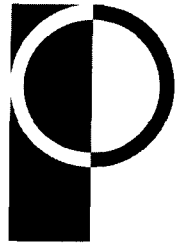


IP Rings Ltd.



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12TH ANNUAL REPORT 2002-2003



DIRECTORS

A. SIVASAILAM Esq.	Chairman
N. VENKATARAMANI Esq.	Executive Vice Chairman
K.V. SHETTY Esq.	Managing Director
YOSHIKI SOGA Esq.	Director
Dr. R. MAHADEVAN Esq.	Director
P.M. VENKATASUBRAMANIAN Esq.	Director
Dr. R. NATARAJAN Esq.	Director
Dr. N. GOWRISHANKAR Esq.	Executive Director
S. RANGARAJAN Esq.	Sr. General Manager (Finance) & Secretary

AUDITORS

Messrs. R.G.N. PRICE & COMPANY

BANKERS

STANDARD CHARTERED BANK
CENTRAL BANK OF INDIA

REGISTERED OFFICE

Arjay Apex Centre,
24, College Road,
Chennai – 600 006.
Tel : 28241887 / 28241403
E-mail : iprcorp@vsnl.com

FACTORY

D11/12, Industrial Estate
Maraimalai Nagar
Kancheepuram Dist. – 603 209
Tel : 252851 / 252852 / 252853
E-mail : iprmnm@vsnl.com

NOTICE TO THE MEMBERS

NOTICE is hereby given that the **TWELFTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, July 24, 2003 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, 2003 together with the Profit and Loss Account for the year ended on that date and the Report of the Directors' and of the Auditor's thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Dr R Mahadevan, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Yoshiki Soga, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that in conformity with the provisions of Article 60 & 61 of the Articles of Association of the Company and pursuant to the provision of Section 309(4) of the Companies Act, 1956, consent be and is hereby accorded to the payment of commission to all eligible Directors of the Company other than Managing Director / Executive Vice Chairman of 1% of the net profits of the Company computed in the manner laid down in Section 198 (1) of the Companies Act, 1956 for every financial year over a period of five years commencing from 01.04.2003 to 31.03.2008 to be apportioned between such directors in such manner as the Board of Directors may from time to time determine."

By Order of the Board

S RANGARAJAN
Sr. General Manager - Finance &
Secretary

Chennai
May 29, 2003

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

NOTES:

- 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 relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item no. 6 as set out above is annexed hereto.
- 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.
- The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 17, 2003 to Thursday, July 24, 2003 (both days inclusive).
- The Dividend when approved will be made payable on or after July 24, 2003 in respect of shares held in Physical form to those members whose names appear in the Register of Members and in respect of shares held in the Electronic form to those 'Deemed Members' whose names appear in the Register of Beneficial Owners furnished by NSDL and CDSL
- Members / Proxies should bring the attendance slip duly filled in for attending the Meeting.
- Members / Proxies are requested to bring their copy of Annual Report to the Meeting.
- 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 Share holdings into a single Folio.
- Appointment / Reappointment of Directors:

At the ensuing Annual General Meeting, Dr R Mahadevan and Mr Yoshiki Soga, retire by rotation and being eligible offer themselves for reappointment. As per Clause 49 of the Listing Agreement with Stock Exchanges, a brief background, of the Directors proposed for re-appointment is furnished below along with details of Companies in which they are Directors and their membership in Committees.

- Dr R Mahadevan, aged about 60 years has been a Director of the Company since July 15, 1995. He is an Engineering Graduate and holds a Ph.D from IIT, Chennai. He has held various senior level management positions and is presently a Whole Time Director of India Pistons Limited.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	
IP Pins & Liners Limited	
AEIP Precision Products Limited	
BBL Daido Pvt. Ltd.	

- Mr Yoshiki Soga, aged about 62 years was inducted in to the Board of the Company in January 2002 as a Director. He is a graduate in Economics from Tokyo University, Japan. He is an ex-banker and has held various senior level positions in the Banking Sector. He is presently the Executive Vice President of Nippon Piston Ring Co. Ltd., Japan, Company's Foreign Technical Collaborator. He does not hold any directorship in any other Indian Company. He holds directorship in the following Companies, incorporated outside India.

NPR of Europe G.m.b.h. (Germany)	President
Schoettle Motoren-Teile G.m.b.h. (Germany)	Chairman
Siam NPR Co., Ltd. (Thailand)	Chairman

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

ITEM NO. 6

In view of the valuable contributions and greater involvement of the Non Whole Time Directors, in the affairs of the Company, it is thought appropriate to remunerate the eligible Non Whole Time Directors.

Pursuant to the provisions of Section 309(4) (b) of the Companies Act, 1956, remuneration by way of commission up to 1 % of the net profits to the eligible Directors, who are neither in whole-time employment nor Managing Director, can be paid only with the approval of the members through a special resolution.

Hence this resolution.

Your Directors recommend the Resolution for approval.

Directors' interest:

All Directors except Mr N Venkataramani, Executive Vice Chairman & Mr K V Shetty, Managing Director are interested in this Resolution to the extent of the commission that would become payable to them in accordance with the proposed resolution.

Chennai
May 29, 2003

By Order of the Board
S RANGARAJAN
Sr. General Manager - Finance &
Secretary

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

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Twelfth Annual Report** together with the Accounts for the year ended March 31, 2003 and the Auditor's Report thereon.

FINANCIAL RESULTS

	2002 – 2003	2001 – 2002
	(Rs. in Lakhs)	
Profit before Interest, Depreciation and Tax	867.03	611.58
Interest	16.43	29.00
Depreciation	285.84	305.49
Profit before Tax	564.76	277.09
Provision for Taxation	247.04	98.88
Profit after Tax	317.72	178.21
Add : Balance brought forward from previous year	5.42	2.84
Profit available for appropriation	323.14	181.05
Less : Dividend @ 20 %	140.85	105.63
Dividend Tax thereon	18.05	—
Transfer to General Reserve	23.83	70.00
Balance carried forward	140.41	5.42

DIVIDEND

Your Directors recommend a dividend of 20 % for the year ended March 31, 2003, as compared to 15% paid during the previous year.

OPERATIONS

After two years of downtrend, the Indian Automobile industry witnessed a turn-around during the year. All segments including Passenger Cars and Commercial Vehicles except Tractors registered a healthy growth. In the two-wheeler segment, motor cycles continued to show a high growth, with scooters and mopeds lagging behind with negative growth.

While the upswing in the Industry led to increase in off take volumes, the component manufacturers had to contend against continued pressure on price levels and cost escalations on a range of inputs.

Despite stiff competition, your Company was able to register improvements in capacity utilisation through better productivity measures and tighter control on costs. These enabled your Company to achieve a Turnover of Rs.39.31 Crores, as against Rs.31.02 Crores in the previous year, registering a growth of 27%. The Company registered a Profit After Tax of Rs.317.72 Lakhs, as compared to Rs.178.21 Lakhs in the previous year.

OUTLOOK

The outlook for the auto component industry continues to be promising and your Company is well poised to retain its leadership in the market.

The Company is continuing to secure its frontline position in the OE and After-Market segments by further strengthening and upgrading its Quality Management System and through improved Productivity measures.

Your Directors are pleased to advise that your Company has been certified for Quality Management System (QMS) under ISO / TS 16949: 2002 by RWTUV, Germany, after a final audit.

Your Company has earned another distinction through the certification for Environmental Management System (EMS) under ISO 14001, by RWTUV, Germany, during the year.

These recognitions would spur us to meet the demands from our customers and give your Company confidence to perform even better in the current financial year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Dr R Mahadevan and Mr. Yoshiki Soga, Directors, retire by rotation and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- that the Directors had selected such accounting policies and applied them 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 ended March 31, 2003 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the 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;
- that the accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A Certificate from the Auditors of the Company regarding compliance of conditions of 'Corporate Governance' as stipulated under Clause 49 of the Listing Agreement, is attached to this report.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance is included in the Annual Report. A Management Discussion and Analysis Report forms part of this Directors' Report. All the mandatory requirements under the Code of Corporate Governance have been complied with.

AUDITORS

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

**PARTICULARS OF EMPLOYEES**

There were no employees in receipt of remuneration of Rs. 2,00,000/- p.m. during the year ended 31.03.2003 coming within the purview of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

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 and Marketing Services extended by M/s Nippon Piston Ring Co. Ltd., Japan and M/s. India Pistons Limited, Chennai, respectively.

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
May 29, 2003

A SIVASAILAM
Chairman



Annexure to the Directors' Report for the year ended 31st March 2003
Statement containing particulars pursuant to the Companies
(Disclosure of particulars of the Report of Board of Directors) Rules, 1988

1. CONSERVATION OF ENERGY

Various energy conserving/saving measures at all points of manufacturing are continuously being implemented.

A. POWER & FUEL CONSUMPTION

Electricity:

	2002-2003	2001-2002
(a) Purchased :		
Units in Lakhs	29.61	26.26
Total Amount (Rs. in Lakhs)	135.16	114.07
Rate / Unit - Rs. *	4.56	4.34
(b) Own Generation :		
Through Diesel Generator		
Units in Lakhs	4.55	2.51
Units per litre of Diesel	3.21	3.49
Cost / Unit - Rs.	7.15	6.86

B. CONSUMPTION PER UNIT OF PRODUCTION

Products	Standards if any	2002 – 2003	2001 – 2002
Rings			
Electricity	No Standards	0.65 kwh/ring	0.80 kwh/ring

* Increase due to MD charges increased from Rs. 150/KVA to Rs. 300/KVA with effect from January 2002.

II TECHNOLOGY ABSORPTION AND INNOVATION

A. RESEARCH & DEVELOPMENT:

1. Specific areas in which R&D carried out by the company.

Chromium Plating – Continued research in composite plating and improved plating methods with the help of NALTECH is being carried out.

Engine Testing – Two wheeler engine testing is introduced in Engine Test Bed.

Emission testing facilities are introduced.
2. Benefits derived as a result of the above R&D:

Improved ring quality and improved recovery.

Development of piston ring layouts, which not only have better performance, but also lead to lower emissions.

Patent 34/MAS/2003 applied for improved ring design (Bottom side keystone compression ring with top edge inner side face cut out).
3. Future Plan of Action:

Research into composite coatings, for increasing wear resistance and reduced emissions.
4. Expenditure on R&D:

Capital	Rs. 2519232/-
Revenue	Rs. 3157515/-
Total	Rs. 5676747/-
 Total R & D Expenditure as a % of Total Turnover	 1.44 %

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

Imported Technology

Technology	Technology help	Equipment Imported from	Year of absorption	Status of Implementation
Nifflex type Oil	NPR, Japan	Japan	1995-96	Implemented

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (i) Activities relating to Exports

Continuous efforts are being made to identify the export markets for the Company's Products.
- (ii) Total Foreign Exchange used and earned

Foreign Exchange earned	Rs. 8,63,090/-
Foreign Exchange outgo	Rs.6,17,36,840/-