

MENON Group
A name you can *trust*

29th

Annual Report

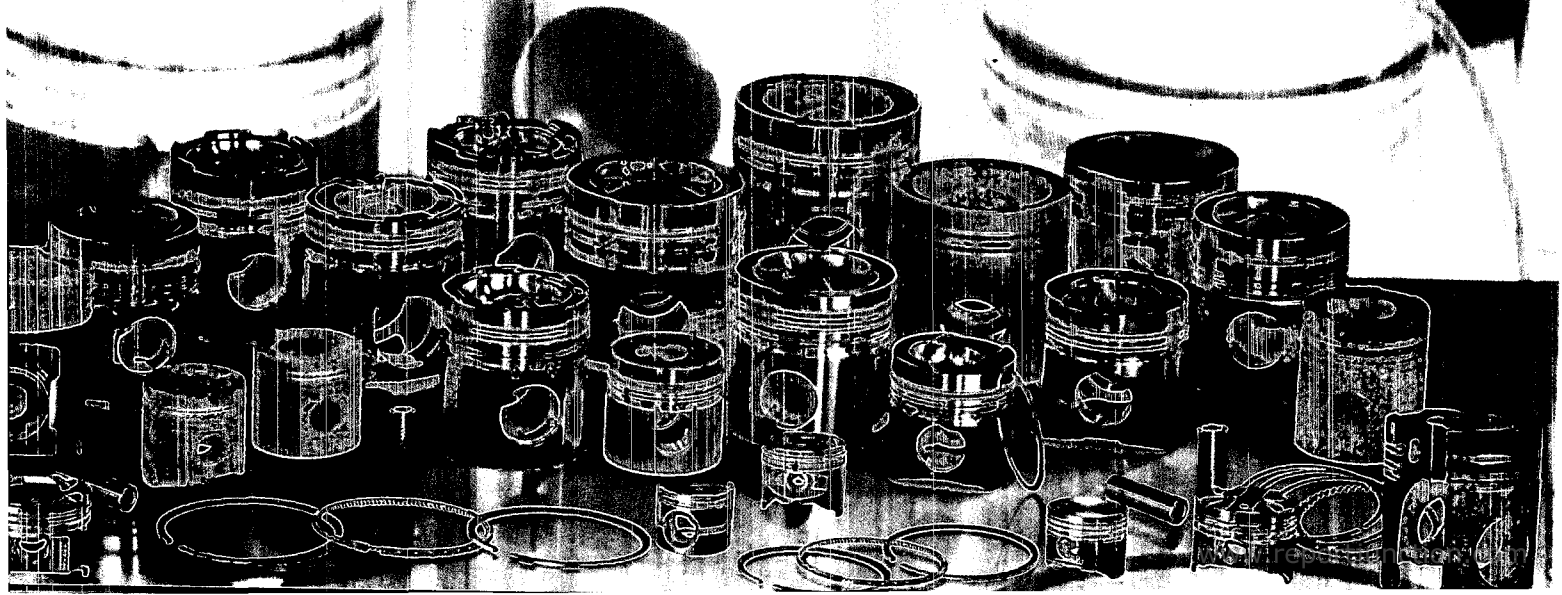
2005-2006



MENON PISTONS

Menon Pistons Ltd.

World Class Manufacturing Processes.
World Class Products.





MENON PISTONS LIMITED

29th Annual Report

Board of Directors

Mr. Ram Menon
Chairman

Mr. Sachin Menon
Managing Director

Mr. Nitin Menon

Mr. S. S. Nagpurkar

Mr. Ramesh D. Dixit

Mr. Mani Mathew

Mr. G.S.Rao
Whole time Director

Mr. B.S.Ajitkumar

Asst. Company Secretary
Mr. Shrenik U. Nagaonkar

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

Bankers
Bank of Baroda
The United Western Bank Ltd.

Registered Office
Shirol, Kolhapur - 416 122.
Maharashtra - India



Report of the Directors for the Financial Year ended 31st March 2006

Share Holders

Your directors are pleased to present their 29th Annual Report on the business and operation of the company together with the audited statements of accounts for the financial year ended 31st March, 2006.

The working results for the year are as under :

(Rs. in Lacs)		
Particulars	Current Year	Previous Year
Gross Turnover	7318.60	7408.62
Less: Usual working Expenses	6443.27	6680.75
Gross Profit	875.33	727.87
Less: Depreciation	270.38	253.26
Profit Before Taxation	604.95	474.61
Less: Provision for Taxation (net)	212.25	177.67
Profit After Tax	392.70	296.94
Add: Balance of profit as per last year accounts	552.96	484.19
Available Surplus	945.67	781.12
Less: Expenses relating to previous year	1.20	5.17
Balance Available for appropriation	944.47	775.95
Proposed Dividend	178.50	153.00
Tax on Dividend	23.33	19.99
Transfer to General Reserve from Profit & Loss account	40.00	50.00
Balance carried to next year	702.63	552.96



General Review

During the year under report, the Company's turnover almost remains the same like last year to Rs. 73.19 Crores. However profit before tax for the year up by 27.64% to Rs. 6.05 Crores as against Rs. 4.74 Crores during the last year.

The performance of the company improved as a result of overall cost control consciousness initiated and efficiency in production. The price of raw material such as Aluminum, Nickel and Copper have increased nearly 30% during the year which has badly affected the profitability of your company. Our customers are also reluctant to consider our request for price increase as they are observing and waiting for Stabilization of raw material prices because practically there is a fluctuation in prices almost every fortnight.

During the year number of new products have been developed and materialized into commercial order from various OE customers.

With an aim to improve better production facilities a modern new machine shop has been constructed. Further to increase the production capacity new machineries have been purchased and these are under installation.

In order to improve the profitability & utilize the available resources at the fullest extent "Total Production Maintenance" (TPM) techniques are being practiced. Further your company has been accredited with T. S. 16949 quality certificate by TUV

Company has invested Rs. 631.04 Lacs in its expansion and diversification plans during the year involving quality improvement and modernization in foundry and machine shop depts. The investment will help the company to produce the pistons with new technology and to increase its market share. Falling interest rates on advances also helped the Company in curtailing finance cost during the year.

Dividend

Your Directors are pleased to propose the payment of dividend of 35% during the year under review, as compared to 30% for the last year. The dividend payout amounts to Rs. 178.50 lacs. The Company will pay the tax on this dividend and the dividend in the hands of recipient is free from Income Tax.

Directors

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

Company appointed Mr. B.S.Ajitkumar as additional director w.e.f. 28th December 2005. He will retire at ensuing annual general meeting and seeking appointment as a director. Company has received notice under section 257 (1) from members signifying the candidature of Mr. B.S.Ajitkumar for the office of director

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 there under.

Corporate Governance

Pursuant to clause 49 of Listing Agreement, Management Discussion and Analysis Report, Corporate



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Governance Report together with the Auditor's certificate on compliance of conditions of Corporate Governance form part of this Annual Report.

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.

Responsibilities Statement

The Directors confirm :

1. that in preparation of annual accounts the applicable accounting standards have been followed and that no material departures have been made from the same;
2. that they 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.
3. that they have taken proper and sufficient care 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.
4. that they have prepared the annual accounts on a going concern basis.

Voluntary Delisting of equity shares

Consequent to the approval of members at the 28th Annual General meeting held on 25th August 2005 the company has delisted its equity shares from Pune Stock Exchange Ltd & Ahmedabad Stock Exchange Ltd.

Auditors

M/s. P.M. Vardhe & Co., Chartered Accountants, who are the statutory auditors of the company, retire at the ensuing Annual General Meeting and are eligible for reappointment. The retiring auditors have under section 224 (1B) of the Companies Act, 1956 furnished the certificate of their eligibility for the appointment.

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 Director

Place: Shirol

Date : 24-05-2006

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:

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

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 | <p>a) Since the Euro II norms are already in vogue all over the country, efforts were concentrated on the new designs of pistons appropriate for the fulfillment of requirement to comply with Euro III regulations, which will be into force all over the country from April 2007. Tests are in progress with various customers for Euro III version of Piston.</p> <p>b) With the new design of Pistons it has become almost imperative that the top land of Piston have become smaller and smaller necessitating checking and ensuring of the backbond on the ring carrier Pistons apart from the normal top and bottom flank bonding. A new four channel ultrasonic equipment has been added to the inspection facility to provide to engine manufactures a trouble free and reliable service life of pistons .</p> |
| 2. Benefits derived from as a result of above R & D | <p>a) It has been possible to develop pistons for complying to Euro-II and Euro-III emission levels for all the customers.</p> <p>b) With commissioning of the 2nd Engine test cell it has been possible to carry out validation tests at our end for new design of piston and rings before going to the customer for their confirmatory tests facility</p> <p>c) Indigenous efforts were on for the development of cooled Gallery Pistons. "Technical License Agreement " has been signed with M/s. Dong Yang Pistons Co. Ltd, South Korea, to hasten up the developments and keep ourselves in readiness for the future for development of pistons for and beyond Euro and for development of new materials with high strength and new technologies for the development of pistons appropriate for new Generation Engines.</p> <p>d) The new machine shop facility, which has been created in the year, has become fully operational from May 2005.</p> |



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3. Future plan of action

a) Consequent to the signing of the "Technical License Agreement" with M/s. Dong Yang Pistons Co. Ltd, Korea it is planned to procure a modern semi automatic line for machining of pistons from M/s. Dong yang Pistons Co. Ltd. It is also planned to upgrade the foundry facility by having 'robotics' introduced for the foundry operation by importing these facilities from the collaborator. To accommodate this new facility is being created in the renovated machine shop building. It is planned to make this facility fully operational by the end of second quarter of this financial year

4. Expenditure on R & D

Capital - Rs. 30 Lacs
Recurring - Rs. 15 Lacs

TECHNOLOGY ABSORPTION, ADAPTATION AND INOVATION

1. Efforts in brief made towards absorption & adaptation

a) Manufacture of Piston Dies / Toolings by using computerized 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 Product development, Import Substitution

a) As many as 22 varieties of new pistons for new generation engine have been developed. Pistons for Certain applications both in domestic and Export market are under trails for Global Supplies.

b) Technologies Developed have enabled us to respond quickly and favorably for all the latest Designs of the Pistons used on new generation engines and have helped us in providing import substitution to some of our valued customers.

3. In case of imported technology (imported during the last 5 years)

Not applicable

II) Foreign Exchange Earning and Outgo :

1. Activities relating to exports, initiative taken for exports development of new export markets for products and services & exports.

Apart from the traditional export business, we have also developed markets in Asia, USA, European and Middle East countries.

2.Total Foreign Exchange used

a) Used : Machinery & Spares : 90.45 lacs
Expenditure on Foreign Travel : Rs. 6.55 Lacs
b) Earned : Deemed Export : Rs. 868 Lacs

For and on behalf of Board of Directors,

Kolhapur
Date : 24.05.2006

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, 2006 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 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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, 2006 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
M. No. - 31817

Place : Kolhapur
Date : 24.05.2006



Annexure referred to in Para 1 of our Report 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 not taken loan from any company firm or other parties covered in the register maintained under section 301 of the Act.
- e. As no loan is borrowed, the question of rate of interest and other terms and conditions, prima facie prejudicial to the interest of the company does not arise.
- (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, excised-duty, cess and other statutory dues applicable to it.



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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 disputed statutory dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues payable on the date of Balance Sheet.

(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 & other investments. We further report that the company has held the shares, securities, debentures & 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
M. No. - 31817

Place : Kolhapur
Date : 24.05.2006