

Menon Pistons Ltd.
Annual Report 2012-2013



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
cs@menonpistons.com

Report of the Directors for the Financial Year ended 31st March 2013

Dear Shareholders,

Your Directors are delighted in presenting to you 36th Annual Report on the business and operations of the Company together with the audited statements of accounts for the year ended 31st March 2013.

Financial & operational Performance:

(₹. in Lakhs)

| Particulars | Current Year 2012-2013 | Previous Year 2011-2012 |
|----------------------------------------------------|---------------------------|----------------------------|
| Gross Turnover | 15,441.67 | 16,705.88 |
| Less: Usual working Expenses | 14,322.59 | 14,772.32 |
| Gross Profit | 1,119.08 | 1,933.56 |
| Less: Depreciation | 456.69 | 415.07 |
| Profit Before Taxation | 662.39 | 1,518.49 |
| Less: Provision for Taxation (Net) | 205.77 | 516.94 |
| Profit After Tax | 456.61 | 1,001.55 |
| Add: Balance of profit as per last year's accounts | 2,988.02 | 2,293.24 |
| Add : Previous Year Provision W/o | 0.00 | 0.68 |
| Balance Available for appropriation | 3,444.63 | 3,295.47 |
| Less : | | |
| Proposed Dividend | 102.00 | 178.50 |
| Tax on Dividend | 17.33 | 28.95 |
| Transfer to General Reserves | 50.00 | 100.00 |
| Balance carried forward to next year | 3,275.30 | 2,988.02 |

General Review

The declaration in the industrial sector was sharper during the first half of the current financial year in comparison to that in the same period of the previous year. The combination of factors that affected industrial production during 2011-12, continued to be a drag on industrial output even during the current financial year.

The slowing growth rate in India during the first half of 2012-13 can be explained in terms of both global factors and domestic factors. FY 2012-13 was a challenging year the global economy, barely a year after recession, witnessed lower economic growth & sluggish demand.



The Indian auto and auto components industry is currently facing its most formidable challenge that of slowdown in their sales volumes and profit growth due to inflation, high interest rates and rising fuel prices etc. After a frenzied period of 2009-10 and 2010-11 when all automotive spots - *domestic OEMs, exports and replacement market* - shone bright, the year 2011-12 marked the commencement of a slowdown phase as volumes in the domestic Passenger Vehicle (PV) and Medium & Heavy Commercial Vehicle (M&HCV) segments began to stutter. If the year 2011-12 was bad, the year 2012-13 has turned out to be worst.

During the year 2012-13 your company has achieved the turnover of Rs. 154.41 Crores as compared to Rs. 167.05 Crores during the previous financial year whereas profit after tax for the year is Rs. 4.56/- Crores as against Rs. 10.01/- Crores in the previous financial year.

Dividend

Your Directors are pleased to recommend a dividend Rs. 2.00/- per equity share of Rs. 10/- each for the financial year 2012-2013. Total outgo on dividend would be Rs. 1,02,00,000/- (One Crore Two Lakhs Rupees only). The Company has made preparations to transfer Rs. 50,00,000/- (Fifty Lacs 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

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally.

As a listed Company necessary measures are taken to comply with provisions of the listing agreement entered with Bombay Stock Exchange. The Report on Corporate Governance along with a certificate as stipulated confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 forms part of the 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

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.

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. 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, 2013 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.

Mr. Chandrasekhar S. Adawadkar, Cost Accountant, Pune has been appointed as cost auditor to conduct the said audit for the year 2012-13, 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, 2013. The Composition of the Audit Committee are Mr. R. D. Dixit (Chairman), Mr. Sachin Ram Menon (Member) and Dr. YSP Thorat (Member).

Acknowledgements

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 depositaries 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 : 18.05.2013

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:

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

2. Technology absorption:

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

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 and also have continued its endeavor to adopt technologies for its product range.

(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. Our Company's product is compliant with the prevalent regulatory 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. NIL |
| 2. Capital Equipment (Including Advance) | : Rs. 112.30 Lacs |
| 3. Stores & Spares | : Rs. 2.05 Lacs |
| 4. Foreign travel & other expenditure | : Rs. 11.74 Lacs |
| 5. Royalty & Consultancy fees | : Rs. 49.96 Lacs |
| 6. Earned Deemed Export | : Rs. 3755.20 Lacs |

Place: Kolhapur
Date : 18.05.2013

For and On behalf of the Board of Directors

Ram Menon
Chairman



ANNEXURE 'B' TO DIRECTORS REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Indian Auto-Component Industry-

Indian auto component makers are facing the heat of a global auto slowdown. As growth in commercial vehicle and passenger car segments slipped faster than expected, the component makers' supplies to original equipment makers (OEMs) fell, too. Consensus across research houses and industry is that the component segment will grow at around 6-7% for fiscal 2013, only a tad better than the scenario in the fiscal year ended 2008.

The global economic uncertainties and domestic monetary tightening measures have built up a near term negative sentiment for the Indian auto component industry. However the long term prospects of the industry are definitely perceived as a huge opportunity area.

We had a very difficult year in Auto Component Industry. The factors affects on industry are contracted Demand, low consumption of products, higher raw material costs, inflation in electricity cost & low production etc.

The current year's drop will be a combination of falling exports and domestic demand. The currency edge that the Indian exporters enjoyed in the early part of the current fiscal on account of a depreciating rupee, has receded in the last quarter. The cyclical nature of the automotive industry over several decades has helped hone the survival skills of the industry. But this survival instinct is being put to test because new strategies and skill sets are required to mitigate the current challenges.

Structure of the Industry

This industry is fragmented so far. It is said that around 19 to 20 thousand different vehicle components are made by around eleven thousand organized and unorganized, large and small firms spread in clusters throughout India. Vehicle manufacturers source their 70 to 80 % requirements from Auto Components units.

The market is divided into many segments such as export market, replacement market, OEM market. These are distinct from one another and have distinct advantages and plights.