



IP Rings Ltd.



16th Annual Report 2006 - 2007

DIRECTORS

A. SIVASAILAM Esq.	Chairman
N. VENKATARAMANI Esq.	Vice Chairman
K.V. SHETTY Esq.	Managing Director
YORISHIGE MAEDA 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

NOTICE TO THE MEMBERS

NOTICE is hereby given that the **SIXTEENTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 26th July 2007 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, 2007 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 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 an Ordinary Resolution.
"RESOLVED that Mr Yorishige Maeda, 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 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."
7. 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 consent of the Company be hereby accorded to the reappointment of Mr K V Shetty as Managing Director from October 01, 2007 to March 31, 2009 and for the payment of the remuneration as set out in the annexure".

By Order of the Board

Chennai
June 25, 2007

S. RANGARAJAN
Associate Vice President
(Finance) & Secretary

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 – 7 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 19, 2007 to Thursday, July 26, 2007 (both days inclusive).
- The Dividend when approved will be made payable on or after July 26, 2007, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 26, 2007 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, 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, Mr P M Venkatasubramanian and Dr R Natarajan, retire by rotation and being eligible, offer themselves for reappointment. Mr Yorishige Maeda is being appointed as a Director liable to retire by rotation. Mr K V Shetty is being reappointed as Managing Director of the Company from October 01, 2007 to March 31, 2009.

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:

- i. Mr P M Venkatasubramanian, aged about 68 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)
Raadan Mediaworks (India) Ltd.	Audit Committee (Member) Investor Grievances Committee (Member)
Bimetal Bearings Ltd.	Audit Committee (Chairman)

- ii. Dr R Natarajan, aged about 66 years joined the Board of the Company during March 2002 as a Director. He is the Ex-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 Madras Ltd.	
Tata Elxsi Ltd.	

- iii. Mr Yorishige Maeda was inducted to the Board of the Company on 28.07.2006 as an Additional Director. He is a Director of Nippon Piston Ring Co., Ltd, Japan, Company's Technical Collaborators. He has served Toyota Motor Corporation in various capacities since 1971.

He does not hold Directorship in any other Indian Company.

- iv. Mr K V Shetty, aged about 73 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 (Chairman)
Simpson & General Finance Co. Ltd.	

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

ITEM NO. 6

Mr Yorishige Maeda was appointed as an Additional Director of the Company on 28.07.2006. Pursuant to Section 260 of the Companies Act, 1956 Mr Yorishige Maeda, 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 Yorishige Maeda 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 Yorishige Maeda, none of the Directors is concerned or interested in this Resolution.

ITEM NO. 7

The Members of the Company approved the reappointment of Mr K V Shetty as Managing Director of the Company till September 30, 2007, at the Annual General Meeting held on July 27, 2006.

The Board of Directors at their Meeting held on June 25, 2007, have reappointed Mr K V Shetty as the Managing Director of the Company for a further period from October 01, 2007 to March 31, 2009 on the terms and conditions as appearing in the annexure.

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.

By Order of the Board

Chennai
June 25, 2007

S RANGARAJAN
Associate Vice President
(Finance) & Secretary

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Sixteenth Annual Report** together with the Accounts for the year ended March 31, 2007 and the Auditor's Report thereon.

FINANCIAL RESULTS

	2006-2007	2005-2006
	(Rs. in Lakhs)	
Profit before Finance charges, Depreciation and Tax	1075.38	1193.51
Finance charges	58.04	34.75
Depreciation	414.21	382.75
Profit before Tax	603.13	776.01
Provision for Taxation (Net)	214.43	263.94
Profit after Tax	388.70	512.07
Add : Balance brought forward from previous year	21.55	42.54
Profit available for appropriation	410.25	554.61
Less : Dividend @ 27.50%	193.66	246.47
Dividend Tax thereon	32.91	36.59
Transfer to General Reserve	175.00	250.00
Balance carried forward	8.68	21.55

DIVIDEND

Your Directors recommend a dividend of 27.50% for the year ended March 31, 2007.

OPERATIONS

The Indian Automotive Industry continues to display robust growth with the total production in the Passenger Car Industry crossing 1.5 million mark vehicles representing a growth of 18% over the previous year. The exports of cars have reached a level of 2 lakhs during the year. With the OEMs investing in new plants and increased investments in additional capacities, the growth prospect for the Auto Component Industry continues to be extremely bright.

The growth in the automotive industry has naturally led to larger business volumes for the auto components industries. However, global price hikes particularly Steel, Aluminium and Nickel have pushed up cost of Raw Materials and consumables eroding to some extent gains arising out of higher volumes. Your Company has responded well to the situation by the adoption of economies in all areas of operation and through cost containment measures.

The operation of the Company on the whole has been quite satisfactory. The Piston Rings Operations in particular performed extremely well and contributed significantly to the overall profit.

In the Transmission Products Operations the Company has had to put up with some reversals. While the plant and equipment had been installed successfully and rendered operational, teething problems emerged during the *ramp up to volume production and extended the time for the technology to take root.* In this Division the company has taken up a new product and is implementing a technology of a higher order needed for this product – cold forming as against the conventional method of machining from solid stock.

While such problems and delays are but to be expected in a project of this nature, the Company's response was quick and with an intense effort, by the third quarter of the year, the technology had been assimilated fully and involved processes stabilized. The plant was ready for volume production and bulk deliveries of a part for a leading customer commenced.

However the delay has had some adverse effect and consequently the contribution to overall sales from the Transmission Products Division was not significant.

Also, in contrast to the situation in the OE Market, there was stagnation in the After Market. The combination of these two factors limited the growth in the company's turnover and profitability to modest levels.

Your Company has registered a turnover of Rs.58.03 Crores as against Rs.56.36 Crores in the previous year and due to the difficult circumstances explained above in the OCF operations, the Company's profit before tax was Rs.6.03 Crores as against Rs.7.76 Crores in the previous year.

OUTLOOK

The Vehicle Industry is continuing to make significant strides by launching new models and expanding production facilities and with more global players setting up new facilities in the country, the potential for the components industry is expanding rapidly.

Your Company continues to maintain a strong presence with the OEMs and is exerting itself to improve its position in the Aftermarket.

The Company is confident that the problems encountered last year in the Transmission Products Operations have been left behind and the division is now poised to take on volume production.

The Company believes it is well positioned to seize on the opportunities arising out of the growth in the Vehicle Industry with sufficient capacities on tap to meet emerging demands.

The employee morale is satisfactory and the Company has ongoing motivational programmes to sustain it.

As against these positive factors the increase in interest rates have pushed up the cost of finance and this has had to be taken into account.

Considering all these factors the Company has set for itself a realistic target that is higher than last year's performance and will spare no effort to achieve this target with resultant higher sales and increased profitability.

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 Koji Takeuchi resigned from the Board effective from July 28, 2006. Your Directors wish to place on record their appreciation of the valuable contribution made by Mr Koji Takeuchi to the growth of the Company, during his tenure as a Director. In his place, Mr Yorishige Maeda, Director 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 Yorishige Maeda as a Director of the Company, subject to retirement by rotation.

Mr K V Shetty was reappointed by the Board of Directors at their meeting held on 25th June 2007 as Managing Director of the Company for a further period from October 01, 2007 to March 31, 2009. Your approval is sought for his 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, 2007 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 31.03.2007 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
June 25, 2007

A. Sivasailam
Chairman



**Annexure to the Directors' Report for the year ended 31st March 2007.
Statement containing particulars pursuant to the Companies
(Disclosure of particulars in 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:	2006-2007	2005-2006
(a) Purchased :		
Units in Lakhs	37.25	34.49
Total Amount (Rs. in Lakhs)	180.60	161.16
Rate / Unit - Rs*	4.85	4.67

* Increase due to MD increased from 725 KVA to 1125 KVA with effect from August 2005, impact per unit Rs. 0.40

(b) Own Generation :

Through Diesel Generator

Units in Lakhs	1.35	3.88
Units per litre of Diesel	3.73	3.27
Cost / Unit - Rs.	16.70	11.66

B. CONSUMPTION PER UNIT OF PRODUCTION

Products	Standards if any	2006 – 2007	2005 – 2006
Piston Rings			
Electricity	No Standards	0.35 Kwh / ring	0.42 kwh / ring