

Menon Pistons Ltd.
Annual Report 2011-2012



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

Mr. Ajitkumar S. Belur
Director

KEY MANAGERIAL PERSONNEL

Mr. S B P Kulkarni
Associate Vice President

Mr. B. M. Tupare
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>
Email: oad@menonpistons.com
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Report of the Directors for the Financial Year ended 31st March 2012

Dear Shareholders,

Your Directors have pleasure in presenting to you 35th Annual Report on the business and operations of the Company together with the audited statements of accounts for the year ended 31st March 2012.

Financial & operational Performance:

(₹. in Lakhs)

Particulars	Current Year 2011-2012	Previous Year 2010-2011
Gross Turnover	16,705.88	15,066.93
Less: Usual working Expenses	14,772.32	13,501.23
Gross Profit	1,933.56	1,565.70
Less: Depreciation	415.07	264.19
Profit Before Taxation	1,518.49	1,301.50
Less: Provision for Taxation (Net)	516.94	424.27
Profit After Tax	1,001.55	877.23
Add: Balance of profit as per last year's accounts	2,293.24	1,717.15
Add : Previous Year Provision W/o	0.68	Nil
Balance Available for appropriation	3,295.47	2,594.38
Less :		
Proposed Dividend	178.50	178.50
Tax on Dividend	28.95	29.64
Transfer to General Reserves	100.00	93.00
Balance carried forward to next year	2,988.02	2,293.24

General Review

After having recorded a strong double – digit volume growth over the last two years, the auto and auto components industry may face strong headwinds in 2012 – 13 leading to moderation in growth contributed by firming up of commodity prices, rising fuel costs and interest rates, while the industry has made big strides over the last decade towards improving internal efficiency and thereby partially offsetting input cost pressures, efficiency gains alone may be insufficient going forward for players to use as a lever to combat cost headwinds. Industry players will therefore need to intensify their focus on deploying more cost effective measures.

The Indian auto components industry is gaining significance on the global front for the foreign Original Equipment Manufacturers (OEMs) that source parts from India. Adoption of global best practices is shaping



the industry towards having an efficient supply chain system to fully exploit the rise in local demand. However, the industry is structured in three tiers with the lowest tier being highly fragmented. Information Technology (IT) solutions are thus necessary to increase the visibility across the supply chain to provide accurate demand forecasts, prevent counterfeiting of products and provide quality products and services.

In view of these developments your company taken various measures for quality of the product, introducing new technologies in manufacturing activity with the help of our technology partners M/s Dong Yang Pistons Co. Ltd. South Korea and in – house product developments.

Your Company introduced The New world-class Foundry ready for production in last quarter of the financial year 2011-12 and the production process is being smoothen, resulting in time saving and the ultimate benefit is quality of the product be increased drastically.

During the year 2011-12 your company has achieved the turnover of Rs. 167.05 Crores as compared to Rs. 150.66 Crores during the previous financial year whereas profit after tax for the year is Rs. 10.01/- Crores as against Rs. 8.77/- Crores in the previous financial year.

Dividend

Your Directors are pleased to recommend a dividend Rs. 3.50/- per equity share of Rs. 10/- each for the financial year 2011-2012. Total outgo on dividend would be Rs. 17,850,000/- (One Crore Seventy Eight Lakhs Fifty Thousand only). The Company has made preparations to transfer Rs. 1,00,00,000/- (One Crore Only) 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. Dividend would be distributed to the Shareholders after approval of members in the Annual General Meeting.

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 Auditor's 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

Dr. YSP Thorat and Mr. Nitin Menon, Directors, would retire by rotation at the ensuing Annual General Meeting of the Company; and being eligible, may 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

During the year, Industrial relations at both the plant locations remained harmonious. Regular structured safety meetings were held with employees and safety programmes were conducted for them throughout the year. 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, 12 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, 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.

Mr. Chandrashekhar S. Adawadkar, cost accountant, Pune has been appointed as cost auditor to conduct the said audit for the year 2011-12, and the government approval in this regard has been received.

Audit committee

The Audit Committee, which was constituted pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the listing agreement with Bombay Stock Exchange, has reviewed the Accounts for the year ended March 31, 2012. The Composition of the Audit Committee are Mr. R. D. Dixit (Chairman), Mr. Sachin Ram Menon (Member) and Dr. YSP Thorat (Member).

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 : 27.05.2012

Sachin Menon
Managing Director

R. D. Dixit
Director

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:

In continuous improvement process several energy saving measures which have been initiated by appropriate modifications in adopting systems such as installation of induction furnances, multiple cavity dies, modern machines with multiple operations, and new designated holding furnances to save fuel and power cost and monitoring energy saving measures periodically and implementing the energy management technique has resulted average saving of Rs. 30-35 lakhs per year.

2. Technology absorption:

(i) Specific areas in which R & D is carried out :

The automobile industry in india is at present undergoing considerable expansion and modernization with technology and know – how imported from japan, U.S.A and Europe.

Your Company is continuously investing to improve upon design capability to become total solution provided in the eyes of domestic as well as overseas customers. The company has already installed most modern upgraded software to carry out finite element analysis both structural and thermal and acts as tool of design validation. We can develop in – house piston design once we receive the engine details from the customer.

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

Engine validation of new generation emission complaint engines of BS-III and above norms calls for improved engine test facility. We have already upgraded and installed modern engine testing facility.

Our company is already working on new projects with various customers using the above upgraded facility. Now we are one of the trusted Oil Cooled Gallery Piston manufacturers in the country. Number of new customers are approaching for upgradation in their existing engine norms.

3. Foreign Exchange Earnings & Outgo :

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



b)	Total Foreign exchange used :	
	1. Raw Material	: Rs. 20.22 Lacs
	2. Capital Equipment (Including Advance)	: Rs. 179.38 Lacs
	3. Machinery Spares	: Rs. 11.12 Lacs
	4. Foreign travel & other expenditure	: Rs. 7.86 Lacs
	5. Royalty & Consultancy fees	: Rs. 45.43 Lacs
	6. Earned Deemed Export	: Rs. 3937.24 Lacs

For and On behalf of the Board of Directors

Place: Kolhapur
Date : 27.05.2012

Sachin Menon
Managing Director

R. D. Dixit
Director

ANNEXURE 'B' TO DIRECTORS REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Automotive Components Industry - Outlook ,challenges, Swot Analysis:

The company has its presence in auto component segment and deals in one product segment “piston Assemblies”

The Company's products 'piston assemblies' are used in internal combustion engines like Tractors, Commercial Vehicles, Industrial Engines, Construction equipments. Piston sales to cars and two wheeler segment are insignificant or almost none. In the presently serviced sector 10% average growth pan India basis is witnessed for last 3 to 4 years and a cumulative growth is expected at 40% in next 2/3 years to come.

Considering the above facts the board sees following opportunities in buoyant but turbulent market:

Growth is predicted in auto components in next two years and simultaneously presents significant challenges to manage pricing on a global basis.

Apart from cheaper labour and cost competitiveness India has got many advantageous factors over other economies, like, Established manufacturing base , Skilled manpower , Established local market , Global standard manufacturing capabilities , High operational efficiency, stable economy etc. which scores over other economies under any given situation and thus instrumental in India acquiring priority over others.

Some challenges and threats :

There are costs to be competitive, costs like product innovation costs, R&D costs, flexible manufacturing costs, social security and incentives, to maintain competitiveness. These costs creates pressures on margins.

Authorities over the world are in a phase of tightening regulations and are going forward, with emphasis switching from tailpipe emissions to greenhouse gas emissions. Therefore, timely adaptation to these changes and costs is a key to a sustainable future for companies in the automotive sector.

Growth of New Suppliers like Taiwan and Thailand will create competition in years to come.

Weaknesses :

Limited access to knowledge of product liability, warranty restriction in developed market limits the reach to the export market. A limited and fiercely competitive domestic market inhibits capacity creation, Comparatively poor infrastructure for supply chain and exports dampens the margins which are already thin.

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.

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.

Corporate Social Responsibility :

As a matter of fact there is no formulated written CSR Policy 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.

As a good corporate citizen all around the globe, 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. We strongly believe that integrity in dealings with stakeholders is a prerequisite for a successful and sustained business relationship. Your company's manufacturing activities are located in and around Kolhapur city and as a strategy and to the extent possible it supports local charities and participates in a range of community activities, in house & in near locality.

Environment :

The company believes that, by nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with daily operations. We strongly encourage the internationally established 3 R's reduce, re-use, recycle. In the course of our operations we seek to identify opportunities to reduce/ keep it at minimum consumption of energy, water and other natural resources. We also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing impact on the environment. Your company is preparing itself for Standard Certification in environment which is ISO 14000 which addresses "**Environmental management**".

Human Relations, workers' welfare, inclusive development activities :