



Menon Pistons Ltd.



MENON *Group*

A name you can *trust*



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

Report

Mr. G.S.Rao
Whole Time Director

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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, 2005

Share Holders

Your directors are pleased to present their 28th Annual Report together with the audited statements of accounts for the financial year ended 31st March 2005.

The working results for the year are as under:

(Rs. In lacs)

Particulars	Current Year	* Previous Year
Gross Turnover	7408.62	7744.64
Less : Usual working expenses	6680.75	7125.23
Gross Profit	727.87	619.41
Less: Depreciation	253.26	235.05
Profit before taxation	474.61	384.36
Less: Provision for taxation (Net)	177.67	139.69
Profit after tax	296.94	244.67
Add: Balance of profit as per last years accounts	484.19	383.54
Available Surplus	781.12	628.21
Add: Excess provision for taxation	0	1.82
Less: Short provision for taxation	0	0.00
Less: Expenses relating to previous year	5.17	5.76
Balance available for appropriation	775.95	624.27
Proposed Dividend	153.00	102.00
Tax on Dividend	19.99	13.07
Transfer to General Reserve from profit & loss account	50.00	25.00
Balance carried to next year	552.96	484.19

* During the current year turnover increased by 14.2 % without considering Rs. 12.47 Crs. bought out items included in the previous year.



Dividend

Your Directors are pleased to propose the payment of dividend of 30 % during the year under review, as compared to 20 % of the last year. The dividend pay out amounts to Rs.153 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.

General Review

During the year, the Company's turnover increased by 14.2 % to Rs. 74.08 Crores as compared to Rs. 64.97 Crores without considering Rs. 12.47 Crores bought out items included in the previous years income. The Gross profit before interest has been Rs. 9.24 Crores for the year up by 8.96 %. The interest cost further reduced during the year to Rs. 1.95 Crores as compared to Rs. 2.29 Crores in the previous year.

The performance of the Company improved as a result of the improvement in the efficiencies of the production even though the prices of the Raw Materials were up by nearly 10 % to 15% in the current year. The negotiations for the price increase were initiated and at the same time the drive for the cost reduction in various areas initiated in the year gave us a relief to maintain the profit margin. Strict controls continued to be exercised on working capital management.

A host of new products with particular emphasis on the Tractor Segment developed during the year gave us the advantage of reaping the benefit in the coming years as all these newly developed items have been productionised after extensive testing at the customers end.

With an aim to improve the profitability to utilise the available resources to the fullest extent, the Total Productive Maintenance Project has been initiated with the help of an external Consultant. A Master Plan for implementation and practice of TPM techniques has been prepared and the actions are in full swing. It is envisaged that the plants will be fully prepared and derive the fullest benefits in next three years.

Exports

Total Exports during the year increased by 66.30 % to Rs. 12.04 Crores as compared to Rs.7.24 Crores in the previous year. This could be achieved by aggressive marketing and development of new products as required by the Export Market. Efforts are further being made to develop the Exports Market.

Directors

Mr Ram Menon and Mr Nitin Menon retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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, 1956 and the Rules framed there under.

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 it's working as per the terms of reference during the year under report.

Directors' Responsibility Statement

As required by Section 217(2AA) of the Companies Act, 1956, your Directors state that

- i) in the preparation of the annual accounts for the year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures, wherever applicable;
- ii) the accounting policies adopted in the preparation of the annual accounts have been applied consistently (read with notes appearing in Schedule-Q on Accounting Policies and Notes on Accounts) and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year 2004-05 and of the profit for the year ended 31st March, 2005.
- iii) proper and sufficient care has been taken for the maintenance 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.

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,

Kolhapur

Date : 15/05/2005

Ram Menon

Chairman


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 :

With the continued effort of timely preventive and predictive maintenance of the Air Compressor Units, an annual saving of Rs. 1 Lac was achieved in addition to the saving of Rs. 1 Lac achieved by reduction in maximum demand by the use of power factor controller and use of wind power, as also by streamlining supply and consumption points.

II) Technology Absorption :
FORM B

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| <p>1. Specific areas in which R&D :

was carried out by the Company</p> | : | <p>a) In view of the legislation coming into force from 1st April'05, allout efforts were made during this year in the piston profile and the combustion cavities of pistons of the automotive/ tractor application to enable the engine / vehicle manufacturers to comply with the emission regulation and also achieve improved performance.</p> <p>b) To aid in manufacturing in maintaining the accuracies called for in the combustion bowl and its geometry a Contracer along with facility for measurement of surface roughness was procured from M/s. MITUTOYO, Japan was installed in the Quality Assurance Dept. which has been very useful in achieving the consistency and accuracy levels to meet the customers' demands.</p> |
| <p>2. Benefits derived from as a result of above R & D</p> | : | <p>a) It has been possible to develop pistons for complying to Euro-II and Euro-III emission levels.</p> <p>b) It has also been possible to develop pistons for complete range of tractor segments to two of our OE customers with export potential.</p> <p>c) It has been possible to utilise Engine Test facility to the fullest possible extent to carryout development tests/ validation tests before offering the design to the customer.</p> <p>d) Indigenous efforts are in full swing for the development of Gallery Cooled Pistons to meet the future requirement of CRDI Version of Engines. Trials are being conducted to establish the manufacturing methods and master the techniques for mass production of pistons.</p> |
| <p>3. Future Plan of Action</p> | : | <p>a) Installation of 2nd Engine Test Bed for high rated engines is in progress. The test facility is expected to be fully operational by the end of first quarter of 2005-2006.</p> <p>b) An additional test bed is expected to be installed for carrying out validation tests on Passenger Car Diesel and Gasoline Engine, particularly in view of the impending new development of Small Car Engines by Tata Motors Ltd and other passenger car manufacturers.</p> |



- c) With a view to modernise the plant and to provide better facilities to meet the future challenges for the development and manufacture of Pistons for new generation Eco-friendly engines, a new buildings has been constructed with an overall area of 40,000 Sq.Ft. to house all the manufacturing facilities. It is expected that this would become fully operational by about the end of 1st quarter of 2005-2006.

4. Expenditure on R & D : Capital - Rs. 100 Lacs
Recurring - Rs. 12 Lacs

TECHNOLOGY ABSORPTION, ADAPTATION AND INOVATION

1. Efforts in brief made towards absorption & adaptation : a) Manufacture of Piston Dies / Toolings by using computerised programme/ solid modeling using Pro.E. Techniques for reproducibility / repeatability and accurate and more complicated piston profiles for new generation of engines.
2. Benefits derived as a result of the above efforts, eg. Product improvement, cost reduction : a) As many as 35 new pistons have been possible to develop with greater accuracy and faster response time to meet customers' demands / requirements.
Product development, Import Substitution. b) Derived customer satisfaction and wider market potential both in domestic and export markets has been possible to establish by these efforts.
3. In case of imported technology : Not applicable
(imported during the last 5 years)

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.
2. Total Foreign Exchange used : a) Used :
Other Expenditure:
Expenditure on Foreign Travel : Rs. 1.71 Lacs
b) Earned : Deemed Export : Rs. 1204 Lacs

For and on behalf of Board of Directors,

Kolhapur
Date : 15.05.2005

Ram Menon
Chairman


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, 2005 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 the 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 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 (as amended) issued by the Central Government 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.
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 purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c) The balance sheet, profit and loss account and cash flow statement dealt with by 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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - I. In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2005 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.

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

P.M. VARDHE
Proprietor

Place : Kolhapur
Date : 15.05.2005

**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 not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b. As no loans granted, the question of rate of interest and other terms and conditions, prima facie prejudicial to the interest of the company does not arise.
- c. Receipt of principal and interest or overdue amount is not applicable.
- d. The Company had taken loan from another company covered in the register maintained under section 301 of the Act. The said loan is however, repaid in full.
- e. The rate of interest and other terms and conditions of this loan were, prima facie, not prejudicial to the interest of the Company.
- (iv) There is an adequate internal control system 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 and services. There is no continuing failure to correct major weaknesses in internal control system.
- (v) a. The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
- b. Transactions made in pursuance of such contracts or arrangements have been made at prices 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. We have, however, not made a detailed examination of the same.
- (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, service-tax, custom duty, excise duty, cess 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. According to the records of the Company and the information and explanations given to us, there are income tax dues for A. Y. 2002-03 as per demand on scrutiny assessment, amounting to Rs. 142.46 lacs, which are in dispute before Commissioner of Income Tax (Appeals).
- (x) The Company has no accumulated losses during the financial year covered by our report or in the immediately preceding financial year.
- (xi) The company has not defaulted in repayment of dues to banks or financial institutions.
- (xii) The company has not granted any loans and 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 further report that the company has held the shares, securities, debentures and other investments 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.
- (xvii) The funds raised on short-term basis have not been used for long term investments.
- (xviii) 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.
- (xix) The Company has not issued any debentures.
- (xx) The Company has not made any public issue of shares during the period covered by our audit report.
- (xxi) To the best of our knowledge and belief and according to the information and explanation given to us, 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 : 15.05.2005