

MENON



MENON PISTONS LIMITED

22nd ANNUAL REPORT 1998-1999

Board Of Directors

Mr. Ram Menon

Chairman

Mr. Sachin Menon

Managing Director

Mr. Vijay Menon

Mr. Nitin Menon

Mr. S. S. Nagpurkar

Mr. R. D. Dixit

Mr. Mani Mathew

Executive Director

Mr. K. Parmeswaran

AUDITORS

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

Chartered Accountants

BANKERS

Bank of Baroda

The United Western Bank Ltd.

Registered Office

182, Shirol, Kolhapur - 416 122.



MENON PISTONS LIMITED

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1999.

SHARE HOLDERS

Your directors are pleased to present their 22nd Annual Report together with the audited statements of accounts for the financial year ended 31st March, 1999.

THE ECONOMY

Even as we feel dismayed by the turn of political events in our country and the setback they deliver to investment sentiment, we must not lose sight of the early signs of a global economic recovery taking place. The industrial growth rate for fiscal 1998-99 decelerated to 3.6 per cent from 6.6 per cent last year. However, robust agricultural growth, low inflation and healthier exports may help eclipse the ill effects of tardy industrial growth and political instability on the country's economy.

The automobile industry, which had been gripped by recession for the last over three years, the longest spell ever, by any standards, seems to heave a sigh of relief, with signs of improvement of markets both in the OEMs and Replacement Sector.

WORKING RESULTS

[Rs. In Lacs.]

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
PROFIT FOR THE YEAR AFTER CHARGING	187.68	538.45
USUAL WORKING EXPENSES		
LESS : DEPERECIATION	170.01	156.97
	17.67	381.48
INCOME TAX	2.00	150.00
	15.67	231.48
BALANCE OF PROFIT & LOSS A/C. AS PER LAST		
BALANCE SHEET	609.74	540.11
LESS : SHORT PROVISION	---	2.22
ADD : EXCESS PROVISION	---	19.12
LESS : SHORT PROVISION FOR TAXATION	45.53	13.46
	579.89	775.03
BALANCE AVAILABLE FOR APPROPRIATION		
LESS :		
PROPOSED DIVIDEND	51.00	127.50
	(10%)	[25%]
TAX ON DIVIDEND	5.10	12.75
TRANSFER TO GENERAL RESERVE	1.60	23.00
EXPENSES FOR PREVIOUS YEAR	0.26	2.04
	57.96	165.29
BALANCE CARRIED TO BALANCE SHEET	521.93	609.74



YEAR IN RETROSPECT

The impact of the heavy recession in the industry, particularly, in the automobile sector, has severely affected the performance of almost all the auto ancillary units and Menon Pistons was no exception to it. However, the inherent strengths of the company in providing better quality products at reasonable costs, the credibility that the company has built over its long period of existence, as a reliable supplier, both in the OEM segment as well as the Replacement market, has helped it to tide over the period with a turnover of over Rs. 55 Crores and with some marginal profits of Rs. 18 lacs. Demand from both, the OEMs as well as the Replacement market was on a lower pitch, until the middle of the third quarter of this financial year. However, the market has improved during the last quarter. The profitability has been sharply eroded, primarily, due to lower turnover and increase in fixed overheads.

The expansion in the capacity of Cummins Piston Line was successfully completed during the year under review, with the replacement of some of the existing machinery with imported machinery from Taiwan. The total investment in this line has been over Rs. 2 Crores. This new Line will supplement the efforts of the company in turning out more cost effective pistons with better quality.

DIVIDEND

In view of the heavy pressures on the liquidity, and in view of marginal profits, your directors propose to recommend the payment of dividend of 10% during the year under review. The dividend payout amounts to Rs. 51.00 lacs for the current year as compared to Rs. 127.50 lacs during the previous year.

OUTLOOK FOR THE CURRENT YEAR

Though the automobile industry has been set on the 'recovery' mode, the pace of recovery is uncertain. The market is expected to stabilise only by the second half of the current financial year. The company is poised to meet the demand of any type of its products from any sector. All efforts are being made to make optimum utilisation of the existing capacities. Measures have been taken to apply the technology of our collaborators, M/s Izumi Industries Ltd., Japan, under their guidance, with due improvisations and modifications, to suit Indian conditions. The company had sent a team of technical personnel for undergoing training at the works of our Collaborators, M/s Izumi Industries Ltd., Japan. The team has returned back after successfully completing the training of 18 months in Japan. This, coupled with our ongoing, continuous efforts on improvement in productivity, cost reduction and development of new markets, is expected to help us in improving the bottom lines.

DIRECTORS

Mr. S.S. Nagpurkar and Mr. K. Parmeswaran retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

INDUSTRIAL RELATIONS

During the year, the industrial relations have been generally cordial. The wage agreement with workers expired on 1-4-1998 and despite prolonged negotiations we were unable to arrive at an agreement. The matter is pending for conciliation.

**MENON PISTONS LIMITED****FIXED DEPOSITS**

The company has not accepted any deposits within the meaning of section 58A of The Companies Act and the Rules framed thereunder.

PARTICULARS OF EMPLOYEES

A statement under Sub-section 217[2A] of the Companies Act, 1956 has not been given as there are no employees drawing a salary of Rs. 6,00,000/- p.a. or Rs. 50,000/- p.m.

AUDITORS

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

STATUTORY INFORMATION

The Company has taken effective steps to be Y2K compliant by August 1999. The Company has also gone for Y2K compliant Enterprise Resource Planning, MenCIM which will cover major business applications. The Company is developing contingency plan to ensure minimum disruption of its operation in the event of system breakdown / failure due to Y2K problem, and to reduce the risk of outside agency not meeting the required status of Y2K readiness.

ACKNOWLEDGEMENT

Your directors wish to place on record their gratitude for the continued co-operation and patronage extended to the company by our esteemed customers both in OEM and the after market. They also appreciate the confidence reposed by the investing public, in the company. Our thanks are also due to our bankers, Bank of Baroda and The United Western Bank Ltd., for their co-operation. Finally, the Board wishes to express its appreciation for the efforts and contribution made by the employees at all levels during the year.

For and on behalf of the Board of Directors,

RAM MENON

Chairman

Place : Kolhapur.

Date : 28-05-1999.



ANNEXURE TO DIRECTORS' REPORT

Information required under The Companies [Disclosure of Particulars in the Report of the Board of Directors] Rules, 1988.

I] CONSERVATION OF ENERGY

The Company has taken steps towards energy conservation during the year under report. It is envisaged to conserve energy by timely scheduling and implementation of production programme, avoiding delays, etc.

II] TECHNOLOGY ABSORPTION

FORM B

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

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|---|---|
| 1. Specific areas in which R & D carried out by the Company | R & D efforts are directed towards evolving better casting process, improved process for aluminium castings, for high speed machining of aluminium alloys, increased productivity, reduction in rejections. |
| 2. Benefits derived as a result of above R & D | We have been able to be much more cost effective & are also able to meet more exacting requirements of customers at home and abroad. |
| 3. Future plan of action | Establishment of a fullfledged R & D facility to test various designs evolved in house. |
| 4. Expenditure on R & D | Capital - Rs. Nil
Recurring - Rs. Nil. |

Technology absorption, adaptation & innovation

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|---|---|
| 1. Efforts in brief, made towards absorption, adaptation. | a) High speed machining of aluminium alloys.
b) Efforts are underway to develop technology to produce highly wear resistant piston rings.
c) Employees are sent for training in the relevant fields to get accustomed to and absorb new technologies developed in the manufacture of piston assemblies. |
| 2. Benefits derived as a result of the above efforts. e.g. product improvement, cost reduction, product development, import substitution. | a) Additional business through manufacturing, supply of products hereto imported by Original Equipment Manufacturers.
b) Prospects of additional export business to hard currency areas.
c) Upgradation of the technical capabilities of the employees. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year.) | Not Applicable |