

17th Annual Report 2007 - 2008



DIRECTORS

A SIVASAILAM Esq.	Chairman
N VENKATARAMANI Esq.	Vice Chairman
K V SHETTY Esq.	Managing Director
YORISHIGE MAEDA Esq.	Director
R MAHADEVAN Esq.	Director
P M VENKATASUBRAMANIAN Esq.	Director
R NATARAJAN Esq.	Director
N GOWRISHANKAR Esq.	Whole Time Director
S RANGARAJAN Esq.	Associate Vice President (Finance) & Secretary

AUDITORS

Messrs. R.G.N. PRICE & COMPANY, CHENNAI

LEGAL ADVISORS

S RAMASUBRAMANIAM & ASSOCIATES, CHENNAI

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: iprmmn@iprings.com

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Effective from May 1, 2008, the Company has appointed

M/s. BTS Consultancy Services Pvt. Ltd.
 'Panna Plaza', II Floor
 New No. 74, Old No. 134, Arcot Road
 Kodambakkam, Chennai - 600 024
 Phone : 044 – 2372 3355, Fax : 044 – 2375 0282
 E-mail: helpdesk@btsindia.co.in

as its Registrar & Share Transfer Agents



NOTICE TO THE MEMBERS

NOTICE is hereby given that the **SEVENTEENTH ANNUAL GENERAL MEETING** of the Members of **IP Rings Ltd.** will be held at 3.15 p.m. on Thursday, 24th July 2008 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, 2008 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 A Sivasailam, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr N Venkataramani, 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 subject to the approval of the Central Government and pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956, consent of the Members be and is hereby accorded for the payment of Managerial Remuneration to Mr. K.V. Shetty, Managing Director, amounting to Rs. 43,72,933/- for the financial year 1.4.2007 to 31.3.2008 notwithstanding the fact that the profits of the company are inadequate and duly recommended in that respect by the Remuneration Committee."

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, 309, 310 and other applicable provisions of the Companies Act 1956, if any, and read with Section II, Part II of Schedule XIII of the Companies Act, 1956 and with the approval of the Central Government, if necessary, the consent of the Company be and is hereby accorded for the payment of Managerial Remuneration amounting to Rs. 31,01,972/- to Dr N Gowrishankar, Whole Time Director for the financial year 01.04.2007 to 31.03.2008, notwithstanding the fact that the profits of the company are inadequate and duly recommended in that respect by the Remuneration Committee.

RESOLVED FURTHER that in the event of inadequacy of profit during the remaining tenure of his appointment, the remuneration payable shall be in terms of Section II, Part II of Schedule XIII to the Companies Act, 1956."

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

"RESOLVED that in conformity with Article 60 & 61 of the Articles of Association of the Company and pursuant to the provisions of Section 309(4) of the Companies Act, 1956, consent be and is hereby accorded for the payment of commission to eligible Non Executive Directors of the Company other than Managing / Whole Time Directors 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 each financial year for a period of five years commencing from 01.04.2008 to 31.03.2013 to be apportioned between such directors in such manner as may be decided by the Board of Directors from time to time."

By Order of the Board

Chennai
May 28, 2008

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 - 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, July 17, 2008 to Thursday, July 24, 2008 (both days inclusive).
- The Dividend when approved will be made payable on or after July 24, 2008, in respect of shares held in Physical form to those members whose names appear in the Register of Members as on July 24, 2008 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.
- Re-appointment of Directors:

At the ensuing Annual General Meeting, Mr A Sivasailam and Mr N Venkataramani, retire by rotation and being eligible offer themselves for re-appointment.

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 A Sivasailam, aged about 73 years has been associated with the Company since its incorporation. He is the Chairman of the Multi-Crore Amalgamations Group, one of the largest light engineering groups in the Country. He is the Chairman and Managing Director of Tractors and Farm Equipment Limited, one of the promoter companies.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
Tractors and Farm Equipment Limited	Audit Committee
Amalgamations Private Limited	
Simpson & Co., Ltd.	Audit Committee
The United Nilgiri Tea Estates Co. Ltd.	
TAFE Access Limited	
Stanes MJF Teas Limited	
Addison & Co., Ltd.	Audit Committee
Amco Batteries Ltd.	Audit Committee
AMCO-SAFT India Limited	
India Pistons Ltd.	
IP Power Cylinder Systems Ltd.	
Mahle IPL Limited	
Amalgamations Valeo Clutch Pvt. Ltd.	
TAFE Motors and Tractors Limited	
Wallace Cartwright & Co., Ltd., London	
Stanadyne Amalgamations Pvt. Ltd.	
T.Stanes and Company Ltd.	



Mr N Venkataramani, aged about 68 years has been a Director of the Company since its incorporation and occupies the position of Vice Chairman since April 2004. He is the Managing Director of India Pistons Limited, one of the promoter companies.

Details of other Directorships / Committee Memberships held by him.

Directorship	Committee Membership
India Pistons Ltd.	Audit Committee
George Oakes Limited	
IP Pins & Liners Limited	
Amalgamations Repco Ltd.	
Bimetal Bearings Limited	Audit Committee Investor Grievances Committee (Chairman)
IP Power Cylinder Systems Ltd.	Audit Committee (Chairman)
Mahle IPL Limited	
Amalgamations Valeo Clutch Pvt. Ltd.	
Stanes Amalgamated Estates Ltd.	
Stanadyne Amalgamations Pvt. Ltd.	
NTTF Industries Pvt. Ltd.	

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

ITEM NO. 6

The remuneration payable to Mr K V Shetty, Managing Director, including salary, commission @ 3% of net profits and other perquisites as approved by the shareholders at the Annual General Meetings held on July 27, 2006 and July 26, 2007 together with the remuneration payable to Dr N Gowrishankar, Whole Time Director, including salary, performance allowance and other perquisites as approved by the Shareholders at the Annual General Meeting held on July 27, 2005, exceeds the limit of 10% of the net profits prescribed in Section 309 and Section I to Part II of Schedule XIII of the Companies Act, 1956. Section 309(3) of the Companies Act, 1956 permits payment of remuneration in excess of the limits prescribed therein, with the approval of the Central Government and the Shareholders.

The Remuneration Committee has considered the remuneration payable to the Managing Director and recommended the same to the Board for payment with the approval of Central Government and the Shareholders. The Company is proposing to make the requisite application to the Central Government seeking its approval in this regard. This requires the consent of the Shareholders.

Your Directors recommend the Resolution for approval.

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

ITEM NO. 7

At the Annual General Meeting of the Company held on 27.07.2005, the Members had approved the appointment of Dr N Gowrishankar, as a Whole Time Director of the Company from 29.01.2005 to 28.01.2009 and payment of remuneration to him as proposed in the text of the Resolution placed before the General Meeting and was passed as an Ordinary Resolution.

The remuneration payable to Dr N Gowrishankar, as approved at the Annual General Meeting of the Company held on July 27, 2005 also includes the provision for the payment of remuneration proposed as minimum remuneration in the event of absence or inadequacy of Profits in any financial year during the tenure of the appointment of Dr N Gowrishankar, as a Whole Time Director. Payment of minimum remuneration in terms of requirements of Section II Part II of Schedule XIII to the Companies Act, 1956 requires passing of a Special Resolution by the Members. Hence the Special Resolution is proposed for consideration.

The Remuneration Committee had recommended the same remuneration approved by the Shareholders at the Annual General Meeting held on July 27, 2005, subject to taking into account the provisions of Section II, Part II of Schedule XIII of the Companies Act, 1956 and with the approval of Central Government, if necessary. The details are furnished hereunder:

Salary : Basic Salary of Rs. 50,000/- per month with increments as may be decided by the Board of Directors / Committee of Directors.

Performance Allowance : Not exceeding 12 months' Basic Salary as may be decided by the Board of Directors/ Committee of Directors.

Perquisites

(i) Housing:

Either

Free furnished residential accommodation subject to the condition that the expenditure by the Company on hiring a furnished accommodation for the appointee will be subject to the ceiling of 60% of the salary.

or

Free furnished accommodation, subject to a deduction of 10%, of the salary, if the accommodation is owned by the Company.

or

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

Reimbursement of Gas and Electricity, subject to a maximum of 10% of the salary. These shall be valued as per Income Tax Rules 1962.

(ii) Medical Reimbursement:

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

(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. 4,000/-

(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, as per Company's Gratuity Rules.

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

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 any financial year, the Whole Time Director shall be paid remuneration by way of salary, performance allowance and perquisites as specified above.

Termination:

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

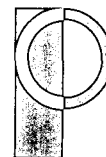
In as much as the payment of remuneration is well within the limits of Schedule XIII to the Companies Act, 1956, the approval of the Central Government is not required.

The agreement which has been entered into by the Company with the Whole Time Director incorporating the provisions of remuneration, approved by the Shareholders at the Annual General Meeting held on July 27, 2005 is available for inspection by any member of the company at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day till the date of the Annual General Meeting.

Apart from Dr N Gowrishankar, Whole Time Director, none of the Directors is concerned or interested in the said resolution.

The information to be disclosed as per Part II of Schedule XIII to the Companies Act, 1956 are provided as under:

IP Rings Ltd.

**I. GENERAL INFORMATION:**

01	Nature of Industry	Manufacturing of Auto Components		
02	Date of Commencement of Commercial Operation.	Company was established in the year 1991 and had already commenced Commercial Production.		
03	In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable		
04	Financial Performance	Particulars	31.03.2008	31.03.2007
			(Rs. in Lakhs)	
		Turnover	6274.97	5802.74
		P B T	401.78	603.13
		PAT	250.42	388.70
		Rate of dividend declared	25.00	27.50
		Networth	4286.89	4242.44
05	Export Performance and Net Forex Collaborations	For the year ended 31.03.2008 Forex Earned: INR 24,99,466/- Forex Outgo: INR 9,49,50,526/-		
06	Foreign investments of Collaborators, if any	Equity Collaboration with Nippon Piston Ring Co. Ltd., Japan (9.99 %)		

II. INFORMATION ABOUT THE APPOINTEE:

01	Background Details	Dr N Gowrishankar, an Indian National, aged 63 years, is an Engineer by profession. He is associated with the Company since 1991. He is a specialist in Metallurgy.
02	Past Remuneration	For the year ended 31.03.2007 INR 24.01 Lakhs
03	Recognition or awards	Graduate from IIT, Madras. Awarded Ph.D by IIT, Chennai for his thesis on Metallurgy. Dr N Gowrishankar is a member of several professional institutions, including Standard Engineers, Institution of Plant Engineers, Institution of Automobile Engineers (India), Combustion Institute, etc. He is a visiting faculty in IIT, Chennai and Crescent Engineering College, Chennai.
04	Job Profile and his suitability	Subject to the superintendence, direction and control of the Managing Director, Dr N Gowrishankar is responsible for the Operations of the Company.
05	Remuneration Proposed	For the Financial Year 2007-08, the total remuneration of Rs. 31,01,972/- as mentioned in the notice.
06	Comparative Remuneration Profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)	Taking into consideration the size of the Company, the profile of Dr N Gowrishankar, the responsibilities shouldered by him, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial position in other similar companies.
07	Pecuniary relationship directly or indirectly with the company or relationship with managerial personnel, if any.	Besides the remuneration proposed, Dr N Gowrishankar does not have any other pecuniary relationship with the Company.

III. OTHER INFORMATION:

01	Reasons of loss or inadequacy of profits	The rising interest rates in Vehicle Financing and increasing inflation coupled with the steep hike in fuel prices led to a downtrend in the Vehicle Industry from the beginning of the financial year in terms of reduced vehicle offtake in all segments except the passenger car segment. This disturbing factor has had its impact on the auto component industry, already suffering under the pressure of dwindling margins and increase in the cost of inputs. The Orbital Cold Forming (OCF) Division, which started with manufacture of Synchrocones and Differential Gears, experienced initial teething problems, common to all new projects and some lead time for Technology Assimilation was required for commercial production to commence and the limited scope for increasing the price of the products have resulted in inadequacy of profits during the year.
02	Steps taken or proposed to be taken for improvement	The Company is confident that the success achieved by the OCF Division would help it make a substantial contribution to the turnover and profits of the Company in the coming year. The Company is well positioned to respond quickly to the requirements that may emerge in the Vehicle industry, upon its achieving a turn around. Further utilization of production facilities, control of conversion cost apart from negotiating with the customers for price revision.
03	Expected increase in productivity and profits in measurable terms	Due to Stiff Competition, reasonable growth is expected.

IV. DISCLOSURE:

01	Remuneration Package	As given in the Explanatory Statement.
02	Details to be furnished in Corporate Governance	Given under Remuneration to Directors.

The Board of Directors recommends the resolutions for your approval as set out under item no. 7.

ITEM NO. 8

Payment of remuneration by way of Commission up to 1 % of the net profits to the Non Executive Directors for a period of 5 years commencing from 01.04.2003 to 31.03.2008 was approved by the Shareholders at the Annual General Meeting held on July 24, 2003. In view of the valuable contributions and greater involvement of the Non Executive Directors, in the affairs of the Company, it is thought appropriate to continue to remunerate the eligible Non Executive Directors.

Pursuant to the provisions of Section 309(4) 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.

All Directors except Mr K V Shetty, Managing Director & Dr N Gowrishankar, Whole Time 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 28, 2008

By Order of the Board

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 **Seventeenth Annual Report** together with the Accounts for the year ended March 31, 2008 and the Auditor's Report thereon.

FINANCIAL RESULTS

	2007-2008	2006-2007 (Rs. in Lakhs)
Profit before Finance charges, Depreciation and Tax	927.02	1075.38
Finance charges	72.28	58.04
Depreciation	452.96	414.21
Profit before Tax	401.78	603.13
Provision for Taxation (Net)	151.36	214.43
Profit after Tax	250.42	388.70
Add : Balance brought forward from previous year	8.68	21.55
Profit available for appropriation	259.10	410.25
Less : Dividend @ 25%	176.05	193.66
Dividend Tax thereon	29.92	32.91
Transfer to General Reserve	40.00	175.00
Balance carried forward	13.13	8.68

DIVIDEND

Your Directors recommend a dividend of 25% for the year ended March 31, 2008.

OPERATIONS

The rising interest rates in Vehicle Financing and increasing inflation coupled with the steep hike in fuel prices led to a downtrend in the Vehicle Industry from the beginning of the financial year in terms of reduced vehicle offtake in all segments except the passenger car segment. This disturbing factor has had its impact on the auto component industry, already suffering under the pressure of dwindling margins and increase in the cost of inputs.

The Orbital Cold Forming (OCF) Division, which started with manufacture of Synchrocones and Differential Gears, experienced initial teething problems, common to all new projects and some lead time for Technology Assimilation was required for commercial production to commence.

However, the Polewheel a new product taken up, as reported last year, was successfully developed during the end of last year, and has now been commercialized. The product has undergone a series of tests and we are glad to report that it has been validated and has been received well by leading customers.

The Company has reached a turnover of Rs.62.75 Crores, as against Rs.58.03 Crores in the previous year.

The Profit for the year after Tax was Rs.250.42 lakhs as against Rs.388.70 lakhs in the previous year.

OUTLOOK

The volatility in the oil prices in international markets, increasing interest rates, credit squeeze by Banks and the galloping inflation rate, all have considerably dampened the economy, leading to persistent slow-down in the industry.

Your Company however continues to maintain its strong presence with OEMs and is making a determined effort to increase its share in the After Market.

The Company is confident that the success achieved by the OCF Division would help it make a substantial contribution to the turnover and profits of the Company in the coming year.

The Company is well positioned to respond quickly to the requirements that may emerge in the Vehicle industry, upon its achieving a turn around.