

Menon Pistons Ltd.
Annual Report 2013-2014



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

Mr. Ajitkumar S. Belur
Director

Dr. Shivram Bhoje
Director

KEY MANAGERIAL PERSONNEL

Mr. S B P Kulkarni
Associate Vice President

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

DIRECTORS REPORT

for the Financial Year ended 31st March 2014

Dear Shareholders,

Your Directors are delighted in presenting you the 37th Annual Report on the business and operations of the Company together with the audited statements of accounts for the year ending on 31st March 2014.

Financial & operational Performance:

(₹. in Lakhs)

Particulars	Current Year 2013-2014	Previous Year 2012-2013
Gross Turnover	14,446.52	15,441.67
Less: Usual working Expenses	13,728.04	14,322.59
Gross Profit	718.48	1,119.08
Less: Depreciation	406.24	456.69
Profit Before Taxation	312.24	662.39
Less: Provision for Taxation (Net)	129.85	205.77
Profit After Tax	182.40	456.61
Add: Balance of profit as per last year's accounts	3,275.30	2,988.02
Add : Previous Year Provision W/o	0.00	0.00
Balance Available for appropriation	3,475.70	3,444.63
Less :		
Proposed Dividend	76.50	102.00
Tax on Dividend	13.00	17.33
Transfer to General Reserves	18.00	50.00
Balance carried to next year	3,350.20	3,275.30

General Review

The Indian automobile industry has witnessed a period of sluggish demand for almost three consecutive years with signs of recovery still appearing distant. As auto component manufacturers derive over 60% of their revenues from supplies to the domestic auto Original Equipment Manufacturers (OEM), the ongoing weakness in demand for new vehicles accordingly had an adverse impact on revenue growth of suppliers.

With demand for vehicles declining in most mature markets in the face of the global recession, high fuel costs and urban driving restrictions, the industry is turning its attention even more strongly



towards the expanding middle classes in the new power houses of china, India, Brazil, Russia etc. and other after developing countries.

Auto Component Industry continues to face tremendous pressure on profit margins due to elevated inflation levels. Going ahead, amidst rising market competition, new product launches, as also product refreshes planned, OEM are expected to increase spending on marketing & promotional activities.

During the year 2013-14 your company has made turnover of Rs 14,446.52 Lakhs as compared to Rs. 15441.67 Lakhs during the previous financial year whereas profit after tax for the year is Rs. 182.40/- Lakhs as against Rs. 456.61/- Lakhs in the previous financial year.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 1.50/- per equity share of Rs. 10/- each for the financial year 2013-2014. Total outgo on dividend would be Rs. 76,50,000/- (Seventy Six Lakh Fifty Thousand only). The Company has made preparations to transfer Rs. 18,00,000/- (Eighteen Lakh 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 Share holders 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. Nitin Ram Menon and Shri Ram 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 appointment/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 on 31st March, 2014 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. Chandrasekhar S. Adawadkar, Cost Accountant, Pune has been appointed as cost auditor to conduct the said audit for the year 2013-14, 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 on March 31, 2014. The Composition of the Audit Committee are Mr. R. D. Dixit (Chairman), Mr. Sachin Ram Menon (Member), Dr. Shivram Bhoje (Member) and Mr. A. S. Belur (Member).

Acknowledgments

The Directors place on record their appreciation and express their gratitude for the continued support extended to the Company by the share holders, 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 : 11.05.2014

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 total saving of Approx. Rs.25 lakhs per year.

2. Technology absorption:

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

Continuous Research is being undertaken by the company in following areas:-

- Cost and productivity
- Market and new products
- Energy and Environment

(ii) Benefits derived from a result of the above R & D & future plan of action:-

Customer's satisfaction and new business opportunities because of cost, quality, productivity, process flow and speed. Existing as well as new customers are approaching for upgradation in their existing engine designs.

In order to maximise value creation and create stake holder delight by worldclass differentiating R & D shall continue to improve the competitive position of the Company by carrying out research related to oil cooled gallery pistons & present operations as well as its future business needs.

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. 0.75 Lakhs
2. Capital Equipment (Including Advance)	: Rs. Nil
3. Stores & Spares	: Rs. 10.23 Lakhs
4. Foreign travel & other expenditure	: Rs. 18.34 Lakhs
5. Royalty & Consultancy fees	: Rs. 40.59 Lakhs
6. Earned Deemed Export	: Rs. 3127.89 Lakhs

Place: Kolhapur
Date : 11.05.2014

For and On behalf of the **Board of Directors**

Ram Menon
Chairman



ANNEXURE 'B' TO DIRECTORS REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Transformation of Indian Auto-Component Industry-

The Indian Auto Component industry has witnessed a period of sluggish demand for almost three consecutive years with signs of recovery. Auto Component manufacturers derive over 60% of their revenues from supplies to the domestic Original Equipment Manufacturers (OEMs), the ongoing weakness in demand had an adverse impact on revenue growth of your Company. The volumes in the domestic passenger vehicle (PV), Medium & Heavy Commercial Vehicle (N&HCV) and Commercial Vehicle (CV) segment is badly hit during the last 3 years and 2013-14 has turned out to be worse. During the year 13-14 most of the auto component manufacturers including your Company were grappling with a rising cost, firm interest rates and inflation in other overheads including employee costs, power costs and raw material cost etc.

We expect the auto component industry's growth pertaining to supplies to domestic OEMs to remain weak in the absence of immediate demand triggers for end users.

In the previous two to three years there is a negative Year to Year revenue growth. Due to high volatility in the market conditions, improvements in one area get squared off against another negative factor like improvements on lower raw materials get adjusted against higher fuel costs etc.

For Indian Auto Component manufacturer there is a growing competition from ASEAN imports due to FTA signed in 2010, as a result MSMEs located in auto-hubs like Chennai, Gurgaon are on the verge of closure and near dire state of existence.

There are global trends like consolidation, business integrations, reorganization of portfolios of vehicles are impacting the Indian auto component industry.

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.