

Menon Pistons Ltd.
Annual Report 2010-2011



Menon Pistons Ltd. main manufacturing facility at Kolhapur.

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The Board of Directors

BOARD OF DIRECTORS

Mr. Ram Menon
Chairman

Mr. Sachin Menon
Managing Director

Mr. Nitin Menon
Director

Mr. R. D. Dixit
Director

Dr. Y.S.P. Thorat
Director (Since 29th January, 2011)

Mr. Ajitkumar S. Belur
Director

KEY MANAGERIAL PERSONNEL

Mr. S B P Kulkarni
Associate Vice President

Mr. Amit Dilip Pasare
Company Secretary

AUDITORS

M/S P.M. Vardhe & Co.
Chartered Accountants

INSTITUTIONS & BANKERS

IDBI Bank Ltd.

REGISTERED OFFICE
182, Shirol, Kolhapur - 416122
Phone: 91-230- 2468041/2468042
Fax – 0230- 2468442
Website:
<http://www.menonpistons.com>
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Report of the Directors for the Financial Year ended 31st March 2011

Dear Shareholders,

Your Directors have pleasure in presenting to you 34th Annual Report on the business and operations of the Company together with the audited statements of accounts for the year ended 31st March 2011.

Financial & operational Performance:

(Rs. in Lakhs)

Particulars	Current Year 2010-2011	Previous Year 2009-2010
Gross Turnover	15066.93	11464.67
Less: Usual working Expenses	13501.23	10265.29
Gross Profit	1565.70	1199.38
Less: Depreciation	264.19	224.04
Profit Before Taxation	1301.50	975.34
Less: Provision for Taxation (Net)	424.27	325.27
Profit After Tax	877.23	650.07
Add: Balance of profit as per last year's accounts	1717.15	1445.69
Add : Deferred Tax Asset	Nil	53.42
Less : Earlier Year Adjustment	Nil	157.19
Available surplus	2594.38	1991.99
Balance Available for appropriation	2594.38	1991.99
Less :		
Proposed Dividend	178.50	178.50
Tax on Dividend	29.64	30.34
Transfer to General Reserves	93.00	66.00
Balance carried forward to next year	2293.24	1717.15

General Review

The Indian auto component industry is emerging as a global hub for auto component manufacturers. This industry is one of the front runners for grabbing the global auto component outsourcing market. The value of outsourcing auto components from India includes low labour cost, availability of raw material, technically skilled man power and assurance of quality products. In view of these developments your company is focusing on innovation and cost pruning exercise to face the domestic as well as global challenges. Your company is gearing to the new reality and is in the process of substantially investing in capacity expansion by introducing new world class machineries and upgradation of the technology with the help of our technology partner M/s Dong Yang Piston Co. Ltd. South Korea. We hope to remain ahead in the race.

During the year 2010-11 your company has achieved the turnover of **Rs. 150.66 crores** as compared to **Rs.114.60 crores** during the previous financial year whereas profit after tax for the year is **Rs. 877 crores** as against **Rs.650 crores** in the previous financial year.

Dividend

Considering the capital investment made during the year and requirement of the funds for the future expansion plans, your Directors have decided to Plough back the surplus funds and pleased to recommend a dividend of **Rs.3.50/- per** equity share of **Rs.10/-** each for the financial year 2010-11. The total outgo on dividend will be Rs.1,78,50,000/- (Rupees one crore seventy Eight lakhs fifty thousand only). The tax on dividend will be paid by the company and the dividend in the hands of shareholders is free from Income Tax. The dividend will be distributed to the shareholders after approval of Members in the Annual General Meeting. The company has made preparations to transfer Rs. 93,00,000 (Rs. Ninety Three Lacs) to General Reserves while appropriating dividend from the net profit.

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 is annexed to this report and 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.

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.

Board of Directors

The Board of Directors of the Company (The 'Board'), at its meeting held on January 29, 2011 has, appointed Dr. YSP Thorat as a Non-Executive, Independent Director. Thus it fulfills the Corporate Governance norms for composition of Board.

Mr. Ramesh Dattatraya Dixit and Mr. Ajitkumar Belur, Directors, would retire by rotation at the ensuing Annual General Meeting of the Company; and being eligible, may offer themselves for reappointment.

Company received approval from the Central Government for the appointment of Mr. Sachin Menon as Managing Director for next five years. 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

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 and there were no man days lost due to any kind of unrest.

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 if any;
- 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, 11 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.

Management Discussion & Analysis and Corporate Governance

A separate Report on the Management Discussion & Analysis is annexed to this report and forms part of this Report

Particulars of Employees

There is no employee whose particulars are required to be given under section 217(2A) (a) of the Companies Act 1956 read with Notification dated 31st March, 2011 by MOCA.

Auditors & Their Report

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.

The Board has duly reviewed the Statutory Auditors' Report. No qualification remark was listed out by the Auditor in their report. It is forming part of this Annual 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 depositories and other Government Agencies for their continuous & stable support, and look forward to their continued backing in the future.

For and On behalf of the Board of Directors

Place: Kolhapur

Date : 26th May, 2011

**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.

1. Conservation of Energy:

As a continuous improvement process, the several energy saving measure 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.5.00 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 -

Your company is continuously investing to improve upon Design Capability to become Total solution provider in the eyes of esteemed customers.

Your company has upgraded design strength by installation of Analysis software ABAQUS 6.10.

This will help in carrying out finite element analysis both structural and thermal and acts as tool of Design validation.

Now with the Engine data received from customer, we can offer complete design solution to customer by using benchmarking data, critical design calculations and design validation by using software.

Engine validation of new generation Emission compliant engines of BS III and above norms calls for improved engine test facility. Temperature control of Fuel and coolant is very important factor of validation to get desired performance of piston assemblies. We have invested and upgraded engine test cells

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

Our company is already working on new projects with OE customers using the above upgradations. Oil cooled gallery piston is already developed for important customer for Defence application. Engine validation with improved system also helping us to attract new customers.

(iii) Future plan of Action:

- a. Relationship with Collaborator :**
- 1) Relationship with collaborator is further strengthened by taking participation of collaborator in important projects.
 - 2) Piston design and process training is also imparted to our engineers at collaborator plant as well as visit of R&D expert to our plants.

b. Facility Planning

Your company is investing in new technology and modern machines to continually improve on manufacturing technology. As India is implementing stringent emission norms like BS III / BS IV and engine manufacturers need to comply to those norms necessitates support from suppliers like us for improving the performance, downsizing engines, improved life cycle.

Your company is in process of building new state of art foundry with footprint of Korean collaborators processes. This will help us in built quality into our products by very sound casting process.

Your company already ordered worlds best Okuma oval turning and grooving machines for specific operations.

Journey to develop new generation piston like oil cooled gallery pistons is not possible without modern X ray equipment and Coordinate measuring machines. Theses machines are already installed and are helping to get new enquiries for development of new generation pistons.

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 :	
1. Raw Material	: Nil
2. Machinery Stores & Spares	: Rs. 248.10 Lacs
3. Expenditure of foreign travel & other expenditure	: Rs. 54.86 Lacs
4.Earned Deemed Export	: Rs. 2721.22 Lacs

For and On behalf of the Board of Directors

Place: Kolhapur
Date : 26th May, 2011

Ram Menon
Chairman



ANNEXURE 'B' TO DIRECTORS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Auto Industry: The Road Ahead – (Challenges and sustainability)

The Indian Auto component industry has been navigating through a period of rapid changes with a great elan driven by the global competitive business rules which are changing very fast. The Indian auto component sector has been growing at 20% per annum and it is projected to maintain the same growth phase for couple of more years.

The Indian auto component industry is one of the few sectors in the economy that has a distinct global competitive advantage in terms of cost and quality. The value in sourcing auto components from India includes low labour cost, raw material availability, technically skilled man power and assured quality products. Hence this industry is emerging as global manufacturing hub. Today India has the potential to manufacture a range of automotive components from fasteners to engine parts and our company is specialized in engine parts manufacturing such as piston assemblies. The domestic market projected to grow at around 10% per annum in the next 10 years. Similarly export is also projected to grow at over 30% per annum. The high level of sourcing auto components from low cost countries is to act as a driver for growth.

Challenges:

India, with a rapidly growing middle class, market oriented stable economy, availability of trained manpower at competitive cost, fairly well developed credit and financing facilities and local availability of almost all the raw materials at a competitive cost, has emerged as one of the favourite investment destinations for the automotive manufacturers. These advantages need to be leveraged in a manner to attain the twin objective of ensuring availability of best quality product at lower cost to the consumers on the one hand and developing and assimilating the latest technology in the industry on the other hand.

Sustainability and success in the industry would more or less depend on factors such as improved labour productivity, labour flexibility and capital efficiency, infrastructure improvement, raw material availability at reasonable cost, access to latest and most efficient technology and advanced techniques. Utilizing all manufacturing plants to optimum level, effective cost controls, close relationship with the suppliers, goods distribution channels and export markets, successful and tactical industrial relations.

Internal control systems and their adequacy :

The company's internal control system has been designed in order to provide the directors and the audit committee with reasonable assurance that its assets are safeguarded, transactions are properly authorized and recorded, material errors and irregularities are either timely prevented or detected. The internal controls system provides the board an independent, reasonable assurance of the adequacy of effectiveness of the organizations risk management, control and governance process. The board of directors continuously assesses opportunities for improvements in business process, systems, control and also putting in place standard operating practices.

The company's internal control system comprises of a specially designed ERP system which is running in all departments of the company which is tested and tried at operational level. These procedures are subject to

internal audit by independent, external professional firm of chartered accountants. The internal auditors independently evaluate the adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Independence of internal audit is ensured by the direct reporting of internal auditors to the audit committee.

Control systems have also been developed to ensure adherence to policies and systems and mitigation of the operational risks. Company has also adopted internal codes, rules and guidelines for conducting business transactions. The internal control systems is maintained and reviewed regularly by the management.

Thus effective internal control structure has been set up in the company to enhance organizational performance and contribute towards accomplishment of its objectives.

Risk Management :

Your company like any other enterprise is exposed to business risks which may be internal as well as external in the broadest sense we define risk as the eventuality of not achieving our financial operative, strategic goals, as planned. To ensure long term corporate success it is essential that risks are identified effectively, analyzed and then mitigated by means of appropriate control measures. We have an appropriate risk management system in place, which enables us to recognize and analyze risks early and to take the appropriate action., this system is implemented as an integral part of our business processes across the entire company's operations and includes recording monitoring and controlling internal enterprise business risks and addressing them through informed and objective strategies.

Corporate Social Responsibility

As a matter of fact there is no formulated written CSR Policy is in place. The Board invariably has developed a strategy to provide a roadmap for its CSR activities over the period which has become an integral part of our business strategy over a decade or so.

We recognize and perform the obligations towards our employees, investors, customers, suppliers, competitors and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets.

Human Resources & Industrial Relations:

The Management consider people as its key resource and provide development opportunities to various training and welfare programs for employees and their families.

The HR department of the company is geared to lend its support to the efforts to make the company a "Employer of Choice" in the market. There has been no loss of production at any of the manufacturing facilities due to Industrial unrest during the year. The company has done extensive job study which has helped to establish a well defined organization structure and appreciation of rules at different levels. The company has initiated talent Management system including development of people, career pathing, succession Management and reward Management etc. The company has maintained compensation structure in line with the market developments.

Cautionary statement

Statements made in this Management Discussion Analysis report describing the company's projections expectations, estimates, global conditions, government policies etc contain forward looking statements based upon the data available with the company assumptions. The company cannot guarantee the accuracy

For and On behalf of the Board of Directors

Place: Kolhapur

Date : 26th May, 2011

**Ram Menon
Chairman**



MENON PISTONS LIMITED

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Directors Report

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