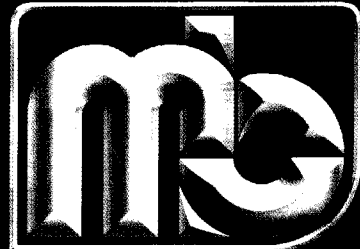


MENON BEARINGS LTD.

Report  junction.com

15th Annual Report
2005-2006



Contents



Contents	01
Board of Directors	02
Notice	03
Proxy & Attendance Slip	06

Financial Statements

Report of the Board of Directors	07
Report on Corporate Governance	11
CEO / CFO Certification	15
Auditor's Certificate on Corporate Governance	16
Auditor's Report	17
Annexure to Auditors Report	18
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22
Schedules A to Q	23
Other Notes	31
Balance Sheet Abstract & General Business Profile	34

Consolidated Financial Statements

Auditor's Report to Consolidated Financial Statements	38
Consolidated Balance Sheet	39
Consolidated Profit & Loss Account	40
Consolidated Cash Flow Statement	41
Schedules A to R	42

The Board Of Directors

RAM MENON	Chairman
R. D DIXIT	Vice Chairman & Managing Director
SACHIN MENON	Director
NITIN MENON	Joint Managing Director
T. K. GUHA	Executive Director
KUMAR NAIR	Director
SUHAS KULKARNI	AGM - Finance & Accounts
AMOL PURANDARE	Asst. Company Secretary
AUDITORS	M/s. P. M. VARDHE & CO. Chartered Accountants, Kolhapur
BANKERS	UTI Bank Limited, Kolhapur

REGISTERED OFFICE

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

Notice

15th AGM of
Menon Bearings Ltd.



MENON BEARINGS LIMITED

Regd Office: G-1, MIDC, Gokul Shirgaon, Kolhapur 416234

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Friday, the 25th August, 2006 at 10.30 a.m. at the Registered Office of the Company at G-1, MIDC Gokul-Shirgaon, Kolhapur to transact the following business:

Ordinary business

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2006 and the profit and Loss Account for the year ended 31st March 2006 and the report of the Directors and of the Auditors.
- 2) To declare a dividend.
- 3) To appoint a Director in place of Mr. Kumar Nair, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint M/s P. M. Vardhe & Co., Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

Special Business

- 5.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

RESOLVED THAT Mr. Nitin Menon, who was appointed as Joint Managing Director of the company for a term of 5 years from 21st September 2000 to 20th September 2005, & whose appointment has expired on 20th September, 2005.,

WHEREAS it was required to re-appoint Mr. Nitin Menon as Joint Managing Director in terms of the resolution passed in the Annual General Meeting of the company, for a period of 5 years from 1st October, 2005 to 30th September 2010,

AND WHEREAS the Board of Directors of the company at its meeting held on 23rd October 2005 reappointed Mr. Nitin Menon as Joint Managing Director of the Company, with effect from 1st October 2005,

NOW THEREFORE IT IS RESOLVED THAT the reappointment of Mr. Nitin Menon as Joint Managing Director be & is hereby ratified effective from 1st October 2005.

All the terms & conditions of his appointment remain the same.

- 6.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED THAT approval be & is hereby accorded for revising the monthly remuneration payable to Mr. R. D. Dixit, Vice Chairman & Managing Director, Mr. Nitin Menon, Joint Managing Director, & Mr. T. K. Guha, Executive Director w.e.f. 1-4-2006 as under

EMOLUMENTS	Mr. Nitin Menon	Mr. R. D. Dixit	Mr. T. K. Guha
Basic	1,18,500	76,500	74,500
HRA	11,850	7,650	7,450
Conveyance	Nil	Nil	6,000
PPA	23,750	23,750	35,000
Production Incentive Allowance	57,420	6,160	6,370
Education Allowance	1,000	1,000	1,000
Soft Furnishing Allowance	2,500	2,000	2,500
Servant Allowance	2,500	2,000	2,500
Total	2,17,520	1,19,060	1,35,320

All the Whole Time Directors shall be entitled to the reimbursement of conveyance & medical expenses.

All other terms & conditions shall be as per the terms of their appointment.

" RESOLVED FURTHER THAT pursuant to the provisions of Section 198, 309 & 310 & other applicable provisions of the Companies Act, 1956 approval of the Company be & is hereby accorded to authorize the Board of Directors to grant increase in the remuneration of Whole Time Directors from time to time as may be deemed fit within the overall limit available for managerial remuneration under the Companies Act, 1956 & within the limit provided in chapter XIII of the Companies Act, 1956."

7.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

" RESOLVED THAT pursuant to the provisions of Section 198, 309 & 310 & other applicable provisions of the Companies Act, 1956 approval of the Company be & is hereby accorded for the payment of remuneration of Rs. 30,000/- per quarter to Mr. Kumar Nair, Director, on his attending the meeting of the Board.

RESOLVED FURTHER THAT the said remuneration shall be within the overall limit available for managerial remuneration under the Companies Act, 1956 & within the limit provided in chapter XIII of the Companies Act, 1956."

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

" RESOLVED FURTHER THAT sitting fees payable to the directors (including Managing Directors & Wholetime Directors) for attending the meetings of the Board & committees thereof be increased from present Rs. 2000/- to Rs. 1,00,000/- subject to the approval of the central Government pursuant to the provisions contained in the first proviso to the section 310 of the Companies Act, 1956 & Article 133C of the Articles of Association of the Company be altered by substituting the words " Rs. 2,000/-" to words " Rs. 1,00,000/-".

RESOLVED FURTHER THAT the Board of Directors of the company be & is hereby authorized to decide on the amount payable as sitting fees to directors for attending the meetings of the Board & committees thereof subject to the ceiling provided as above."

Kolhapur
Date: 24-06-2006

For Menon Bearings Ltd.

Ram Menon
Chairman

Notes::

1.) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2) The register of the members and the share transfer register of the company will remain closed on 25/08/2006 which shall be record date.

3) Consequent upon the amendment to Section 205A of the Companies Act, 1956 and insertion of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years shall hereafter have to be transferred to the Investor Education and Protection Fund. Shareholders are requested to kindly note the same.

4) As per requirement of SEBI and Mumbai stock exchange, the Company has dematerialized its shares from April 2001.

5) The company has appointed following Registrar and Share Transfer Agents:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400078. Ph. (022) 25963838

Shareholders are requested to approach above Registrars for share transfer / transmission / change of address / dematerialization etc.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Resolution 5:

Mr. Nitin Menon, Joint Managing Director, was appointed so on 21st September 2000 for a term of 5 years & his appointment expired on 20th September 2005. The Board of Directors in its meeting held on 23rd October, 2005 reappointed him as Joint Managing Director subject to the approval of the General Body in general meeting. Hence approval of the General Body is accorded for the ratification of his appointment w.e.f. 1st October 2005.

Mr. Nitin Menon, Mr. Ram Menon, & Mr. Sachin Menon are interested in the resolution.

The above statement may be regarded as an abstract of the terms & memorandum of interest under section 302 of the Companies Act, 1956.

Resolution 6 :

With effect from 1st April, 2006 there has been increment in

the payment to employees & staff of the company. It includes whole time directors also whose remuneration is revised as stated in the resolution. Approval of the General body is accorded for the said revision.

All directors except Mr. Kumar Nair are interested in the resolution.

The above statement may be regarded as an abstract of the terms & memorandum of interest under section 302 of the Companies Act, 1956.

Resolution 7 :

Mr. Kumar Nair was appointed as an Additional Director of the company & was reappointed as Director of the company in the last Annual General Meeting held on 6th August 2005. He was appointed as an independent director as per clause 49 of the listing agreement with the Bombay Stock Exchange Ltd. As per the said clause remuneration payable to the director requires previous approval of the shareholders. Your approval is accorded for the said purpose.

None of the directors are interested in the resolution except Mr. Kumar Nair.

Resolution 8 :

Considering the fact of high cost of living, the present sitting fees being too inadequate, it is proposed to increase the present fees to the maximum permissible under the Act. The proposal to increase the sitting fees as aforesaid would require the amendment in the Article 133C of the Articles of Association for which approval of the shareholders would be required in the general meeting. Hence, this special resolution.

All the directors except Vice Chairman & Managing director (who is otherwise not entitled to sitting fees) are interested in this resolution.


MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

PROXY

I / We _____

Of _____ being a member / members of Menon Bearings Limited hereby appoint

Mr. / Mrs. _____

of _____

or failing him

Mr. / Mrs. _____

of _____

 as my/our proxy to attend and vote for me / us on my / our behalf
at the 15th Annual General Meeting of the company to be held
on 25th August 2006 at 10.30 A. M. and any adjournment thereof

Signed _____

This _____

day of _____ 2006.

 Affix
30 paise
Revenue
Stamp

Members' Folio Number :

No. of Shares held :

DP ID :

Client ID No. :


MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I hereby record my presence at the 15th Annual General Meeting of the Company to be held at the Registered Office of the company on Friday the 25th of August 2006 at 10.30 A. M.

NAME OF THE ATTENDING MEMBER (In Block letters)

NAME OF THE PROXY (To be filled in if the proxy attends instead of the members) (In block letters)

Signature of the Member / proxy _____

Members' Folio Number :

No. of Shares held :

DP ID :

Client ID No. :

Notes :

1. Shareholders / proxy holders are requested to bring the attendance slip with them duly completed when they come to the meeting and hand them over to the gate after affixing signatures on them.
2. The proxy form must be deposited at the Registered Office of the company G-1, MIDC, Gokul - Shirgaon, Kolhapur - 416234, not less than 48 hours before the time for holding the meeting.

Report of the Board of Directors

Your Directors feel great pleasure in presenting the 15th Annual Report of your company with the Audited Statement of Accounts for the year ended 31st March, 2006.

ECONOMIC SCENARIO:

Indian Economy has shown the satisfactory progress during the year 2005-06. During the year under review the growth in the Indian Economy continued and all the sectors showed satisfactory results. As per the estimates of Central Statistical Organisation (CSO), the economy had a growth of 8.4 % during 2005-06 in its Gross Domestic Product(GDP). The industrial sector is estimated to have grown at a rate of 7.6%.

OPERATIONS:

(Rs. In lacs)

Sr. No.	Particulars	Year Ended 31.03.06	Year Ended 31.03.05
1	Profit before tax	319.49	484.16
2	Provision for tax	115.93	181.44
3	Profit after tax	203.56	302.72
4	Balance of profit as per last Balance Sheet	800.20	753.30
5	Previous year adjustment for tax	Nil	7.53
6	Previous year expenses	4.16	3.65
7	Balance available for appropriation	999.60	1059.90
8	Proposed dividend (in Rs. Lakhs)	102.74	186.80
9	Proposed dividend	22 %	40 %
10	Tax on dividend	14.41	24.40
11	General Reserve	21.00	48.50
12	Balance of profit carried to Balance Sheet	861.45	800.20

RESULTS OF OPERATIONS:

During the year under review company has registered a sale of Rs. 2456.77 Lacs & net profit of Rs. 203.56 Lacs. The current fiscal was hampered by increase in the cost of raw material & cost of finance. To cure the position, your company has already initiated the process of revising prices & had been in discussions with its customers. So far almost all the customers have given price rise.

DIVIDEND:

Considering the profit position, your directors have decided to plough back the profits into the company by way of capital investment & hence recommend a dividend at 22% i.e. Rs.2.20/- per share.

AWARDS & ACHIEVEMENTS:

Cummins India Ltd. has been among the very valuable and respected customers of the company. But over the years your company has proved itself to be a respected supplier of Cummins (India) Limited with its qualities like product quality, punctuality, quickness, prompt response, etc. Your company keeping you on a high has continued its tradition of being

BEST AMONG THE BEST and awarded so by Cummins India Ltd.

CORPORATE SOCIAL RESPONSIBILITY:

During the financial year a lot the area situated nearby the company was hampered by the vicious flood claiming number of lives and lot of financial loss. For providing helping hand to those who were affected by flood, company and its employees contributed to the funds raised by social entities.

On the occasion of Republic day, company donated various things and articles to a school situated in a small village Kode, Tal. Radhanagari.

WAGE AGREEMENT:

The wage Agreement was entered into between management of the company and workers. It was very peaceful and in friendly manner which gave rise in wage payment.

SUBSIDIARY:

In terms of the approval granted by the Central Government on 9th March, 2006 under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit & Loss Account, Report of the Board of directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the company. These documents will be made available upon request by any member of the company interested in obtaining the same. However as directed by the Central Government, the financial data of the subsidiaries have been furnished under "Details of Subsidiary" forming part of the Annual Report. Further pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements are forming part of Annual Report.

Public Deposits:

The Company has not accepted any public deposit within the meaning of Section 58A & 58AA of the Companies Act, 1956 and rules framed thereunder.

Directors:

Mr. Kumar Nair, Director, retire by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Auditors:

M/s P. M. Vardhe & CO., Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Particulars of Employees

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 statement of particulars of employees is not given since no employee is drawing salary of Rs.24,00,000/- per annum or Rs.2,00,000/- per month.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- 1) while preparing the Annual Accounts, the applicable accounting standards have been followed and proper explanation relating to the material departures have been given wherever necessary.

- 2) The directors have 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 31st March, 2006 and of the profit of the company for that period.
- 3) 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.) The Directors have 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 of the Listing Agreement with stock exchange a report on corporate governance is given separately.

CEO / CFO Certification

The CEO / CFO certification as required under the Listing Agreement with Bombay Stock Exchange is attached.

QS 9000

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

Acknowledgment:

Your 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.

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

I. CONSERVATION OF ENERGY

- a) Automatic systems are installed to switch off the motors if running without load.
- b) Electronic rectifiers are installed to minimise the losses.
- c) Compressed air circuit modified to optimise the utilization of compressors.
- d) Power factor is maintained near unity to control the maximum demand
- e) Continuous improvement projects are implemented at various machines to reduce cycle time.
- f) Energy efficient air dryers are installed.