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**MENON
BEARINGS
LIMITED**

MENON BEARINGS LIMITED



Board of Directors

Mr. Ram Menon

Chairman

Mr. Sachin Menon

Director

Mr. R. D. Dixit

Vice Chairman &
Managing Director

Mr. Nitin Menon

Joint Managing Director

Mr. T. K. Guha

Executive Director

Auditors

M/s. P. M. Vardhe & Co.

Chartered Accountants, Kolhapur.

Bankers

UTI Bank Ltd.

Registered Office

G-1, MIDC, Gokul Shirgaon, Kolhapur-416 234.



MENON BEARINGS LIMITED

Directors' Report

Your Directors feel great pleasure in presenting their **THIRTEENTH ANNUAL REPORT** of your company with the Audited Statement of Accounts for the year ended 31st March, 2004.

Economic Scene :

During the year 2003-2004 Indian Economy has shown upward trend. While industrial production witnessed a growth, agricultural production declined due to failure of monsoon in many parts of the country. The GDP Growth is around 8.1 percent during the year.

Operations :

You will be happy to note that your company has registered a turnover of Rs. 20.21 crores during the year under report as against the turnover of Rs. 18.49 cores during the previous year. This achievement is due to continuous development of Export and OE market and strategies adopted in replacement market. The company has also promoted a new company named MB Autocomponents Ltd., for marketing the products of your Company in replacement market.

Financial Results :

Your Directors inform that your company has earned a net profit of Rs. 236.61 lacs after tax during the year under report which is the 11th year of operation. The year 2002-2003 was last year of Income tax Concession U/s 80 IB of the Income Tax Act 1961. Hence the Company is required to bear 100% tax burden from the year 2003-2004. The financial results and the appropriation of profit is summarised as under.

	(Rs. in lacs)	
	Year ended 31-03-2004	Year ended 31-03-2003
1. Profit before taxation	375.14	345.59
2. Provision for taxation	138.53	86.92
3. Profit after taxation	236.61	258.67
4. Balance of profit as per last balance sheet	712.52	552.66
5. Previous years expenses	0.22	--
6. Balance available for appropriation	948.91	811.33
7. Proposed Dividend	140.10	70.05
8. Tax on dividend	17.51	8.76
10. General Reserve	38.00	20.00
11. Balance of profit carried to balance Sheet	753.00	712.52

Dividend

Considering the profit position and the necessity to plough back the funds for investment in plant and machinery for automation / expansion, your directors recommend a dividend at 30% without deducting income tax as per amended provisions in this behalf.

Fixed Deposits

The Company has not accepted any fixed deposits within the meaning of Section 58A & 58AA of the companies Act, 1956 and rules framed thereunder, and hence no deposit was outstanding as on 31-03-2004.

Directors

In Accordance with the requirement of the companies Act, 1956 and articles of association of the company, Mr. Ram Menon retires by rotation and is eligible for reappointment.

Industrial relations.

Industrial relations continued to be cordial during the year under report.

Auditors

M/s. P. M. Vardhe & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

Particulars of Employees

Statutory statement of particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 is Nil since no employee is drawing salary of Rs. 24,00,000 per annum or Rs. 2,00,000 per month.

Director's Responsibility Statement under Section 217 (2AA) of the Companies Act, 1956.

Pursuant to above provisions Board of Directors of the Company confirm :

1. That while preparing the annual accounts, the applicable accounting standards have been followed and proper explanation relating to material departures have been given wherever necessary.
2. That they had selected such accounting policies and applied them consistently and made judgements 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 31-03-2003 and of the profit of the company for that period.
3. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
4. That the directors had prepared the annual accounts on a going concern basis.

The information required under the Companies (Disclosure of the Particulars in the report of the Board of Directors) Rules, 1988 is enclosed.

Corporate Governance

As per Clause 49 in the listing agreement with stock exchanges, a report on Corporate Governance is given separately.

Qs 9000

The company continued to conform to the quality system requirements of QS 9000.

Acknowledgement

The Directors wish to place on record their gratitude for the continued co-operation and patronage extended by the esteemed customers both in OEM and after market segments. The Directors would also like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance during the year under report by our bankers, all the customers, suppliers of the company and government agencies. The Board of Directors wishes to express its appreciation for the valuable contribution made by the employees at all levels during the year under report.

For and on behalf of the Board of Directors

Place : Kolhapur.

Date : 20th May 2004.

RAM MENON

Chairman

MENON BEARINGS LIMITED



Information required under The Companies (disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

I. CONSERVATION OF ENERGY

Capacitors are installed at heavy induction motors to reduce the current and thereby increase the power factor near to unity. This has helped to conserve energy and reduce maximum demand.

II. TECHNOLOGY ABSORPTION

FORM B

Form of disclosure of particulars in respect of absorption of technology, research and development.

- | | |
|---|--|
| 1. Specific areas in which R & D carried out by the Company | 1. A high speed bush manufacturing technique has been developed.
2. New manufacturing technique for profiled thrust washers has been evolved. |
| 2. Benefits derived as a result of above R&D | 1. High productivity and consistency in quality has been achieved.
2. Cost reduction and more durability of the product has been achieved. |
| 3. Future plan of action | Company has planned to focus R&D efforts for cost reduction and development of new bearing material |
| 4. Expenditure on R&D | Capital WIP Rs. 42.97 lacs
Recurring Rs. Nil |

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- | | |
|--|---|
| 1. Efforts in brief, made towards Absorption, Adaptation | New plant has been imported and installed for manufacture of aluminium tin bi metal strips for manufacture of bearings. |
|--|---|

- | | |
|---|--|
| 2. Benefits derived as a result of the above efforts e. g. product improvement, cost reduction, product development | a) A more reliable product
b) Lower manufacturing cost and lower inventory.
c) Faster product development. |
| 3. In case of imported technology (imported during the last 5 years recorded from the beginning of the financial year). | Rolling Mill for manufacture of aluminium tin bimetal strip and 400 ton Press have been imported during 2002-2003. |

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|---|--|
| 1) Activities relating to export initiative for development of new export markets for products, services and exports. | We are exporting our products to U. K., Egypt, Spain, Israel, U. S. A. Additional applications are under development for the same. |
|---|--|

Total foreign exchange used and earned.	Used : Imports Rs. 31.90 lacs Others Rs. 1.11 lacs Earned : Rs. 329.90 lacs
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For and on behalf of the Board of Directors

Place : Kolhapur.
Date : 20th May 2004.

RAM MENON
Chairman



MENON BEARINGS LIMITED

Report on Corporate Governance for the financial year 2003-2004

The company has implemented the code of Corporate Governance during the financial year in terms of Clause 49 of the listing agreement entered into by the Company with Stock Exchanges. In fact the company has been practicing good corporate governance right from inception.

1. Company's philosophy on code of Corporate Governance :

The Company believes in fair and transparent business practices and corporate practices while dealing with the shareholders, employees, customers, suppliers and bankers.

The company is committed to highest standard of Corporate Governance with higher levels of transparency and disclosures.

The existing Corporate Governance practices and policies of the company are in line with the requirements of clause 49 of listing agreement.

2. Board of Directors

A) Composition

The Board of Directors of the Company consists of 5 Directors, two of whom are independent and non executive Directors. Board is headed by Non-Executive Director.

3. Attendance of each Director at the Board Meeting and last AGM

During the financial year 2003-2004, the Board of Directors met five times. The maximum time gap between any two meeting was not more than four months.

The details of the Board and Share Transfer cum-Investors Grievance Committee meetings held during the financial year 2003-2004 are given below.

Meetings of	Date of the Meeting	Total members	No. of members who Attended meeting
Board of Directors	27-05-2003	5	5
	29-07-2003	5	5
	22-10-2003	5	5
	15-11-2003	5	5
	28-01-2003	5	5
Share Transfer	21-04-2003	2	2
Investor's Grievance Committee	05-05-2003	2	2
	20-05-2003	2	2
	05-06-2003	2	2
	20-06-2003	2	2
	05-07-2003	2	2
	21-07-2003	2	2
	05-08-2003	2	2
	20-08-2003	2	2
	05-09-2003	2	2
	20-09-2003	2	2
	06-10-2003	2	2
	20-10-2003	2	2
	07-10-2003	2	2
	05-11-2003	2	2
	25-11-2003	2	2
	05-12-2003	2	2
	20-12-2003	2	2
	05-01-2004	2	2
	02-01-2004	2	2
	05-02-2004	2	2
	20-02-2004	2	2
	05-03-2004	2	2
	20-03-2004	2	2

4. Attendance of each of the Directors at the Board and General Meetings

Sr. No.	Name of Director	No. of Board Meetings attended	No. of share Transfer & Share holders' grievance committee meetings attended	Annual General Meeting
1.	Mr. Ram Menon	5	--	Yes
2.	Mr. Sachin Menon	5	--	No
3.	Mr. R. D. Dixit	5	24	Yes
4.	Mr. Nitin Menon	5	--	Yes
5.	Mr. T. K. Guha	5	24	Yes

5. Audit Committee

The Company is trying to identify the persons for inducting into the Board of Directors of the Company to comply with the clause 49 of listing agreement in respect of constitution of audit committee.

6. Remuneration to Directors

The Company has not constituted separate remuneration committee. The remuneration to wholtime directors as well as to non executive directors is decided by the shareholders in their general meetings.

7. Share Transfer and Investors' Grievance Committee

The committee has met 24 times during the financial year 2003-2004. All the share transfers have been effected within the prescribed period and there are no pending complaints as on 31-03-2004.

8. General Shareholder Information

a) General Body Meetings.

The Last 3 AGMs were held on 24-8-2001, 23-08-2002, 29-08-2003 at the registered office of the Company at G1, MIDC, Gokul Shirgaon, Kolhapur-416234.

b) Means of Communication.

Quarterly results are normally published in Indian Express or Economics Times (English) and Lokasatta or Maharashtra Times (Marathi).

c) The Financial calendar for the year 2003-2004 is as under

I	Results for the first quarter ending 30-06-2004	By end of July, 2004
II	Results for the second quarter ending 30-09-2004	By end of October, 2004
III	Results for the third quarter ending 31-12-2004.	By end of January, 2005
IV	Results (Audited) for the fourth quarter ending 31-03-2005.	By end of June, 2005
V	Annual General Meeting for the year ending March 2005	By August 2005

d) Dates of Book Closure

The Company's Transfer Books will remain closed from 25th July, 2003 to 6th August, 2004 (both days inclusive) for purpose of Annual General Meeting and for dividend entitlement for the financial year ended 31st march 2004.

e) Stock Exchange Listing

The company's shares were listed at Mumbai, Pune and Ahmedabad Stock Exchanges. With the approval of the shareholders in the last Annual General meeting held on 29-

MENON BEARINGS LIMITED

08-2003. Shares of the Company were delisted from Pune and Ahmedabad Stock Exchanges. Presently listing continues on the Bombay Stock Exchange (BSE). The company has paid annual listing fee to the stock exchange.

Secutiry Code

Mumbai Stock Exchange : 523828.

Ahmedabad Stock Exchange : 36440.

f) Market price data

The monthly high and low quotations and volume of shares traded at Mumbai Stock Exchange (BSE) during the financial year 2003-2004 are given below.

Month	High Rs.	Low Rs.	Volume of shares Traded (Nos)
April, 2003	28.65	21.00	11901
May, 2003	26.50	22.00	18404
June 2003	25.50	21.05	28101
July, 2003	40.05	24.00	79461
August, 2003	38.00	28.50	79022
September 2003	30.00	24.90	46745
October, 2003	28.00	22.25	48166
November 2003	31.50	20.40	53090
December 2003	67.35	28.05	407258
January 2004	52.50	34.00	112033
February 2004	38.00	33.00	40214
March 2004	36.25	31.70	35152

Registrars and Share Transfer Agents

The company has appointed following registrars for share transfer
Intime Spectrum Registry Ltd.
C-13 Pannalal Silk Mills Compound, L. B. S. Marg,
Bhandup (West) Mumbai-400078
Phone 25923837, Fax 25672693.
E Mail : isrl@intimespectrum.com

9. Distribution of shareholding as on 31st March 2003.

No. of Equity Shares	No. of Share-holders	% of total Share-holders	No. of shares held	% of total share-holding
1-500	7879	95.21	1289592	27.61
501-1000	246	2.97	207483	4.44
1001-2000	82	0.99	129640	2.78
2001-3000	19	0.23	46595	1.00
3001-4000	6	0.07	20510	0.44
4001-5000	22	0.27	108770	2.33
5001-10000	9	0.11	68489	1.47
10001 & above	12	0.15	2798921	59.93
Total	8275	100	4670000	100.00

10. Management Discussion and Analysis :

The Company is engaged in manufacture and sale of thin walled engine bearings, bushes, thrust washers for automobile and industrial engines. The company is trying to get more share in the entire market for such types of bearings. The Company's products are well accepted in domestic as well as overseas markets. However the company is required to face competition in all the segments. By continuous improvement in quality and maintaining competitive prices, the management feels sure that the company will maintain and achieve leadership in bearings industry.

Ms/. P. M. Vardhe & Co.
Chartered Accountants
630, 'E' Shahupuri,
1st Lane,
Kolhapur-416001.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of Menon Bearings Limited.

We have reviewed the implementation of Corporate Governance by the Company upto 20th May, 2004, being date on which the audited accounts for the year ended on 31st March, 2004 were adopted by the Board of Directors of the Company.

On the basis of the records and documents maintained by the Company and the information and explanation given to us, in our opinion, the Company has complied in all material respects with the requirements of Corporate Governance as stipulated in clause 49 of the Listing Agreements with the Stock Exchanges.

Ms/. P. M. Vardhe & Co.
Chartered Accountants

Place : Kolhapur.
Date : 20th May 2004.

P. M. Vardhe & Co.
Proprietor



MENON BEARINGS LIMITED

Ms/ P. M. Vardhe & Co.
Chartered Accountants
630, 'E' Shahupuri, 1st Lane
Kolhapur-416001.

AUDITOR'S REPORT TO THE MEMBERS OF MENON BEARINGS LIMITED

We have audited the attached Balance Sheet of M/s. Menon Bearings Limited, as at 31st March, 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit :
- 2) In our opinion, proper books of account as required by the law have been kept by the company so far as appears from our examination of those books.
- 3) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5) On the basis of written representations received from the directors, as on 31st March 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the manner so required and give a true and fair view in conformity with

the accounting principles generally accepted in India.

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003, and
- b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
- c) In case of Cash Flow statement, of the Cash Flows for the year ended on that date

For M/s. P. M. Vardhe & Co.
CHARTERED ACCOUNTANTS

Place : Kolhapur
Date : 20th May, 2004.

P. M. Vardhe
Proprietor

ANNEXURE REFERRED TO IN PARA 1 OF OUR REPORT OF EVEN DATE

- 1) a) The Company has maintained proper record showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
- c) During the year, the company has not disposed off any major part of the plant and machinery.
- 2) a) The physical verification on inventory has been conducted during the year by the management at reasonable intervals
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- 3) a) The Company has taken or granted loans, from or to Company or others parties covered in the register maintained under section 301 of the Act.
- b) In our opinion the rate of interest and other terms and conditions on which loans have been given to company and taken from other parties, listed in the registers maintained under Section 301 are not, prima facie, prejudicial to the interest of the company.
- c) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest and vice versa.
- d) There is no overdue amount of such loans taken or granted.