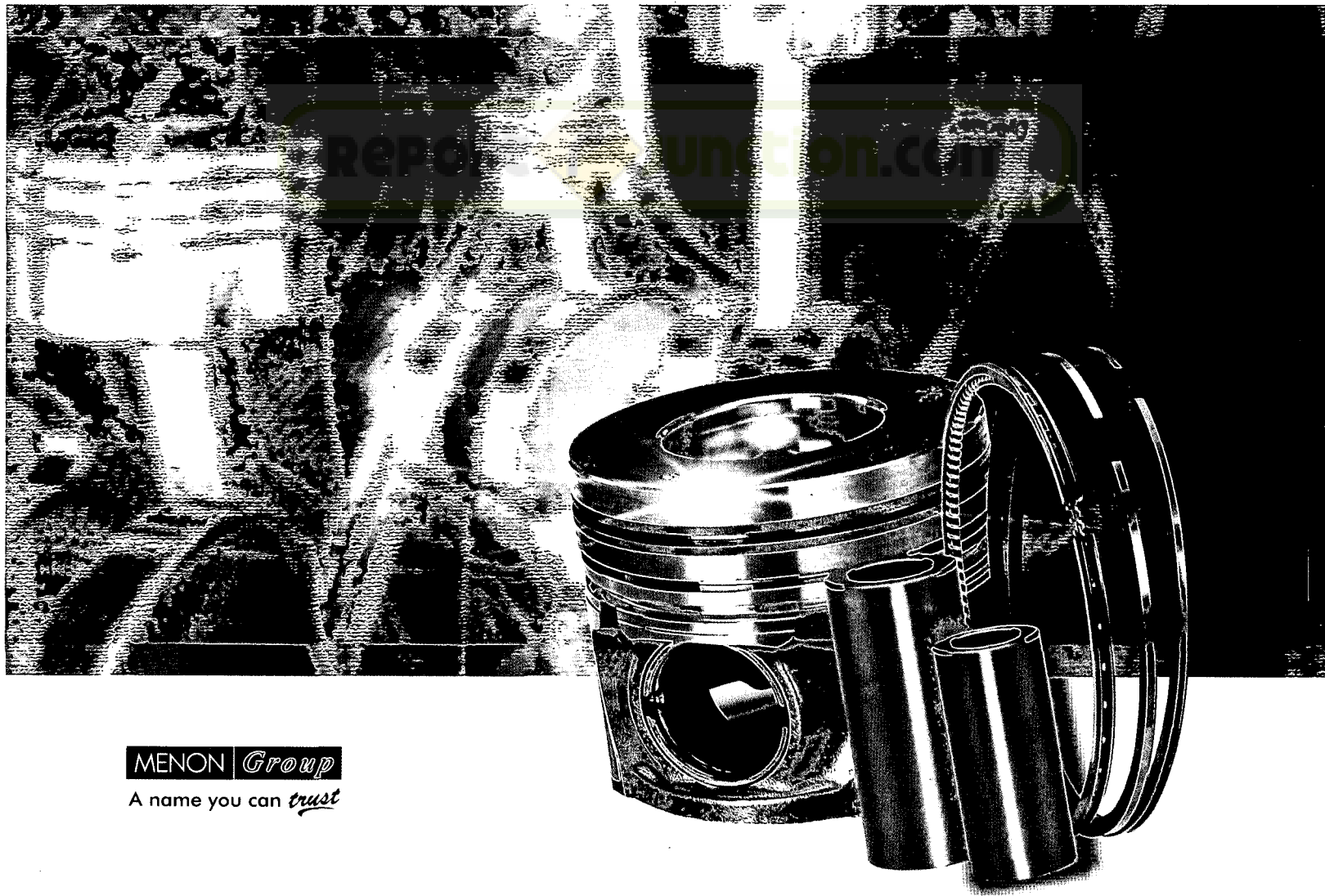


MENON

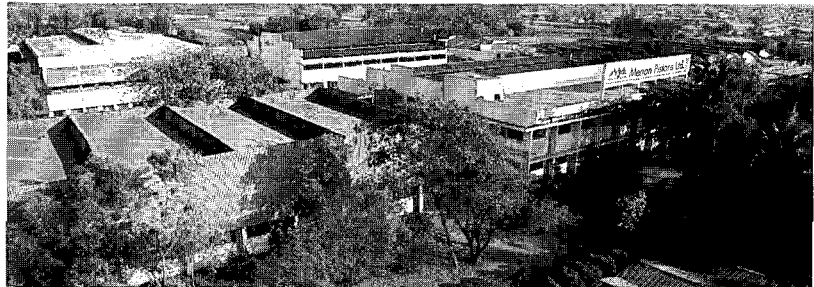


32nd Annual Report
2008-2009



MENON *Group*
A name you can *trust*

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The Board of Directors

Mr. Ram Menon
Chairman

Mr. Sachin Menon
Managing Director

Mr. Nitin Menon
Director

Mr. Ramesh D. Dixit
Director

Mr. Mani Mathew
Executive Director

Mr. G.S.Rao
Executive Director

Mr. Ajitkumar S.Belur
Director

Mr. S. B. P. Kulkarni
G M - Corporate Finance & Sourcing

Mr. Nitin Patil
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
Phone : 0230 - 2468041/2468042
Fax : 0230- 2468442
Website : www.menonpistons.com
E mail : oad@menonpistons.com

Report of the Directors for the Financial Year ended 31st March 2009

Dear Shareholders,

Your Directors have pleasure in presenting their 32nd Annual Report on the business and operations of the company together with the audited statements of accounts for the year ended 31st March 2009.

The working results are as under ;

Financial Results

(Rs. in Lacs)

Particulars	Current Year	Previous Year
Gross Turnover	10826.88	10269.87
Less: Usual working Expenses	9723.93	9246.38
Gross Profit	1102.95	1023.49
Less: Depreciation	228.61	223.95
Profit Before Taxation	874.34	799.54
Less: Provision for Taxation (net)	302.65	285.22
Profit After Tax	571.69	514.32
Add: Balance of profit as per last year's accounts	1112.99	876.21
Balance Available for appropriation	1684.68	1390.53
Less :		
Proposed Dividend	153.00	204.00
Tax on Dividend	26.00	34.67
Excess Provision W/B	0.00	(16.12)
Transfer to General Reserves	60.00	55.00
Balance carried to next year	1445.68	1112.99

GENERAL REVIEW :

The Global economy is at the crossroads today and the world at large is bracing itself for a challenging phase ahead. There is and rightly so, a mood of caution in India. There is indisputably, a wide-spread downturn and contraction in demand and the biggest challenge for the country today is to sustain and stimulate its growth momentum. Our company is committed to sustainable growth.

During the period of report the company has taken strict measures in respect of quality control, reduction in costs to remain competitive and achieve excellence which has become a compulsion in the automobile industry.

During the year 2008-09, the sales achieved at Rs. 10826.88 lacs as compared to Rs. 10269.87 lacs in the previous financial year. Though the increase is marginal, this is an achievement in itself compared to recession faced by the manufacturing sector all over the world.

Company has achieved new markets and new clients which is a recognition to quality assurances of the products and services of the company in the automobile industry. The company has entered into supply contracts, the benefits of which would be accrued to the company in very near future in the form of increased turnover and profit.

Overall it was a mixed picture for the company but the management was decisive on distributing dividend to the esteemed shareholders in spite of all odds.

DIVIDEND :

Keeping in mind the expansion plans, Management decides to plough back the money. In view of this, Your Directors recommend a dividend @ Re. 3/- per equity share for the financial year 2008-2009. total outgo on dividend would be Rs. 1,53,00,000 (Rs. One Crore Fifty Three Lacs only) The company has transferred Rs. 60,00,000 to general reserves while appropriating dividend from the net profit. The tax on dividend will be paid by the company and the dividend in the hands of shareholders is free from Income Tax.

Board of Directors:

Mr. G. S. Rao and Mr. Mani Mathew, Directors, would retire by rotation at the ensuing Annual General Meeting of the Company; and being eligible, would offer themselves for reappointment.

In accordance with clause 49 of the listing agreement, particulars relating to the Directors seeking re-election/reappointment at the ensuing Annual General Meeting are furnished in the Corporate Governance Report.

INDUSTRIAL RELATIONS :

Industrial relations during the year continued to be peaceful and there were no man days lost due to any kind of unrest.

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.

DIRECTORS RESPONSIBILITY STATEMENT :

In accordance with the requirements of section 217 (2AA) of the Companies Act, 1956, the Directors declare that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper

explanation relating to material departure;

2. the Directors had 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 as at 31st March 2009 and of the profit of the Company for the year ended on that date;
3. the Directors had 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; and
4. the Directors had prepared the annual accounts on a 'going concern' basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO :

The particulars as prescribed under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of directors) Rules, 1988, are set out in as Annexure A to this report.

ECO FRIENDLY COMPLIANCE :

The company complies with all requirements regarding management of pollutants of manufacturing units. The plants do not cause any type of water, air or noise pollution. The company has obtained clearances from the State pollution control board for both the plants.

PARTICULARS OF EMPLOYEES :

The relations with the employees continue to remain cordial. The Directors express their appreciation for the support given and the contribution made by the employees at all levels.

There is one employee whose particulars are required to be given under section 217 (2A)(a) of the Companies Act 1956 read with the (Particulars of Employees) Rules 1975 and is given by way of annexure 'B'.

AUDITORS :

The Auditors of the Company, P.M. Vardhe & Co., Chartered Accountants, Kolhapur would retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

AUDITORS REPORT :

The Board has duly reviewed the Statutory Auditors' Report. In the report the auditors have raised a qualification in regard to disputed sales tax dues amounting to Rs. 5 lacs. The Board is of sincere view that the company is sure of getting the judgment in its favour and thus has not paid the disputed dues to the sales Tax Department, neither has made any provisions in its books.

ACKNOWLEDGMENTS :

The Directors commend the continued commitment and dedication of employees at all levels. The Directors place on record their appreciation and express their gratitude for the continued support extended to the Company by the Shareholders, Financial Institutions & Banks, Suppliers and the Customers. We thank the Government of India, State Government, Reserve Bank of India, Bombay Stock Exchange, NSDL, CDSL and other Government Agencies for their support and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Place: Kolhapur
Date : 24-05-2009

Ram Menon
Chairman



MENON PISTONS LIMITED

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ANNEXURE 'A' 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:

As a continuous improvement process, the several energy saving measures which have been initiated by appropriate modifications and adopting systems and by availing relevant high rebate benefits and by monitoring the energy saving measures periodically and implementing the Energy Management Techniques it has been possible this year also to achieve an average saving of Rs 13 lakhs per year.

II) Technology Absorption :

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

(i) Specific areas in which R&D was carried out by the Company.

a) Development work was initiated for the development of High strength Aluminum alloy material which would become mandatory in the coming years to enable the Piston assys to withstand higher cylinder peak pressure for complying with the ensuing emission norms for Euro IV and beyond. The aluminum alloy material with increase in tensile strength between 20 & 40% in two different varieties have been developed with the technical assistance of our Collaborator which would keep us in good stead to enable us to be preparedness for the supply of Piston assys to comply with emissions norms up to Euro V.

b) The efforts to upgrade the Design activities have been fruitful since the TUV auditors have upgraded the Company for certification of TS 16949:2002 with Product Design. It has been possible to demonstrate the Design capabilities of the Company to some of our prestigious customers who approached us for the new developments which would involve design instead of "made to print".

(ii) Benefits derived from as a result of the above R & D:

The ability to demonstrate the Design capability as well as the ability to develop high strength material for Pistons for the new generation engines enabled us to keep abreast with the latest in technology in the eyes of discerning OE Customers and to be on par with the Competition in the industry and has attracted the attention of some prestigious customers to look up to us for development of Piston assys for their New Generation engines.

(iii) Future plan of Action:

a.) The relationship between the Company and the Collaborator has been strengthened by the confidence gained by the Company in demonstrating to the Collaborator with regard to the capacity and capability of our Engineers in the Design, manufacturing and the Quality of the Piston assys for the modern engines meeting the Technical Quality requirements of the Customers. This has enabled our Collaborator to decide to extend the Technical License Agreement which was initially valid for 4 years (April 2006 to April 2010) to further 4 years up to April 2014

b) This would enable the company to enjoy the unstinted support of the Collaborator in the Technical and manufacturing activities in the coming years which is expected to give us good returns both in business and exchange of

information relevant for up gradation and be aware of the latest in Technology.

c) To further strengthen the technical capability and to utilize the opportunity of the extended duration of the Collaboration, two of our Engineers (one each from the Design Engineering & Process Engineering departments) are being deputed to for Extensive training at our Collaborators plant to enable them to absorb, assimilate the techniques, technology being adopted for the Piston assy who in turn would ensure proper implementation of the same in the Plant at all levels.

d) As a part of the modernization and up gradation of the Facilities, and to provide enhanced capacity and for increased productivity to meet the future demands the Foundry facilities are planned to totally revamped in a location which is planned to be built with facilities and machinery procured from our Collaborator and installed as per the most modern Lay out planned with the technical assistance of DYP with improved handling and transportation facility for the material movement and machinery with appropriate facilities to eliminate the human element for maintaining the consistency in the quality of the Pistons. The work towards fulfilling these objectives has already been initiated and the new Foundry facility is expected to be fully operational by the second quarter of the next financial year 2010-2011.

e) After the receipt of the approval for the Cooled gallery pistons developed last year, these pistons have been productionised. In view of our ability to demonstrate the manufacture of Cooled Gallery pistons, few more enquiries have been received which are now planned for development of these in this financial year.

f) With growing demand for the necessity of equipping the engines with ability to with stand higher temperatures and pressures, the need for adopting cooled gallery pistons become mandatory in order to meet the ensuing emission norms. More and more applications of Cooled Gallery Pistons are expected to be taken up for development in the coming months.

g) After the numbers of applications featuring cooled gallery pistons grow, the necessity of equipping ourselves with the relevant updated checking facility to ensure the quality and reliability of the Pistons becomes all the more essential. Towards this, plans are already on the anvil for the procurement of these essential checking facilities in the current financial year. These are planned to be in place and fully operational by the beginning of next financial year since the lead time for the delivery of these equipment is fairly long.

(iv) Expenditure on R & D.

Capital Rs.40 lakhs and Recurring Rs.14 Lakhs

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

The manufacturing practices are gradually being modified and updated to bring them in line and on par with those adopted by our Collaborators, as a part of the Continuous improvements being carried due to the continuous interaction with the experts at DYP and the visit of DYP experts to our plant and visit of our engineers to DYP.

Additional inputs have been given to the Design and Process engineers in the extensive use of solid modeling and Pro-E Techniques for the manufacture of Piston assy for the new generation engines.

Certain Quality improvement techniques with increased productivity and balancing of the manufacturing line to utilize the available machinery and manpower have been introduced across the manufacturing activities by adopting innovative manufacturing methods and by designing special purpose tooling and equipment and by choosing appropriate cutting feeds and speeds in line with and on par with those adopted by our Collaborator. These have been made possible by closer interaction with and visits of our Engineers and Senior Management to the Collaborator's plant in south Korea.

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

a.) Varieties of New Piston assys have been developed for OEMs as well as for certain identified more popular Piston assy for the after market successfully with a lesser lead time for development

b.) With the machining methods/ special purpose tooling designed developed for the machining of certain complicated shapes of the combustion bowl designs incorporated in the pistons of new generation engines it has been possible to reduce the cycle time and thereby improve the productivity almost twofold and in certain cases, reduction in man power due to deletion of additional machining facility resulting in better utilization of the available resources of both men and machinery. This has directly resulted in the reduction in Cost of manufacturing, increase in productivity, and improvement in yield and increase in the revenue.

3. Technology Imported (Imported during the last 5 years)

Not applicable

III) Foreign Exchange Earning and Outgo :

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

Nil

b) Total Foreign Exchange used

a) Machinery, Stores & Spares	: Rs. 185.60 Lakhs.
b) Expenditure on Foreign Travel and Other Expenditure	: Rs. 54.55 Lakhs.
c) Earned Deemed Export :	: Rs. 1471 Lakhs.

ANNEXURE 'B' TO DIRECTORS REPORT**Disclosure as per provisions of S. 217 (2A)(a) of the Companies Act, 1956**

A statement showing the name of every employee of the company who was in receipt of remuneration for that year which, in the aggregate, was not less than Rs. 24,00,000 per annum

Name	Mr. Sachin Ram Menon
Designation	Managing Director
Total Emoluments received	Rs. 26,38,656/-
Sitting Fees	Rs. 1000/- per meeting of the board.
Nature of Employment - (Contractual or otherwise)	Contractual basis. The contract is for a period of five years and the term of five years ends on 31st January 2010
Other terms and conditions	As per managing director's agreement
Nature of employment	Duties as of a managing director
Qualification and experience	B.E., M.B.A. (U.S.A.)
Date of commencement of employment	15th June 1991
Age	47 years approx
Number and % of equity shares held by employee	284066 equity shares of Rs. 10 each 5.5699%
Last employment before joining this company	Nil
Name of director who is relative.	Shri Ram Menon (chairman) is father of Mr. Sachin Menon and Mr. Nitin Menon (Director) is his brother.

For and on behalf of the Board of Directors

Place: Kolhapur
Date : 24-05-2009

Ram Menon
Chairman



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