put to use. Your company too derived full advantage from this revival and ended the year on a satisfactory note.

It was not all smooth sailing however, as the OEMs were pressing on with the induction of global sourcing practices, the competition in the After Market was intensifying and the cost of critical inputs was escalating and consequently, there was no let up in the pressure on prices and margins.

Your company, by introducing innovative measures aimed at improved productivity and reduced cost, met these challenges effectively and was able to end the year satisfactorily, with sales and profits reasonably better than those of the previous year.

While the current year opened on a very promising note, there are signs that there may be difficulties ahead. I am confident that your company has the competence and resourcefulness to meet these difficulties and record a performance much better than last year.

I acknowledge with thanks the excellent co-operation and guidance your company has continued to receive from Nippon Piston Ring Co. Ltd. of Japan and India Pistons Limited.

During the course of this year, your company will be completing ten years of operations and it should be a matter of pride for all of us that within this short span of time, it has attained peer status with organisations that have been operating in this area for several years.

I wish to compliment the company on its most recent achievement – the recommendation for the coveted QS 9000 accreditation by RWTUV of Germany.

I take this opportunity to acknowledge with thanks the support your company has received from the shareholders in all its endeavours.

In conclusion, I wish to convey my deep appreciation of the committed manner in which the management and employees of your company have performed consistently in the realisation of your company's goals and objectives.

Yours sincerely,

Chennai
27th June 2000.

A. SIVASAILAM
Chairman.



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Ninth Annual Report together with the Accounts for the year ended March 31, 2000 and the Auditors Report thereon.

FINANCIAL RESULTS

	1999-2000	1998-1999
	(Rs. in lakhs)	
Profit Before Interest, Depreciation & Tax	693.24	580.83
Interest	36.59	47.38
Depreciation	252.54	233.37
Profit Before Tax	404.11	300.08
Provision for Taxation	81.00	64.80
Profit After Tax	323.11	235.28
Add : Balance brought forward from previous year	21.65	88.62
Profit available for Appropriation	344.76	323.90
Add : Transfer from Capital Reserve	—	15.00
Less : Interim Dividend @ 15%	105.63	—
Proposed Final Dividend @ 10%	70.42	105.63
Tax on Dividend	27.11	11.62
Transfer to General Reserve	140.00	200.00
Balance carried forward	1.60	21.65

DIVIDEND

In view of the satisfactory results achieved during the year, your Directors are pleased to recommend a final dividend of 10% over and above the interim dividend of 15% paid in May 2000, making up a total dividend of 25% for the year, as compared to 15% paid during the previous year.

OPERATIONS

The year 1999-2000 witnessed in the automobile Industry a reversal of the steep decline that had persisted for over two years and all segments except the tractor segment registered a robust growth. There was a resurgence of activity with significant improvement in production and sales volumes, particularly in the car and commercial vehicle segments. In the two-wheeler category, except in the case of scooters, the impressive growth rate of the previous years was sustained.

While the upswing in the automobile industry led to restoration of schedules previously cut and increase in offtake volumes, your company had to contend against increased competition, continued pressure on price levels and cost escalation of a range of inputs. Your company was able to manage this situation well by large improvements in capacity utilization, clearly defined and well structured cost improvement, company-wide efficiency and productivity measures and a renewed thrust in marketing. These enabled your company to achieve a net sales of Rs. 32.97 crores, yielding a profit of Rs. 3.23 crores after tax, as against Rs. 28.47 crores and Rs. 2.35 crores respectively in the previous year.

OUTLOOK

Viewed against last year's revival in the activity level in the automobile industry, the outlook for the current year is promising. However, there has been some slow-down in the first quarter of this year, but the general consensus is that this is only transient in nature and is not likely to continue.

Your company is aware that with the shifts in market positioning and target segments of the majors, the demand profile for the company is likely to be subjected to frequent change. Your company is gearing itself up to meet this situation by extending its product range and fine-tuning its production facilities for increased flexibility.

Your company has secured its frontline position in the O.E and aftermarket segments by a concerted effort to strengthen and upgrade its quality management. Your Directors are pleased to advise that this effort has been rewarded by a recommendation by TUV India, a member of RWTUV Group, Germany, for the prestigious QS 9000 accreditation.

Your company is confident of performing well this year and achieving results better than last year's.

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.

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.

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.

DEMATERIALISATION OF SHARES

As per the directives from Securities and Exchange Board of India, dematerialised trading has become compulsory for institutional investors, effective from 26th June 2000. The Company has entered into separate agreements with the Depositories viz., National Securities Depository Limited and Central Depository Services (India) Limited and also with Tata Consultancy Services, Share Transfer Agents.

As per the recent circular dated 29th May 2000, issued by the Securities and Exchange Board of India, dematerialised trading has been made compulsory for all investors with effect from 28th August 2000. Your Company's International Securities Identification Number (ISIN) is INE 558A01019,



ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the Technical Assistance extended by M/s. Nippon Piston Ring Co. Ltd., Japan and M/s. 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 June 2000

A. SIVASAILAM
Chairman.



Annexure to the Directors' Report for the year ended March 31, 2000
Statement containing particulars pursuant to the Companies (Disclosure of particulars in 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 :	1999 - 2000	1998 - 1999
(a) Purchased :		
Units in Lakhs	27.42	24.58
Total Amount (Rs. in Lakhs)	115.51	95.32
Rate/Unit — Rs.	4.21	3.88
(b) Own Generation :		
Through Diesel Generator		
Units in Lakhs	1.38	1.93
Units per Litre of Diesel	3.21	3.38
Cost/Unit Rs.	6.01	5.08

B. CONSUMPTION PER UNIT OF PRODUCTION

Products :	Standards if any	1999 - 2000	1998 - 1999
Piston Rings			
Electricity	No Standards	0.84 Kws/Unit	0.99 Kws/Unit



II. TECHNOLOGY ABSORPTION AND INNOVATION

A. RESEARCH AND DEVELOPMENT :

1. Specific areas in which R & D carried out by the Company
 - (a) **Plasma Spraying** : As a result of the research work carried out we have now developed plasma coatings with enhanced bond strength and improved wear resistance. We have developed a thermal twist fatigue test, which helps in determining the fatigue strength of the coatings.
 - (b) **Chromium Plating** : Research has been carried out to optimise the plating parameter to improve productivity and reduce cost.
 - (c) **Nitriding** : Development work in correlating the nitriding parameters with the nitrided depth and hardness has been carried out.
2. Benefits derived as a result of the above R & D
 - (a) **Plasma Spraying** : Our rings with improved bond strength and wear resistance have been accepted as the only approved product for critical HCV applications to satisfy pollution norms, by a leading vehicle manufacturer.
 - (b) **Chromium Plating** : The cost of chromium plating has come down significantly due to the research in this area.
 - (c) **Nitriding** : The development in nitriding process has resulted in reduction of nitriding cost.
3. Future Plan of Action
 - (a) FEM (Finite Element Analysis) to study the effect of design and features on the performance of the Piston Rings will be carried out with a premier Technological Institute.
 - (b) Research on developing improved corrosion and wear resistance coatings/plating is being carried out with a renowned National Laboratory.
4. Expenditure on R & D

Capital : Rs. 7,05,078/-
Revenue : Rs. 11,89,725/-

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION — EFFORTS MADE AND BENEFITS DERIVED :

Imported Technology

Technology	Technology help	Equipment Imported from	Year of absorption	Status of Implementation
Chrome Plating	NPR, Japan	—	1994–95	Implemented
Nifflex type Oil	NPR, Japan	Japan	1995–96	Implemented

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (i) Activities relating to Exports :

The company has successfully executed export orders from its Collaborators, valued at Rs. 14.36 lakhs, during the year. Efforts are on to obtain further orders.
- (ii) Total Foreign Exchange used and earned

Foreign Exchange earned : Rs. 8,98,783/-
Foreign Exchange outgo : Rs. 6,12,66,443/-

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, 2000 :

(1)	Name	: S. RANGARAJAN
(2)	Age (Years)	: 43
(3)	Designation	: General Manager (Finance) & Secretary
(4)	Gross Remuneration	: Rs. 6,25,752/-
(5)	Qualification	: M.Com., C.A.I.I.B., A.I.C.W.A., A.C.S.
(6)	Experience (Years)	: 20
(7)	Date of Commencement of employment	: Nov., 1992
(8)	Particulars of last employment	: Deputy General Manager (Finance) & Secretary 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.
- Designation describes nature of duty.