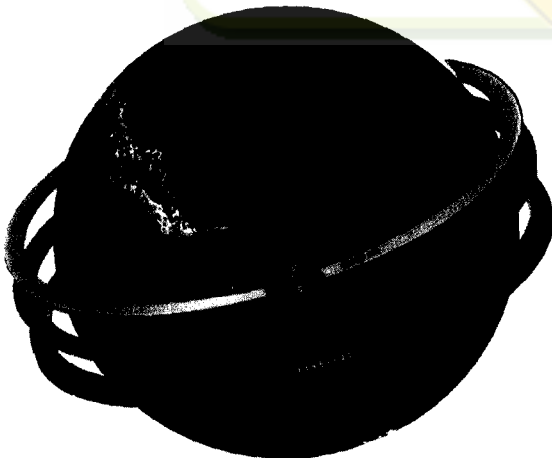


IP Rings Ltd.



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15<sup>th</sup> Annual Report  
2005 - 2006



### **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.	Whole Time Director

S. RANGARAJAN Esq.	Associate Vice President (Finance) & Secretary
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### **AUDITORS**

Messrs. R.G.N. PRICE & COMPANY

### **BANKERS**

STANDARD CHARTERED BANK

CENTRAL BANK OF INDIA

HDFC BANK LIMITED

### **REGISTERED OFFICE**

'Arjay Apex Centre'  
24, College Road  
Chennai 600 006  
Tel : (044) 4214 3593 / 4214 3594  
E-mail : iprcorp@iprings.com

### **FACTORY**

D 11/12, Industrial Estate  
Maraimalai Nagar  
Kancheepuram Dist. 603 209  
Tel : (044) 2745 2816 / 4740 0597 / 4740 0598  
E-mail : iprmn@iprings.com

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## NOTICE TO THE MEMBERS

**NOTICE** is hereby given that the **FIFTEENTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 27th July 2006 at "Rani Seethai Hall", 603, Anna Salai, Chennai 600 006, to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2006 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 on Equity Shares.
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 K Takeuchi, who retires by rotation and is eligible for reappointment.
5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that the retiring auditors Messrs. R G N Price & Co., Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company."

### 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, 316, 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	:	01.04.2006 to 30.09.2007.
Salary	:	Basic Salary of Rs. 1,00,000/- per month.
Commission	:	Upto 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.

(iii) Leave Travel Assistance:

One month's basic 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 or proportionate leave for the period of service. 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 any 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."

Chennai  
May 27, 2006

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

By Order of the Board

**S RANGARAJAN**  
Associate Vice President  
(Finance) & Secretary

**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 20, 2006 to Thursday, July 27, 2006 (both days inclusive).
- The Dividend when approved will be made payable on or after July 27, 2006, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 27, 2006 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 those 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 K Takeuchi, 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 01.04.2006.

As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief background, functional expertise of the Directors proposed for 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 72 years is the Managing Director of the Company since March 1992. He is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountants of India. Prior to joining this Company, Mr K V Shetty was a Whole Time Director of India Pistons Ltd.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	Audit Committee
IP Pins & Liners Limited	
Amalgamations Repco Ltd.	
Bimetal Bearings Limited	Audit Committee Investors Grievance Committee Remuneration Committee (Chairman)
IP Power Cylinder Systems Ltd.	Audit Committee
Simpson & General Finance Co. Ltd.	

- ii. Dr R Mahadevan, aged about 62 years has been a Director of the Company since July 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 Ltd.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	
IP Pins & Liners Limited	
Bimetal Bearings Limited	Audit Committee Remuneration Committee
IP Power Cylinder Systems Ltd.	
BBL Daido Pvt. Ltd.	

- iii. Mr Koji Takeuchi was inducted to the Board of the Company on 17.05.2004. He is the 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

The end of the year 2005-06 found your Company in the middle of a vigorous growth phase. The principal product 'Piston Rings' was doing well with an assured and growing OE market. In the Transmission Products Division, the Company was in the process of building up production volumes based on customers' requirements. Briefly stated, the Company was in the state of acquiring 'critical mass' in its new initiative and expanding its overall business.

Mr K V Shetty, with his vast experience in financial and operational management had piloted these ventures successfully and the Board of Directors were of the unanimous opinion that the continued presence of Mr K V Shetty at the helm of affairs was essential for your Company at this juncture to maintain continuity in leadership and guidance. Accordingly, Mr K V Shetty was reappointed as Managing Director with effect from 01.04.2006 to 30.09.2007. Abstract and terms of re-appointment and memorandum of interest under Section 302 of the Companies Act, 1956 have 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.

Chennai  
May 27, 2006

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

By Order of the Board

**S RANGARAJAN**  
Associate Vice President  
(Finance) & Secretary



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Fifteenth Annual Report** together with the Accounts for the year ended March 31, 2006 and the Auditors Report thereon.

## FINANCIAL RESULTS

	2005-2006	2004-2005
	(Rs. in Lakhs)	
Profit before Finance charges, Depreciation and Tax	<b>1193.51</b>	1049.95
Finance charges	<b>34.75</b>	15.76
Depreciation	<b>382.75</b>	300.00
Profit before Tax	<b>776.01</b>	734.19
Provision for Taxation (Net)	<b>263.94</b>	234.63
Profit after Tax	<b>512.07</b>	499.56
<b>Add :</b> Balance brought forward from previous year	<b>42.54</b>	81.85
Profit available for appropriation	<b>554.61</b>	581.41
<b>Less :</b> Dividend @ 35 %	<b>246.47</b>	211.26
Dividend Tax thereon	<b>36.59</b>	27.61
Transfer to General Reserve	<b>250.00</b>	300.00
Balance carried forward	<b>21.55</b>	42.54

## DIVIDEND

Your Directors recommend a dividend of 35 % for the year ended March 31, 2006, as against 30% paid during the previous year.

## OPERATIONS

During the year under review, the automobile industry showed all round growth, registering improved performance levels in all the segments. As a consequence, the demand for components from the OEMs remained buoyant.

The Company registered a turnover of Rs. 56.36 Crores, as against Rs. 51.52 Crores in the previous year. The continued pressure on prices from OEMs and competition in the After-Market have had their impact on the margin and profits.

Your Company's relentless drive towards improvement in productivity and sustained cost control measures have enabled the Company to achieve a profit level before tax of Rs.7.76 Crores, as against Rs.7.34 Crores recorded in the previous year.

In the Transmission Products Division, the Company is in the process of building up production volumes based on customers' requirements. This Division is likely to contribute to the sales and profitability during 2006 – 2007.

## OUTLOOK

The outlook for your Company this year appears to be bright. The Vehicle Industry is on a fast track, launching new products and expanding production capacities. More Global players are expected to commence operations in the Vehicle Industry in the country. Your Company is well placed to seize upon the opportunities presented by



this growth and increase its earnings. Sufficient production volumes are on tap and the Company's ongoing capital expenditure for balancing capacities and technological up-gradation will ensure that no opportunity for additional business is missed for want of capacity or capability. A higher production target for the current year has been set with corresponding improvements in sales turnover and profits.

Your Company has a large OE Customer base and enjoys the full confidence of major Vehicle Manufacturers. It has also a sizable presence in the After-market and your Company is taking various steps to improve its position still further.

The Company's Transmission Products Division is also operating satisfactorily. A major design change by an important OE Customer was managed speedily and effectively and to the complete satisfaction of the customer. Your Company is now poised for volume production to the new design and Transmission Products are expected to make a significant positive contribution to the overall results of your Company this year.

## **DIRECTORS**

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

Mr K V Shetty has been re-appointed as the Managing Director for the period from 01.04.2006 to 30.09.2007.

## **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, 2006 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 31.03.2006, 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 would also like to place on record their appreciation of the Technical Assistance rendered by Miba Frictec GmbH, Austria, in the new project on 'Carbon Friction Lining' of Synchronmesh Cones.

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 27, 2006

**A Sivasailam**  
Chairman