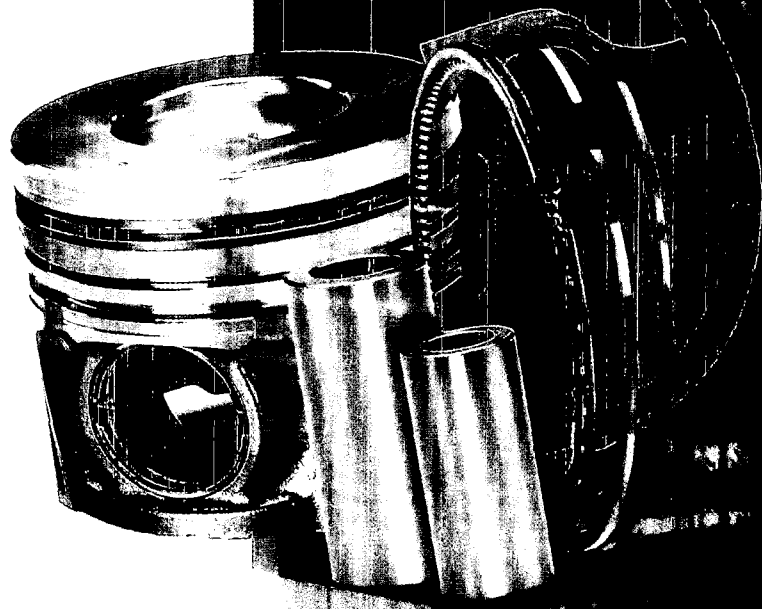




31st

Annual Report
2007-2008



MENON Group
A name you can trust

The 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

Mr. S B P Kulkarni
G M - Corporate Finance

Mr. Dhiraj B Dhamane
Company Secretary

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

Bankers
**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 2008

Share Holders

Your directors are pleased to present their 31st Annual Report on the business and operation of the company together with the audited statements of accounts for the financial year ended 31st March, 2008.

The working results for the year are as under :

(Rs. in Lacs)

Particulars	Current Year	Previous Year
Gross Turnover	10269.87	8497.91
Less: Usual working Expenses	9246.38	7592.49
Gross Profit	1023.49	905.42
Less: Depreciation	223.95	230.39
Profit Before Taxation	799.54	675.03
Less: Provision for Taxation (net)	285.22	245.88
Profit After Tax	514.32	429.15
Add: Balance of profit as per last year accounts	876.21	702.63
Available Surplus	1390.53	1131.78
Less: Expenses relating to previous year / short provision	0	1.73
Balance Available for appropriation	1390.53	1130.05
Proposed Dividend	204.00	178.50
Tax on Dividend	34.67	30.34
Excess Provision W/B	(16.12)	0
Transfer to General Reserve from Profit & Loss account	55.00	45.00
Balance carried to next year	1112.99	876.21

GENERAL REVIEW :

The financial year 2007-08 has been eventful year for your company with further momentum in improving the operational efficiencies. Your company has set a new record in achieving the turnover of Rs. 103 crores during the year which is up by 21% when compared to Rs. 85 crores achieved in the previous year. After providing depreciation of Rs. 2.24 crores and provision for tax Rs. 2.85 crores, the profit after tax stood at Rs. 5.15 crores.

Your company has achieved overall improvement which has resulted in higher turnover and profitability. The company continued to take measures for further improving techno economic parameters. There has been a remarkable growth in the Export segment which has shown a sales figure of Rs 14.41 Cr an increase of 19 % over the last year's figure which shows the acceptability of our products in the International market.

During the year under review there has been a steep increase in the cost of raw material, other input cost and also pressure on finance cost due to higher rate of interest. Even after this pressure it was possible to sustain the profitability margin by careful judicious monitoring of the processes by way of cost control, waste control and rejection in the scrap levels. During the year number of varieties of Piston has been developed for OEs, Domestic Replacement market as well as for export applications. Quite a few of these have materialized into commercial orders from various customers both within and outside India.

In the tractor segment we have been able to capture a good share of business and to almost all the tractor manufacturers in the country we have become OEM supplier. In order to enhance the production capacity to enable us to meet the requirement of the new products developed for the various customers, the State-of-the-art machining line which has been planned will be fully operational by the second quarter of the next financial year.

In the wake of the signing of the Technical License agreement with M/s Dong Yang Piston Co. Ltd. (DYP) South Korea, visits were undertaken to some of the prestigious customers where Technical presentations were made by the R&D chief of M/s DYP to bring awareness to the customers about the capabilities of our Collaborator and the technical support that would be available for MPL in view of the Agreement. The presentations were well received and appreciated by all the Customers.

DIVIDEND :

Considering the performance of your company and also keeping in mind the whole hearted support by our Shareholders your Directors are pleased to propose the payment of dividend at 40% for the year under review. The dividend payout amount is Rs. 204 lakhs. The tax on dividend will be paid by the company and the dividend in the hands of Shareholders is free from Income Tax.

DIRECTORS :

Mr. Ramesh D Dixit and Mr. Ajitkumar Belur retire by rotation in the ensuring Annual General Meeting and being eligible, offer themselves for re-appointment.

INDUSTRIAL RELATIONS :

During the year the industrial relations have been quite cordial. With an active participation of all our employees it has been possible to gain overall improvement in the performance of the company.

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(1)(2A) of the Companies Act, 1956 has not been given as there were 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.

RESPONSIBILITY 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 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 the 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 going concern basis

ENERGY CONSERVATION TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

Details required to be furnished U/s 217(1)(e) of The Companies Act 1956 read with the Companies (disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are given in Annexure forming part of this report.

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, the Industrial Development Bank of India 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: Shioli
Date : 30-05-2008

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 :

Several Energy Saving Measures have been initiated by appropriate modifications and adopting Systems and by availing the relevant high rebate benefits and by adopting proper Energy Management Techniques, it has been possible to achieve an average saving of Rs 2.50 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 carried out on Piston assemblies suitable for complying with Euro Norms for Engines specifically meant for light duty pick up vehicles of 1 ton capacity and Lube Oil consumptions levels of less than 0.3% of fuel consumption against a targeted level of 0.5% have been achieved consistently. This has given a good boost and encouragement and has brought a spirit of confidence in our capability to the entire team of Engineers. This achievement would realize into business of substantial revenue in the coming months.</p> <p>b.) Certain developments which require design and FE analysis apart from Design were initiated in the beginning of the year for Two of the Most Important Customers utilizing the Design Capabilities of our Collaborator.</p> <p>c.) In continuation of the efforts to upgrade our Design activities a few case studies were presented to the TUV South Asia Auditors during the recent Surveillance Audit which has enabled the Company to be upgraded in the TUV certification of : TS 16949 2002, with Product Design. This would benefit the Company in the long run to demonstrate the Design Capabilities and to undertake New Projects for New Developments which would necessitate Design Capabilities.</p> |
| 2. Benefits derived from as a result of above R & D | <p>a.) The ability to demonstrate the Design Capability as a result of various R&D activities initiated in terms of analyzing the Design using Software as well as Engine Tests has resulted in achieving a break-through in certain areas and identifying the routes to be followed to achieve the</p> <p>b.) Desired and targeted Performance Levels, specified by the Customers. This has resulted in the Enhancement of Company's the image in the eyes of Certain Important Customers.</p> |
| 3. Future plan of action | <p>a.) Consequent to the signing of the Technical License Agreement with M/s Dong Yang Piston Company Ltd., it has been possible to bring awareness to some the Prestigious Customers by way of Technical Presentations made by the Chief of R&D of our collaborator, the capability of our Collaborator and the Technical Support that Menon Pistons would be able to enjoy in view of the</p> |



relationship between the two Companies.

b.) Plans are also on the anvil to import from Ms DYP and M/s Ricardo Consultants Ltd. UK the various Software Packages which are relevant for the Design and Design Analysis of the Piston Assemblies to help the Customers/Engine Manufacturers realize their targeted Performance levels by appropriate utilization and by adoption of Simulation Techniques possible with use of the Software Packages and with reduced iterations and in the shortest possible time span

In the wake of the Training and the Visit of the first batch of MPL engineers at the Collaborators Plant in South Korea, certain Good Manufacturing Practices/Techniques have been implemented which has shown some encouraging results in terms of Productivity, Material Handling, and Quality Standards. It is planned to have such visits Twice in a year from various disciplines to spread the Culture, Practices and Techniques across the whole Company.

c.) As a part of Modernization and Upgradation of Facilities and to provide enhanced Production Capacity, the Machinery which were ordered last year are being received in a phased manner and the facility with all the Machines will be in place and is expected to be fully operational by the middle of 2nd quarter of this Financial Year.

d.) Approval for the Cooled Gallery Pistons which were developed in the last quarter of the previous Financial Year has been received. A few more Applications featuring Cooled Gallery Pistons have been added to the list for Development. With the demand for the Cooled Gallery Pistons gradually going up it is necessary now to equip ourselves with the Inspection Equipment like X-ray and Ultrasonic Test Equipment for which plans are already on the anvil for procurement of these in the next financial year would be fully operational by the 3rd Quarter of next financial year.

4. Expenditure on R & D

Capital Rs. 33.32 Lacs Recurring Rs. 13.05Lacs

The demand for the light Pick up vehicle of the type Tata's ACE has gone up substantially and in view of this M/s Tata Motors Ltd have identified MPL/MPR as a potential source of supply for the supply of the Piston Assemblies for this Application. In order to validate the Piston Assemblies the tests which need to be carried out at our end as per the directive given by TML, it has become necessary to equip ourselves with the relevant appropriate Dynamometer to enable us to demonstrate to TML the performance and reliability of our Piston Assy. Towards this objective, order has already been placed for the procurement of the dynamometer while the Civil work to accommodate the dynamometer and the test facilities have already been undertaken. The facility is expected to be in place and fully operational by the Second Quarter of the financial year 2008-09. The estimated revenue which is expected to be realized after the successful completion of the Tests and Approval by TML would be close to Rs.40 lakhs per month. This facility would also be useful in carrying out validation tests on other applications of the light pick up vehicles Greaves Cotton Ltd. & Lombardini, General Motors Ltd., and some of the gasoline engines for which the development activities are already on hand, which would enhance the revenue further.

Development of high strength material to enable the Piston Assy to withstand higher cylinder peak pressure of the order of 200 bar and beyond, have been initiated and the initial results have been very encouraging and it is planned to have the Pistons ready for production for some of the applications before the end of next financial year

TECHNOLOGY ABSORPTION, ADAPTATION AND INOVATION

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

a.) The manufacturing practices have been Upgraded and Improved Techniques have been implemented consequent to the Training imparted the MPL Engineers at DYP.

b.) Design Staff also have been given training in the use of Software Packages for the Design and Design Analysis in addition to the Solid Modeling Techniques using Pro.E Tools already being extensively used. Also Training was imparted in the proper and appropriate use of the programming techniques in the utilization of the Camless CNC Machines imported to enable manufacture of the complicated Piston profiles which could be generated on the Pistons by the use of relevant programs.

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

a.) Varieties of New Pistons for the Domestic/Applications for various OEMs as well as for Replacement market have been developed successfully.

b.) For Export applications, New Pistons have been developed.

c.) With the improved material handling facility and conveyors system of carrying the material for "in process" handling, the handling damages which used to constitute a substantial loss has been drastically reduced. The system also has given a face lift to the manufacturing shop while offering a better yield and reduction in the scrap levels due to improved techniques/practices being adopted in the wake of the training given to the MPL Engineers at DYP.

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.

Nil.

2.Total Foreign Exchange used

a) Used Machinery, Stores & Spares : Rs. 86.16 Lakhs
b) Expenditure on Foreign Travel : Rs. 9.33 Lakhs
c) Earned Deemed Export : Rs. 1441 Lakhs

For and on behalf of the Board of Directors

Place: Shirol
Date : 30-05-2008

Ram Menon
Chairman



MENON PISTONS LIMITED

31st Annual Report

Directors Report

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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, 2008 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 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 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, 2008 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 : 30.05.2008

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

P. M. VARDHE
Proprietor
M. No. - 031817

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 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, 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.