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30th Annual Report
2006-2007



MENON PISTONS

Menon Pistons Ltd.

MENON *Group*

A name you can *trust*



MENON PISTONS LIMITED

30th Annual Report

Board of Directors

Mr. Ram Menon
Chairman

Mr. Sachin Menon
Managing Director

Mr. Nitin Menon

Mr. Ramesh D. Dixit

Mr. Mani Mathew

Mr. G.S.Rao

Mr. Ajitkumar S.Belur

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

Bankers
Bank of Baroda.
Industrial Development Bank of
India Ltd.

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



Report of the Directors for the Financial Year ended 31st March 2007

Share Holders

Your directors are pleased to present their 30th Annual Report on the business and operation of the company together with the audited statements of accounts for the financial year ended 31st March, 2007.

The working results for the year are as under :

(Rs. in Lacs)		
Particulars	Current Year	Previous Year
Gross Turnover	8497.91	7318.60
Less: Usual working Expenses	7592.49	6443.27
Gross Profit	905.42	875.33
Less: Depreciation	230.39	270.38
Profit Before Taxation	675.03	604.95
Less: Provision for Taxation (net)	245.88	212.25
Profit After Tax	429.15	392.70
Add: Balance of profit as per last year accounts	702.63	552.96
Available Surplus	1131.78	945.67
Less: Expenses relating to previous year / short provision	1.73	1.20
Balance Available for appropriation	1130.05	944.47
Proposed Dividend	178.50	178.50
Tax on Dividend	30.34	23.33
Transfer to General Reserve from Profit & Loss account	45.00	40.00
Balance carried to next year	876.21	702.63



General Review

During the year under review, the total income and profitability of the company were higher as compared to the previous year. This was on account of normal growth in the business of your company. During the year under report turnover of the company is increased by 16% to Rs.84.98 crores as against Rs.73.19 crores during the last financial year. Similarly the profit before tax is increased by 11.58% to Rs.6.75 crores. There is also increase in export nearly by 40% to Rs.12.16 crores.

During the year there is an overall improvement in the performance of the company, which has resulted in higher turnover and profitability. During the current year there was steep increase in the prices of raw material & on this account there was a stress on profitability of the company. Our valued customers have compensated to some extent towards increase in cost of aluminum and nickel only, but still there is a wide gap between the cost impact and price rise received from the customers, otherwise profitability of the company would have been much better during the current year. The company has initiated number of cost control measures, change in product mix and control over rejection, & achieved improved efficiency in productivity.

During the year as many as 18 varieties of Pistons have been developed for OE, domestic, replacement market as well as for export applications. All these new developments have materialized into commercial orders from various customers.

As reported in the last year, in order to improve better production facilities a modern new machine shop has been made fully operational during the current year with 4 lines, which includes all modern machineries to enhance the productivity. We propose to install 2 more additional lines with upgraded facilities with financial aid from bank & our internal accruals.

In order to improve the profitability and utilize the available resources to the fullest extent, the company is practicing "Six Sigma and Total Production Maintenance" (TPM) Techniques.

Your company has invested Rs.150 lakhs in its expansion and diversification plans during the year involving quality equipments.

Consequent to the signing of the "Technical License Agreement" with M/s Dong Yang Piston Co. Ltd. Korea, visits were under taken by our Engineers to discuss & design the Pistons for new generation engines. The company has undertaken the training of Engineers at DYP, Korea for updating the know how to adopt good manufacturing techniques and practices, which will ultimately enhance profitability of your company.

Dividend

Your Directors are pleased to propose the payment of dividend of 35% during the year under review. The dividend payout amounts to Rs.178.50 lakhs. The Company will pay tax on this dividend & the dividend in the hands of recipients is free from Income Tax.

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. Mr.S.S.Nagpurkar, Director resigned from his directorship of the company & the board accepted his resignation w.e.f. 25th May 2006 & placed on record and appreciated his valuable contribution to the company during his tenure as a Director.

Industrial relations

During the year, the industrial relations have been cordial. The company has also signed performance based wage agreement with the workers, which will result into further cordial relations and increase the productivity in the coming year.



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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 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 & applied them consistently & 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 & other irregularities.
- 4.that they have prepared the annual accounts on a going concern basis.

Auditors

M/s. P.M. Vardhe & Co., Chartered Accountants, who are the statutory auditors of the company, retire at the ensuing Annual General Meeting & 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 & 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

Place: Shirol

Date : 24-05-2007

**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:

By suitable modification in the systems by availing the appropriate high rebate benefits and with proper management of the energy systems, it has been possible to achieve an average saving of Rs2.00 Lakhs 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) Tests have been successfully completed on the Piston Assemblies suitable for complying with EURO II and EURO III Emission levels for Automotive Applications.</p> <p>b) Certain new developments which were initiated in the beginning of the year have culminated in the manufacture of Cooled Gallery Pistons for Heavy Duty applications. Development has been completed on three applications, out of the 5 varies initiated. The development of other two varieties will be completed by the 2nd half of next Financial Year.</p> |
| 2. Benefits derived from as a result of above R & D | <p>a) It has been possible to be on par with the competition in terms of new development and technology in the development of new products for eco friendly new Generation Engines.</p> <p>b) The establishment of the additional Facility for Engine testing has kept us in good stead in terms of validating our product before we go to the Customers.</p> <p>c) The renovated machine shop has now become fully operational with all machining activities fully shifted from its Plant 3 location. This shop is getting a total face lift with conveyor systems and improved material handling facility.</p> <p>d) Plans are on the anvil to create additional manufacturing facilities in this Shop</p> |
| 3. Future plan of action | <p>a) Consequent to the Signing of the "Technical License Agreement" with M/s. Dong Yang Piston Co. Ltd, visits were undertaken by Engineering Staff to discuss and design the Pistons for New Generation Engines.</p> |



b) Exchange of Technical documents concerning the manufacturing practices and techniques for manufacturing excellence has commenced as a part of the Technical License Agreement.

c) Training Programs have been worked out for training of our Engineers at DYP for updating the know-how, to adopt good manufacturing techniques and practices and for enhancement of productivity. The first batch of MPL Engineers will at DYP for training in May 2007.

d) In order to modernize and upgrade the facilities and to provide enhanced capacity for manufacture of Pistons for new Generation Engines, plans are on the anvil for creating two more additional manufacturing lines in the next Financial Year with the financial aid from Banks. It is expected that this facility would be fully operational by the 3rd Quarter of next financial year.

4. Expenditure on R & D

Capital - Rs. 43 Lacs

Recurring - Rs. 20 Lacs

TECHNOLOGY ABSORPTION, ADAPTATION AND INOVATION

1. Efforts in brief made towards absorption, adaptation and innovation.

The manufacturing practices have vastly improved & reproducibility & repeatability for accurate & complicated Piston profiles have been made possible with mastering of the techniques for solid modeling using Pro.E Techniques & training imparted in the operation & maintenance of the complicated CNC machines.

2. Benefits derived as a result of the above efforts, eg. Product improvement, cost reduction, product development, Import substitution

As many as 12 varieties of New Pistons for Domestic applications have been developed for New Generation Engines after successful completion of testing at Customers end. For export application ... varieties of New Pistons have been developed which are being supplied in bulk with a very cost effective & competitive prices in the international market which have become possible due to improved manufacturing methods / Techniques. For domestic replacement market, 3 types of Pistons have been developed & launched in the Market.

With the upgradation of facilities / handling techniques & effective planning & management, it has been possible to curtail the lead time required for development.



3. Technology Imported
(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, Stores & Spares : Rs.58.69 Lakhs

Expenditure on Foreign Travel : Rs. 7.18 Lakhs

b) Earned Deemed Export : Rs.1215.50 Lakhs

For and on behalf of Board of Directors,

Kolhapur
Date : 24.05.2007

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, 2007 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 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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, 2007 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 : 24.05.2007

**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 not taken loan from any company 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,