



DIRECTORS

| | |
|-------------------------------|--|
| A. SIVASAILAM Esq. | Chairman |
| N. VENKATARAMANI Esq. | Vice Chairman |
| K.V. SHETTY Esq. | Managing Director |
| KOJI TAKEUCHI 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: 2824 1887 / 2827 0860
E-mail: iprcorp@vsnl.com

FACTORY

D 11/12, Industrial Estate
Maraimalai Nagar
Kancheepuram Dist. 603 209
Tel: 252851 / 252852 / 252853
E-mail: iprmnm@iprings.com

NOTICE TO THE MEMBERS

NOTICE is hereby given that the **THIRTEENTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 1st July 2004 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, 2004 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 Mr. P. M. Venkatasubramanian, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Dr. R. Natarajan, 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 pursuant to Sections 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 and subject to such approvals as may be required, including from Central Government, the Company hereby accords its approval for the reappointment of Mr K V Shetty as Managing Director, on the following terms and conditions.

Particulars of Remuneration:

| | | |
|------------|---|---|
| Period | : | 1 year from 01.04.2004 to 31.03.2005. |
| Salary | : | Basic Salary of Rs.1,00,000/- per month |
| Commission | : | Up to 3 % of the Net Profits as may be decided by the Board of Directors / Committee of Directors, computed as per Section 309(5) of the Companies Act, 1956. |

Perquisites**(i) Housing:**

Either

Free furnished residential accommodation, owned or leased out by the Company.

or

House Rent Allowance subject to a ceiling of 60 % of the Salary.

The expenditure incurred on gas, electricity, water and furnishing shall be borne by the Company.

(ii) Medical Reimbursement:

Reimbursement of expenses incurred for self and family, upto one month's basic salary

(iii) Leave travel assistance:

One month's salary per annum

(iv) Club Membership:

Fee of Clubs subject to a maximum of two clubs. This will not include Admission and Life Membership Fee.



(v) Personal Accident Insurance:

Personal Accident Insurance – Premium shall not exceed Rs. 6,000/-

(vi) Entertainment Expenses:

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

(vii) Other perquisites:

Company's contribution towards Provident Fund as per the Rules of the Company.

Gratuity at one half month's salary for each completed year of service.

Leave:

One month's annual privilege leave of absence in India for every eleven months. Leave accumulated shall be encashable at the end of the tenure.

Telephone & Car:

Provision of Telephone at residence. Provision of Car for use on Company's business.

Minimum Remuneration:

In the event of loss or inadequacy of profit, in the financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above.

Termination:

Either party may terminate the Agreement by giving to the other party six months' notice or six months' salary in lieu thereof."

7. 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 314 of the Companies Act, 1956 and all other applicable provisions, if any, consent of the Company be and is hereby accorded to Dr R Mahadevan, Director to hold the office of Technical Consultant with effect from April 01, 2004 on a monthly fee of Rs. 19,500/- till March 31, 2008."

8. To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution.

"RESOLVED that Mr Koji Takeuchi, whose term of office as an Additional Director, pursuant to Section 260 of the Companies Act, 1956, expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

By Order of the Board

S RANGARAJAN
Sr. General Manager – Finance &
Secretary

Chennai
May 17, 2004

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 nos. 6 - 8 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, June 24, 2004 to Thursday, July 01, 2004 (both days inclusive).
- The Dividend when approved will be made payable on or after July 01, 2004, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 01, 2004 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 CDSIL, in accordance with the provisions of the Depositories Act, 1996.
- 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, Mr P M Venkatasubramanian and Dr R Natarajan, retire by rotation and being eligible offer themselves for reappointment. Mr K V Shetty is being re-appointed as Managing Director of the Company, effective from 01.04.2004. Mr Koji Takeuchi is being appointed as a Director liable to retire by rotation.

As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief background, functional expertise of the Directors proposed for appointment / re-appointment are furnished below along with details of Companies in which they are Directors and the Board Committees of which they are members:

- Mr K V Shetty, aged about 70 years is the Managing Director of the Company since March 1992. He is a Fellow Member of the Institute of Chartered Accountants of India.

Details of other Directorships / Committee Memberships held by him.

| Directorship | Committee Membership |
|------------------------------------|----------------------------|
| India Pistons Ltd. | Audit Committee |
| IP Pins & Liners Limited | |
| India Pistons-Repco Ltd. | |
| Bimetal Bearings Limited | Audit Committee (Chairman) |
| AEIP Precision Products Limited | Audit Committee |
| Simpson & General Finance Co. Ltd. | |



- ii. Mr. P. M. Venkatasubramanian, aged about 65 years joined the Board of the Company during March 2002 as a Director. He is the Ex-Managing Director of General Insurance Company of India with over 4 decades of experience in Insurance Sector. He is the Chairman of the Audit Committee of the Company.

Details of other Directorships / Committee Memberships held by him.

| Directorship | Committee Membership |
|--|---|
| Thana Electric Supply Co., Ltd. | |
| Royal Sundaram Alliance Insurance Co. Ltd. | Audit Committee (Chairman) Investment Committee (Chairman) |

- iii. Dr. R. Natarajan, aged about 63 years joined the Board of the Company during March 2002 as a Director. He is the Chairman of All India Council for Technical Education. His areas of expertise are in the fields of Combustion Energy, Transport Phenomena and Engineering Education.

Details of other Directorships / Committee Memberships held by him.

| Directorship | Committee Membership |
|---------------------------|----------------------|
| Rane Brake Linings Ltd. - | |

- iv. Mr. Koji Takeuchi was inducted to the Board of the Company on 17.05.2004 as an Additional Director. He is the Executive Officer and General Manager of Product Engineering Department of Nippon Piston Ring Co. Ltd., Company's Technical Collaborators. He has been serving Nippon Piston Ring Co. Ltd. on various capacities since April 1974.

He does not hold Directorship in any other Indian Company.

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

ITEM NO. 6

Mr. K. V. Shetty, Managing Director was reappointed for a period of 2 years from 01.04.2002 to 31.03.2004 in the Annual General Meeting held on August 01, 2002. Taking into consideration the experience of Mr. K. V. Shetty in the Auto Component Industry and his stewardship of IP Rings Ltd. as Managing Director from its inception, continuation of his service will be of great benefit to the Company particularly at a time when the Company is embarking on a major expansion programme and also setting up a new project. Your Board therefore, decided it would be most appropriate to reappoint Mr. K. V. Shetty, as Managing Director for a further period of one year from 01.04.2004. Abstract of the terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956 has already been circulated to the members.

The reappointment of Mr K V Shetty, as Managing Director requires the approval of the Members.

Your Directors recommend the Resolution for approval.

Save and except Mr K V Shetty, none of the Directors is concerned or interested in this Resolution.

ITEM NO. 7

Dr. R. Mahadevan, Director was appointed as Technical Consultant for a period of 2 years from 01.04.2002 to 31.03.2004 in the Annual General Meeting held on August 01, 2002.

Taking into account, the expert knowledge and experience of Dr .R. Mahadevan in the field of New Products Development, covering the areas of design, sample development, engine testing and product approval, your Board feels that it would be most appropriate to reappoint him for a further period of 4 years with effect from 01.04.2004 to 31.03.2008 on a monthly remuneration of Rs. 19,500/-. A Director to hold the office or place of profit, Members approval through a Special Resolution is necessary and hence this Resolution.

Your Directors recommend the Resolution for approval.

Save and except Dr. R .Mahadevan, none of the Directors is concerned or interested in this Resolution.

ITEM NO. 8

Mr Koji Takeuchi was appointed as an Additional Director of the Company on 17.05.2004. Pursuant to Section 260 of the Companies Act, 1956 Mr. Koji Takeuchi, will hold the office as Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Koji Takeuchi for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

Save and except Mr. Koji Takeuchi, none of the Directors is concerned or interested in this Resolution.

By Order of the Board

S. RANGARAJAN

Sr. General Manager – Finance
& Secretary

Chennai
May 17, 2004

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Thirteenth Annual Report** together with the Accounts for the year ended March 31, 2004 and the Auditor's Report thereon.

FINANCIAL RESULTS

| | 2003-2004 | 2002-2003 |
|---|----------------|-----------|
| | (Rs. in Lakhs) | |
| Profit before Interest, Depreciation and Tax | 1016.53 | 867.03 |
| Interest | 11.91 | 16.43 |
| Depreciation | 295.18 | 285.84 |
| Profit before Tax | 709.44 | 564.76 |
| Provision for Taxation | 229.67 | 247.04 |
| Profit after Tax | 479.77 | 317.72 |
| Add : Balance brought forward from previous year | 140.41 | 5.42 |
| Profit available for appropriation | 620.18 | 323.14 |
| Less : Dividend @ 30% | 211.26 | 140.85 |
| Dividend Tax thereon | 27.07 | 18.05 |
| Transfer to General Reserve | 300.00 | 23.83 |
| Balance carried forward | 81.85 | 140.41 |

DIVIDEND

Your Directors recommend a dividend of 30% for the year ended March 31, 2004, as against 20% paid during the previous year.

OPERATIONS

The upswing in the automobile industry continued during the year covering all the vehicle segments, with passenger cars, commercial vehicles and 3-wheelers performing outstandingly.

The auto component industry's growth during the year was equally impressive with the total output of the industry registering a growth of 20% over the previous year.

Your Company registered a turnover of Rs. 47.68 Crores during the year, as against Rs. 39.31 Crores in the previous year, an increase of 21%.

The Profit after Tax of Rs. 4.80 Crores, as compared to Rs. 3.18 Crores in the previous year showed an increase of 51%. While the Company recorded significant levels of growth and improved profitability, it had to face intense pressure on prices from the Original Equipment Manufacturers and acute competition in the After-Market.

OUTLOOK

The buoyancy in the automotive industry, resulting in increased demand from the OEMs, necessitated augmentation of the installed capacity for piston rings from 6 Million rings to 10 Million rings p.a. This capacity increase is being carried out in two phases – the first phase of 7.5 Million rings during the year under review and the balance in the second phase during 2004-05.

As mentioned in our Chairman's address during the 12th Annual General Meeting in July 2003, the Company has embarked upon setting up manufacturing facilities for transmission components viz., synchrocones, differential shaft gears and pinions. The project is in an advanced stage and commercial production will commence during the second half of this financial year.

The ongoing exercise of further strengthening and improving the quality management systems, productivity improvements and cost control measures should further enable the company to secure its frontline position in the OE and After-Market segments.

TECHNICAL ASSISTANCE AGREEMENTS

During the year, your Company has renewed two Technical Assistance Agreements with Nippon Piston Ring Co., Ltd. relating to manufacture of Steel Compression Rings and Chrome Plated & Cast Iron Rings. Your Company has also entered into a new Technical Assistance Agreement with Nippon Piston Ring Co., Ltd. for manufacture of Nifflex - H Type Rings.

RECOGNITION OF R&D UNIT

Government of India, Ministry of Science and Technology has accorded its recognition to the In-house Research & Development Unit of your Company. This will give a great impetus to R&D activities of the Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. P. M. Venkatasubramanian and Dr. R. Natarajan, Directors, retire by rotation and are eligible for reappointment.

Mr. Yoshiki Soga resigned from the Board effective from May 17, 2004. Your Directors wish to place on record their appreciation of the valuable contribution made by Mr Yoshiki Soga to the growth of the Company, during his tenure as a Director. In his place, Mr Koji Takeuchi, Executive Officer and General Manager of Product Engineering of Nippon Piston Ring Co., Ltd. has been co-opted as an Additional Director, who will hold office up to the date of the ensuing Annual General Meeting and is eligible for reappointment.

The Company has received a notice under Section 257 of the Companies Act, 1956, proposing the candidature of Mr Koji Takeuchi as a Director of the Company, subject to retirement by rotation.

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, 2004 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 31.03.2004 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 17, 2004

N Venkataramani
Vice Chairman

K V Shetty
Managing Director