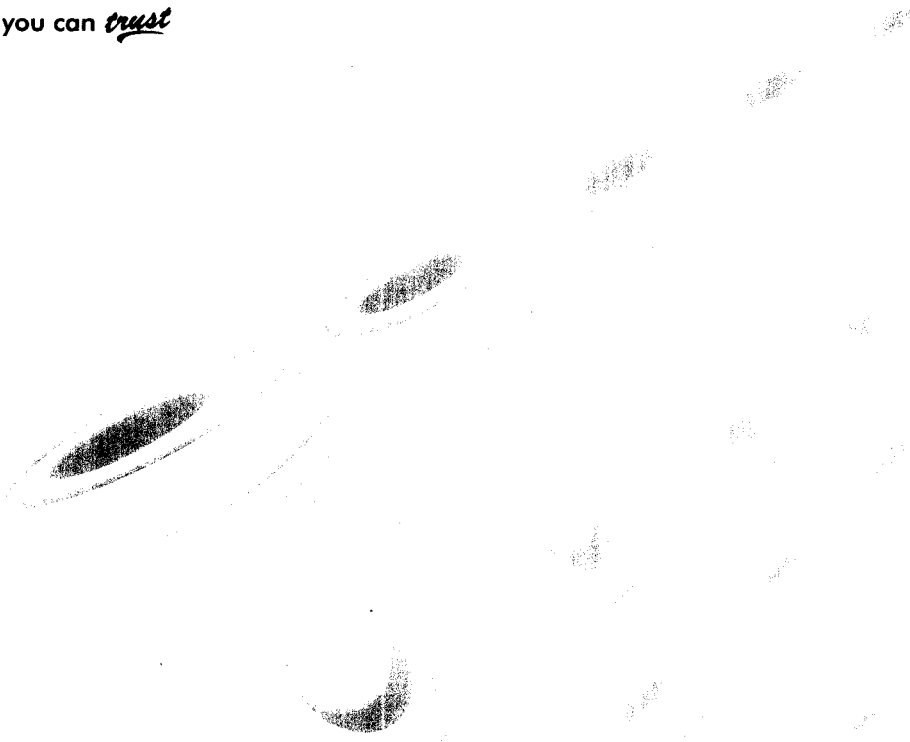


ANNUAL REPORT

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Menon Pistons Ltd.



Board of Directors

Mr. Ram Menon
Chairman

Mr. Sachin Menon
Managing Director

Mr. Nitin Menon

Mr. S. S. Nagpurkar

Mr. R. D. Dixit

Mr. Mani Mathew

Mr. G. S. Rao

Company Secretary
Mr. V. V. Mangoli

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.
Maharashtra - India



Report of the Directors for the Financial Year ended 31st March, 2004

Share Holders

Your directors are pleased to present their 27th Annual Report together with the audited statements of accounts for the financial year ended 31st March 2004.

During the year under report, the Automobile Industry improved in all spheres of business. There was overall growth in the market size, deeper penetration in the semi-urban and rural areas. The future of this industry is bright.

During the year under report, the Company could achieve a turnover of Rs 77.44 crores (inclusive of other income) as compared to Rs.68.73 crores in the preceding year. Thus there is an increase of 12.67% in the turnover of the Company.

The total export sales during the year under report have reached to a figure of Rs 7.24 Crores as compared to Rs. 4.66 crores during the preceding year.

The prices of all major raw material were up by 10 to 15% resulting into squeezing of profit margin. The negotiations for price increase were initiated and at the same time cost reduction programmes implemented.

We are happy to inform you that all major OE customers have responded to our request positively and the outcome of the same will be visible in the next financial year.

In spite of this adverse factor the Company could achieve higher turnover and marginal rise in the profit before tax..

Quality improvement programme is under implementation alongwith modernisation of Foundry and Machine Shop Deptts. Falling interest rates on advances helped the Company in curtailing finance cost during the year.



The working results for the year are as under:

Working Results:

(Rs. In lacs)

Particulars	Current Year	Previous Year
Gross Turnover	7744.64	6,872.57
Less : Usual working expenses	7125.23	6,294.11
Gross Profit	619.41	578.46
Less: Depreciation	235.05	217.58
Profit before taxation	384.36	360.88
Less: Provision for taxation (Net)	139.69	110.57
Profit after tax	244.67	250.31
Add: Balance of profit as per last years accounts	383.54	215.07
Available Surplus	628.21	465.38
Add: Excess provision for taxation	1.82	21.30
Less: Short provision for taxation	0.00	1.95
Less: Expenses relating to previous year	5.76	0.13
Balance available for appropriation	624.27	484.60
Proposed Dividend	102.00	76.50
Tax on Dividend	13.07	9.56
Transfer to General Reserve from profit & loss account	25.00	15.00
Balance carried to next year	484.19	383.54

Dividend

Your Directors are pleased to propose the payment of dividend of 20.00% during the year under review, as compared to 15% of the last year. The dividend pay out amounts to Rs. 102.00 lacs. The tax on this dividend will be paid by the Company and the dividend in the hands of recipient is free from Income Tax.

Directors

Mr. S. S. Nagpurkar and Mr. R D Dixit retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Board of Director appointed Mr. G. S. Rao as Additional Director. He is retiring at ensuing Annual General Meeting and being eligible offer himself for reappointment.

Industrial relations :

During the year, the industrial relations have been cordial.

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 Section 217 (2A) of the Companies Act, 1956 has not been given as there are no employees drawing a salary of Rs. 24,00,000/- p.a. or Rs. 2,00,000/- p.m.

Audit Committee

The Audit Committee of the Company continued its working as per the terms of reference during the year under report.

Directors' Responsibility Statement

- i) Your Directors have followed the applicable accounting standards alongwith proper explanation relating to material departures in the preparation of the annual accounts.
- ii) Your Directors have 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 and of the profit of the Company for that year.
- iii) Directors have taken proper and sufficient care for the maintainance 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.
- iv) Your Directors have prepared the annual accounts on a "going concern" basis.

Auditors

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

Acknowledgment

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

Kolhapur
Date : 21-05-2004



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

An average saving of Rs. 1.20 lacs per month was achieved by availing high rebate benefits, re-arranging Air Compressor operations sequence and by reduction in maximum demand by streamlining supply and consumption points.

II) TECHNOLOGY ABSORPTION

FORM B

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

- | | |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Specific areas in which R & D was carried out by the Company | : a) Critical Pistons of major OE customers were taken up for design modification for improvement of Engine performance. Piston Profile plays a major role in Engine performance and to get accurate designed profile 2 Nos of Computerised Oval Turning Machines from Hwacheon Korea, were introduced in Piston Machining Lines. Modified Pistons produced using these Machines were tested in inhouse testing facility and confirmed for improved performance.
b) Image analyser was incorporated in the Microscope and projects were taken up for improvement of Microstructures of Piston material and Ring Carriers.
c) Computerised control of heating in heat- treatment Furnaces was introduced and heat treated cycles were modified for better Piston properties based on various experiments. |
| 2. Benefits derived from as a result of above R & D | : 1. Critical requirement of emission norms could be achieved in the Pistons which is a pre-requisite for supply to OE customers.
2. Pistons could be upgraded in their Physical properties like hot tensile strength and wear resistance which is a must for higher rated engines. Piston growth could be controlled in critical engine applications which enlarges the scope of business for Piston for higher rated engines. |
| 3. Future Plan of Action | : Installation of one more Test Bed for testing of Pistons for higher rated engines. |
| 4. Expenditure on R & D | : Capital - Rs 140 Lacs
Recurring - Rs 8 LaCS |



Technology absorption, adaptation & Innovation

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Efforts in brief mode towards absorption, adaptation | : a) Manufacture of Piston Profiles using computerised programmes on camless Oval turning machine. |
| | b) Microstructure control using image Analyser. |
| 2. Benefit desired as a result of the above efforts, e.g. Product improvement, cost reduction, product development, Import substitution | : Faster development with test results achieved. Process capability improved in the Cam Turning operation. Better metallurgical control achieved in Pistons. |
| 3) In case of imported technology (imported during the last 5 years) | : Not applicable |

III. Foreign exchange earning and outgo

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Activities relating to exports, initiative taken for exports, development of new export markets for products and services and exports. | : Apart from the traditional export business with USSR, we have also developed markets in Asia, USA, European and Middle East countries. |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|

Total Foreign Exchange used & earned.

I) Used:	
Imports Capital goods	Rs. : 120.65 Lacs
Technical Know-how Fees	Rs. : NIL
Raw materials/spares	Rs. : 4.53 Lacs
Other Expenditure -	Rs. : 5.11 Lacs
II) Earned : Deemed Export	Rs. : 724.09 lacs

For and on behalf of Board of Directors

Ram Menon
Chairman

Kolhapur
Date :21.05.2004



P.M. Vardhe & Co.

Chartered Accountants,

630/E, Shahupuri 1st lane, Kolhapur.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of M/s. Menon Pistons Ltd., 182, Shirol, Kolhapur as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. 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. .

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit :
 - b) In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books :
 - c) The Balance Sheet, Profit and Loss Account and cash flow statement referred to in this report are in agreement with the books of account :
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement comply with the accounting standards referred to in sub section (3c) of Section 211 of the Companies Act, 1956, as amended.
 - e) As per the Declaration filed by the Directors with the Company, none of the Directors of the Company is disqualified from being appointed as Director under clause (g) of sub-section (1) of Section 274.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes I to XI thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - I. in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2004, and ;
 - II. in so far as it relates to the Profit and Loss Account of the profit of the Company for the year ended on that date, and ;
 - III. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Kolhapur
Date : 21.05.2004

For M/s. P. M. Vardhe & Co.
Chartered Accountants.

P.M. VARDHE
Proprietor

**P.M. Vardhe & Co.**

Chartered Accountants,
630/E, Shahupuri 1st lane, Kolhapur.

Annexure referred to in para 1 of our report of even date

- (i) a. The Company has maintained proper records 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.
- (ii) a. The physical verification of 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.
- (iii) a. The Company has taken or granted loans, from or to Company 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 taken from company, listed 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.
- d. There is no overdue amount of such loan.
- (iv) There is an adequate internal control procedure commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. There is no continuing failure to correct major weaknesses in internal control.
- (v) a. The transactions that need to be entered into the register maintained under section 301 have been so entered.
- b. In our opinion these transactions have been made at a price which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from the public.
- (vii) The company is a listed company and it has an internal audit system commensurate with the size and nature of its business.
- (viii) On broad review of books of accounts maintained by the Company pursuant to the rules made by central Government for maintenance of cost records under section 209 (1) (d) of the companies Act, 1956 we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.



- (ix) a. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise-duty, and other statutory dues applicable to it. In our opinion, there are no arrears of outstanding dues as on the last day of the financial year concerned for a period of more than six months.
- b. There are no dues of sale tax/income-tax/customs-duty/wealth-tax/excise-duty.
- (x) The Company has been registered for a period more than five years. There are no accumulated losses at the end of the financial year.
- (xi) The company has not defaulted in repayment of dues to banks.
- (xii) the company has not granted any loans advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Provisions of any special statute applicable to chit fund in respect of nidhi/mutual benefit fund/ societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. We also report that the company has held the shares, securities, debentures and other securities in its own name.
- (xv) The Company has not given guarantee for loans taken by others from bank.
- (xvi) The Company has applied the term loans for the purpose for which they were obtained.
- (xviii) The funds raised on short term basis have been used only for short term investment and funds raised on long term basis have been used only for long term investments.
- (xix) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xx) The Company has not issued any debentures.
- (xxi) The Company has not made any public issue of shares during the period covered by our audit report.
- (xviii) No fraud on or by the company has been noticed or reported during the year.

For M/s. P.M. Vardhe & Co.,
Chartered Accountants.

P. M. VARDHE
Proprietor

Place : Kolhapur
Date : 21.05.2004