

Menon Pistons Ltd.  
Annual Report 2009-2010



Menon Pistons Ltd. main manufacturing facility at Kolhapur.

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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  
(up to 31.08.2009)

**Mr. G.S.Rao**  
Executive Director  
(up to 31.12.2009)

**Mr. Ajitkumar S.Belur**  
Director

**Mr. S. B. P. Kulkarni**  
Sr. G M - Corporate

**Mr. Deepak Kadam**  
Company Secretary

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

INSTITUTIONS & BANKERS  
**IDBI Bank Ltd.**

Registered Office :  
Shiroli, Kolhapur - 416 122.  
Phone : 91-230- 2468041/2468042  
Fax : 0230- 2468442  
Website : <http://www.menonpistons.com>  
E mail : [oad@menonpistons.com](mailto:oad@menonpistons.com)

## Report of the Directors for the Financial Year ended 31<sup>st</sup> March 2010

**Dear Shareholders,**

Your Directors have pleasure in presenting to you 33<sup>rd</sup> Annual Report on the business and operations of the Company together with the audited statements of accounts for the year ended 31st March 2010.

The working results are as under ;

### Financial Results

( Rs. in Lakhs )

Particulars	Current Year	Previous Year
<b>Gross Turnover</b>	<b>11464.67</b>	<b>10826.88</b>
Less: Usual working Expenses	10265.29	9723.93
<b>Gross Profit</b>	<b>1199.38</b>	<b>1102.95</b>
Less: Depreciation	224.04	228.61
<b>Profit Before Taxation</b>	<b>975.34</b>	<b>874.34</b>
Less: Provision for Taxation (Net)	325.27	302.65
<b>Profit After Tax</b>	<b>650.07</b>	<b>571.69</b>
Add: Balance of profit as per last year's accounts	1445.69	1112.99
Add : Deferred Tax Asset	53.42	Nil
Less : Earlier Year Adjustment	157.19	Nil
<b>Available surplus</b>	<b>1991.99</b>	<b>1684.68</b>
<b>Balance Available for appropriation</b>	<b>1991.99</b>	<b>1684.68</b>
<b>Less :</b>		
Proposed Dividend	178.50	153.00
Tax on Dividend	30.34	26.00
Transfer to General Reserves	66.00	60.00
<b>Balance carried forward to next year</b>	<b>1717.15</b>	<b>1445.68</b>

### General Review

Global slowdown that has battered over the strongest of economies worldwide. Auto component industry, once termed as one of the booming sector in the country was also hard hit. But fortunately, the global economy is slowly showing a trend of improvement and getting its momentum. Recessionary trends over Indian economy have nearly vanished.

Your Company has relentlessly focused on adopting and assimilating new technologies, using modern manufacturing practices and focusing on quality to achieve operational excellence. Our company is committed to sustainable growth.



We are tracking all significant developments in the auto component industry in India and abroad carefully. Market is growing but technology requirements are also changing. With the help of our technology Partners M/s Dong Yang Piston Co.Ltd. South Korea, we hope to remain ahead in the race. We are continuously investing in new technology, manufacturing practices, machineries, equipments, in-house talent development practices and reliable customer relationships.

During the year 2009-10 your Company has achieved the sales turnover of Rs.114.65 crores as compared to Rs.108.27 crores in the previous financial year whereas profit after tax for the year was Rs.6.50 crores as against Rs.5.72 crores for the previous financial year.

### **Dividend**

Considering the Capital requirement for expansion plans, your directors decided to plough back the money. However, your Directors are pleased to recommend a dividend Rs. 3.50/- i.e. @ 35% per equity share for the financial year 2009-2010. Total outgo on dividend would be Rs. 17,850,000/- (One Crore Seventy Eight lacs Fifty Thousand only). The Company has made preparations to transfer Rs. 6,600,000/- (Sixty Six Lakhs) 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 would be distributed to the Shareholders after the Annual General Meeting passed it.

### **Corporate Governance**

As a listed Company necessary measures are taken to comply with provisions of the listing agreement entered with Bombay Stock Exchange. A report on Corporate Governance along with a certificate of compliance from the Auditors, forms part of this Annual Report. The Managing Director's declaration regarding compliance with code of conduct for Board Members and Senior Management is attached to the Corporate Governance Report.

### **Board of Directors**

Shri Sachin Ram Menon has been the Managing Director of the Company since February 1, 2005. The term of office of Shri Sachin Ram Menon, as Managing Director of the Company has expired on January 31, 2010.

The Board of Directors of the Company (The 'Board'), at its meeting held on January 29, 2010 has, subject to the approval of Members, appointed Shri Sachin Ram Menon for a further period of 5 years, on the remuneration determined by the Remuneration Committee of the Board at its meeting held on 26<sup>th</sup> January, 2010.

Mr. Ram Menon and Mr. Nitin Menon, Directors, would retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, 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 Relation**

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 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 31<sup>st</sup> March, 2010 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 '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.

### **Management Discussion & Analysis and Corporate Governance**

A Report on the Management Discussion & Analysis and Corporate Governance forms part of this Report and is annexed as Annexure C to this report. The Certificate of the Statutory Auditors' confirming compliance with Clause 49 of the Listing Agreement relating to Corporate Governance is also annexed.

### **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.



The particulars of employee which 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, M/S. 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. No qualification remarks listed out by the Auditors' in their report.

### **Acknowledgments**

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 both depositories 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 : 30-05-2010**

**Ram Menon**  
**Chairman**

## ANNEXURE 'A' TO DIRECTORS REPORT

Information required under the Companies (Disclosure of particulars in the report of the Board of Directors) rule 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 saving i.e. energy conservation .

### 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 -

We are continuously investing in new Technology and manufacturing processes with the help of our Technology Partners M/s Dong Yang Piston Co. Ltd. South Korea. As the bar for engine performance, durability and emissions is raised, engine manufacturers and their suppliers are seeking the next level in engine component Technology. We have initiated development work on new generation pistons designs like oil cooled gallery pistons with high strength material, Research for enhanced material properties like hardness, tensile strength with controlled growth phenomenon.

Journey to upgrade design capabilities of the Company has taken pace with the help of Collaborator. With the engine data received from customers and offered complete new piston assembly design. This kind of design activity is becoming common for our company and phase of switching from 'Make to Print' to complete Solution provider is on unveil.

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

The ability to design piston assemblies as well as manufacture of new generation pistons with high strength material, oil cooled gallery enabled us to keep abreast with the latest technology in the eyes of OE customers. This has resulted into new enquiries coming to us for development of piston assemblies for new generation engines.

(iii) Future plan of Action:

- a. Relationship with Collaborator :
- 1) The relationship between collaborator and company is strengthened with buy back arrangement made between two companies for pistons.
  - 2) One application Gasoline pistons will be supplied to collaborator.
  - 3) Piston design training is imparted to our engineers at collaborator plant in South Korea for the period of one month.



**b. Modernization Plan:**

- 1) As a part of modernization and capacity enhancement new foundry building construction is commenced over an area of 2000 square meters. The foundry facility will be inline with collaborator layout and methods of manufacturing. This will help company in building confidence in the eyes of prestigious customers about product quality and reliability. The new foundry will be operational by November 2010.
- 2) With the growing demand for the necessity of using gallery cooled pistons into the engines, the infrastructure for making these pistons becomes inevitable. More and more applications are coming with these new technology pistons.
- 3) In view of the same, company decided to get equipped with X ray machine for inspection of gallery for any flaws or cracks present into the gallery area. This equipment will be operational in our plant by end of the year 2010.
- 4) Processes upgradations are planned in our company to manufacture new generation pistons with new technology in line with collaborator process. New machineries are getting added in to machining lines to upgrade these lines.

### **III) Foreign Exchange Earning and Outgo :**

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

b) Total Foreign Exchange used	a) Raw Material	: Rs. 339.53 Lakhs
	b) Machinery, Stores & Spares	: Rs. 35.04 Lakhs
	c) Expenditure of Foreign Travel and Other Expenditure	: Rs. 50.64 Lakhs
	d) Earned Deemed Export	: Rs. 1291.16 Lakhs



## ANNEXURE 'B' TO DIRECTORS REPORT

**Disclosure as per provisions of S. 217 (2A)(a) of the Companies Act, 1956**

<b>Name</b>	<b>Mr. Sachin Ram Menon</b>
<b>Designation</b>	<b>Managing Director</b>
<b>Total Emoluments received</b>	<b>Rs. 3,011,703/-</b>
<b>Sitting Fees</b>	<b>Rs. 1000/- per meeting of the board.</b>
<b>Nature of Employment – (Contractual or otherwise)</b>	<b>Contractual basis. The contract is for a period of five years and the term of five years ends on 31<sup>st</sup> January 2015</b>
<b>Other terms and conditions</b>	<b>As per managing director's agreement</b>
<b>Nature of duties of employment</b>	<b>Duties as of a managing director</b>
<b>Qualification and experience</b>	<b>B.E. M.B.A. (U.S.A.)</b>
<b>Date of commencement of employment</b>	<b>15<sup>th</sup> June 1991</b>
<b>Age</b>	<b>48 years</b>
<b>Number and % of equity shares held by employee</b>	<b>284066 equity shares of Rs. 10 each 5.5699%</b>
<b>Last employment before joining this company</b>	<b>Nil</b>
<b>Name of director who is relative.</b>	<b>Shri Ram Menon (Chairman) is father of Mr. Sachin Menon and Mr. Nitin Menon (Director) is his brother.</b>

## ANNEXURE 'C' TO DIRECTORS REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### (A) Industry structure and developments

##### Automotive Industry Overview -

Indian auto sector is expected to witness an overall growth in sales by 10% to 12% during the year 2010-11 with a faster recovery in Passenger and Commercial Vehicle volumes. The trend should fall in line with the improvement in the domestic, economic environment and improved availability of credits. Many International OEM's are coming to India either independently or in collaboration with existing players with the objective to reduce time to market and to take advantage of our established distribution network.

With the above positive outlook domestic auto component industry is also likely to get bigger boost in the year where your Company is also playing important role in the manufacture of critical auto components. In addition to this since there is a stable Government in place at center, it has already outlined major investment in the infrastructure development and agriculture sector. These investments will create more demand for our products.

We are seeing various international players have set up their shops in India to produce small cars for domestic as well as for global market. At the same time imports of auto components are increasing and they are greater than exports. This trend needs to be stemmed if not reversed without sacrificing growth. India has ability to manufacture World class standards. It is necessary to maximize value addition happens within the country through R&D and product development capabilities. This will be an essential requirement to establish scale and competitiveness in the Global markets.

The period ahead in the next 3-4 years looks promising and component manufacturers are likely to be busy catering to the customers' demands across the board. Despite of the above, auto component manufacturers' operating margin will decline due to increase in the raw material cost, non availability of sufficient power and increase in the cost of power etc. To retain the talent in Industry is also a major constraint. The raw material cost would be partially mitigated by increasing prices of OEM's to little extent during the contract renewals and higher capacity utilization. However, increasing competition in export market is increasing threat of cheap imports in the replacement market and will limit component manufacturers' flexibility to fully pass on raw material cost increase to the customers. The competition is intense in the replacement market.

In view of the above it has become necessary to explore different export markets as the rupee depreciation against US Dollar and other currency should also help to remain competitive. Focus is also necessary in product development, increase in R&D expenditure and product specialization. Your Company is giving more emphasize in cost cutting exercise, reengineering and energy saving measures.

It is necessary to remain competitive to maintain global quality and quick response for the new developments with a technological back up and support.

#### (B) Opportunities

Indian auto component manufacturers have registered an improved financial performance in the past couple of quarters on the back of higher volumes arising from the domestic market. Cost cutting initiatives, improved productivity and better financial management during the meltdown (Q3 FY09 to Q1 FY10) provided additional traction to their financial performance.