

growth & globalization

On the fast track...



14th

Annual Report
2004-2005



Menon Bearings Ltd.

Exports Up - 122.00%, Sales Up - 38.03 %, Net Profit Up - 27.94 %, Profit Before Tax Up - 29.06 %

Exports Up - 122.00%, Sales Up - 38.03 %, Net Profit Up - 27.94 %, Profit Before Tax Up - 29.06 %

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Menon Bearings Ltd.'s state of the art production facility at Kolhapur.

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the board of directors

RAM MENON	Chairman
SACHIN MENON	Director
R. D DIXIT	Vice Chairman & Managing Director
NITIN MENON	Joint Managing Director
T. K. GUHA	Executive Director
KUMAR NAIR	Director

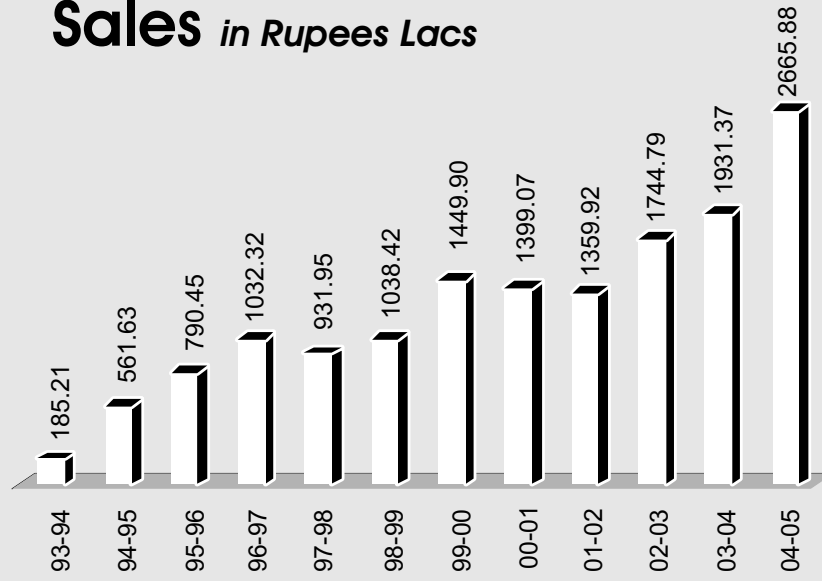
AUDITORS M/s. P. M. VARDHE & CO.
Chartered Accountants, Kolhapur

AMOL PURANDARE Asst. Company Secretary

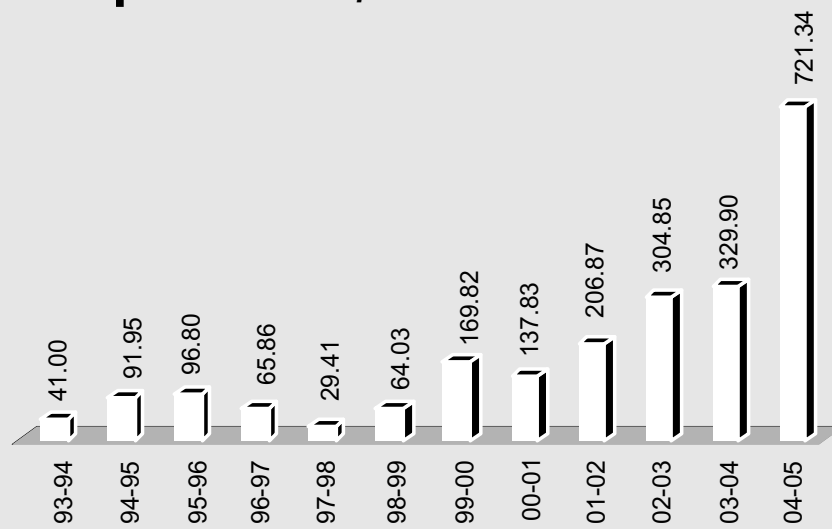
BANKERS UTI Bank Limited, Kolhapur

REGISTERED OFFICE
G-1, MIDC, Gokul Shirgaon, Kolhapur 416 234

Sales *in Rupees Lacs*

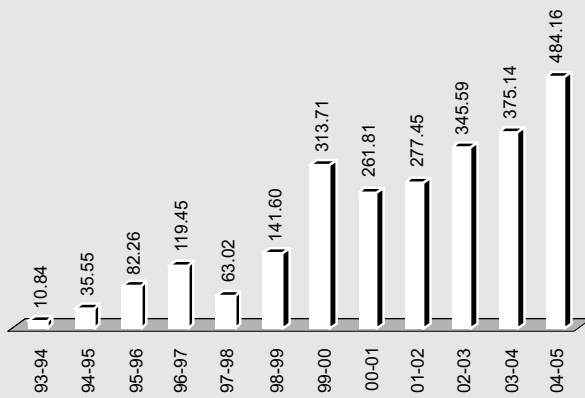


Exports *in Rupees Lacs*

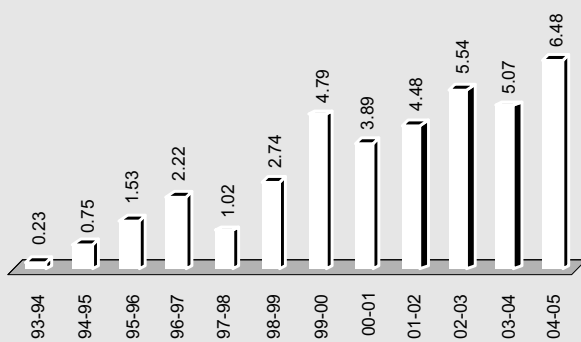


consistent
performance

Profit Before Tax *in Rupees Lacs*



Earning Per Share *in Rupees*



Current Year

**Sales Up
38.03 %
Rs. 26.65 Cr.**

**Exports Up
122.00 %
Rs. 7.21 Cr.**

Notice

14th AGM of
Menon Bearings Ltd.



MENON BEARINGS LIMITED

Regd Office:G-1,MIDC, Gokul Shirgaon, Kolhapur 416234

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Saturday, the 6th August, 2005 at 10.30 a.m. at the Registered Office of the Company at G-1, MIDC Gokul-Shirgaon, Kolhapur to transact the following business:

Ordinary business

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2005 and the profit and Loss Account for the year ended 31st March 2005 and the report of the Directors and of the Auditors.
- 2) To declare a dividend.
- 3) To appoint a Director in place of Mr. Sachin Menon, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint M/s P. M. Vardhe & Co., Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

Special Business

- 5) To consider and, if thought fit, to pass, with or without modification, the following resolution as

Ordinary Resolution :

RESOLVED THAT Mr. Kumar Nair who was appointed as an Additional Director of the company from 20th January, 2005 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 130 of the Articles of Association of the Company, but being eligible, offers himself for reappointment and in respect of whom the company has received a notice in writing under Section 257 of the Act from a shareholder signifying his intention to propose Mr. Kumar Nair as a candidate for the office of director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the directors by rotation."

Kolhapur

Date: 08-05-2005

For Menon Bearings Ltd.

Ram Menon
Chairman

Notes: : 1.) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2) The register of the members and the share transfer register of the company will remain closed from 24/07/2005 to 06/08/2005. (Both days inclusive).

3) Consequent upon the amendment to Section 205A of the Companies Act, 1956 and insertion of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years shall hereafter have to be transferred to the Investor Education and Protection Fund. Shareholders are requested to kindly note the same.

4) As per requirement of SEBI and Mumbai stock exchange, the Company has dematerialized its shares from April 2001.

5) The company has appointed following Registrar and Share Transfer Agents:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400078. Ph. (022) 55555367/68

Shareholders are requested to approach above Registrars for share transfer / transmission / change of address / dematerialization etc.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Resolution 5:

Mr. Kumar Nair was appointed as an Addition Director of the Company with effect from 20th January, 2005 in the meeting of the Board of Directors held on 20th January, 2005 and holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a shareholder signifying his intention to propose Mr. Kumar Nair as a candidate for the office of Director. Further particulars regarding Mr. Kumar Nair are given in para 1.2.1. of the Report on Corporate Governance. The Board recommends the above appointment of Mr. Kumar Nair. Except Mr. Kumar Nair no Directors are interested in the resolution.

Notice

14th
Annual
General
Meeting

financial
statements

Menon
Bearings
Ltd.

page 4



MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

PROXY

I / We _____
 Of _____ being a member / members of Menon
 Bearings Limited hereby appoint
 Mr. / Mrs. _____
 of _____
 or failing him
 Mr. / Mrs. _____
 of _____
 as my/our proxy to attend and vote for me / us on my / our behalf
 at the 14th Annual General Meeting of the company to be held
 on 6th August 2005 at 10.30 A. M. and any adjournment thereof

Signed _____
 This _____
 day of _____ 2005.

Affix
 30 paise
 Revenue
 Stamp

Members' Folio Number :
No. of Shares held :
DP ID :
Client ID No. :



MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I hereby record my presence at the 14th Annual General Meeting of the
 Company to be held at the Registered Office of the company on
 Saturday the 6th of August 2005 at 10.30 A. M.

NAME OF THE ATTENDING MEMBER (In Block letters)

NAME OF THE PROXY (To be filled in if the proxy attends instead
 of the members) (in block letters)

Signature of the Member / proxy

Members' Folio Number :
No. of Shares held :
DP ID :
Client ID No. :

Notes :
 1. Shareholders / proxy holders are requested to bring the attendance slip
 with them duly completed when they come to the meeting and hand them
 over to the gate after affixing signatures on them.
 2. The proxy form must be deposited at the Registered Office of the
 company G-1, MIDC, Gokul - Shirgaon, Kolhapur - 416234, not less than 48
 hours before the time for holding the meeting.



financial statements

Menon Bearings Ltd



Menon Bearings Ltd.



Report of the Directors

Your Directors feel great pleasure in presenting the 14th Annual Report of your company with the Audited Statement of Accounts for the year ended 31st March, 2005.

Economic Scenario:

Indian Economy has shown the satisfactory progress during the year 2004-05, a little bit hampered by some natural calamities mostly affecting the southern coastal area of India. The economy has registered a growth of around 8 %. India is building up to its manufacturing capabilities and scaling them up to global standards.

Auto companies have a strong desire to share the global limelight with services. Global car, truck, tractor, engine manufacturers are preferring the outsourcing hoping to make India a sourcing hub for critical components. In view of this the auto component market is witnessing a boom period.

Operations:

(Rs. In lacs)

Sr. No.	Particulars	Year Ended 31.03.05	Year Ended 31.03.04
1	Profit before tax	484.16	375.14
2	Provision for tax	181.44	138.53
3	Profit after tax	302.72	236.61
4	Balance of profit as per last Balance Sheet	753.30	712.52
5	Previous year adjustment for tax	7.53	-
6	Previous year expenses	3.65	0.22
7	Balance available for appropriation	1059.90	948.91
8	Proposed dividend (in Rs. Lakhs)	186.80	140.10
9	Proposed dividend	40 %	30 %
10	Tax on dividend	24.40	17.51
11	General Reserve	48.50	38.00
12	Balance of profit carried to Balance Sheet	800.20	753.30

You will be happy to note that the Company has registered turnover of Rs. 2,665.88 lacs during the year as against Rs.1931.37 lacs for previous year showing an increase of 38 %. The achievement is due to increase in export of around 122% compared to last year. The Net Profit of the company is up by 27.94 % over last year.

During the year under report the Company has made investment in Menon Alkop Pvt. Ltd. which has become subsidiary of Menon Bearings Ltd. The said company will be manufacturing aluminium die casting products. Already the company is in process of installing plant at Five Star MIDC, Kagal. Most probably the trial production will commence from July/August 05 and commercial production by April 06.

Dividend:

Considering the profit position, your directors recommend a dividend at 40% i.e. Rs.4/- per share of Rs.10/-, tax free.

Public Deposits:

The Company has not accepted any public deposit within the meaning of Section 58A & 58AA of the Companies Act, 1956 and rules framed thereunder.

Directors:

Mr. Sachin Menon, Director, retires by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Mr. Kumar Nair is appointed as Additional Director-Independent in the Board Meeting held on 20th January, 2005. He holds office till the date of this Annual General Meeting and being eligible offers himself for reappointment.

The company is further trying to identify the persons for inducting into the Board of directors of the Company to comply with Clause 49 of the Listing Agreement in respect of appointment of Independent Directors.

Auditors:

M/s P. M. Vardhe & CO., Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Particulars of Employees

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 statement of particulars of employees is not given since no employee is drawing salary of Rs.24,00,000/- per annum or Rs.2,00,000/- per month.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- 1) while preparing the Annual Accounts, the applicable accounting standards have been followed and proper explanation relating to the material departures have been given wherever necessary.
- 2) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2005 and of the profit of the company for that period.
- 3) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- 4.) the Directors have prepared the Annual Accounts on a going concern basis.

The information required under the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed.

Corporate Governance

As per Clause 49 of the Listing Agreement with stock exchange a report on corporate governance is given separately.

QS 9000

The company continued to confirm to the quality system requirements of QS 9000.

Acknowledgment:

The Directors wish to place on record their gratitude for the continued co-operation and patronage extended by the esteemed customers both in OEM and after market segments. The Directors would also like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance during the year under report by our bankers, all the customers, suppliers of the company and government agencies. The Board of Directors wishes to express its appreciation for the valuable contribution made by the employees at all levels during the year under report.

Information required under The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

I. CONSERVATION OF ENERGY

Modern techniques are implemented to improve the utilization of energy resulting in reduction in power consumption with respect to production from 5.50% to 4.95%.

II. TECHNOLOGY ABSORPTION

FORM B

Form of disclosure of particulars in respect of absorption of technology, research and development

1.)	Specific areas in which R & D is carried out by the company	1.) New technique developed for plating plant 2.) Development of processes in bush manufacturing 3.) Improvement in heavy manufacturing process
2.)	Benefits derived as a result of above	1.) Productivity of plant increased by 50 % 2.) Lead time & scrap generation reduced 3.) High quality & less scrap generation
3.)	Future plan of action	1.) Development of AT fast manufacturing process 2.) Extra high speed bush line
4.)	Expenditure on R & D	Capital WIP : Rs. 8.15 lacs
		Recurring : Rs. Nil

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Report
of the
Directors

1.)	Efforts in brief, made towards Absorption, Adoption	Sintered bimetal strip manufacturing line with Hi-tech controlling & power system is installed
2.)	Benefits derived as a result of above effort e.g. product improvement, cost reduction, product development.	a) Less power consumption per unit of strip manufacturing b) More reliable product
3.)	In case of imported technology (imported during last 5 years recorded from the beginning of the financial year)	Rolling mill for manufacture of alluminium tin bimetal strip and 400 ton press have been imported during 2002 - 03 High Pressure Die Casting Machine and Thrust Washer Line has been imported during the year under report.

Activities relating to export initiative for development of new export markets for products, services & exports.	We are exporting our products to U.K., Egypt, Spain, Israel, U.S.A. Additional applications are under development for export.
Total foreign exchange used and earned.	Used : Rs. 67.94 lacs Deemed Export Worth : Rs.721.34 lacs

Place: Kolhapur
Date: 08th May, 2005

For and on behalf of the Board of Directors
Ram Menon
Chairman

Report on Corporate Governance

for the
financial year
2004 - 2005

Corporate Governance Philosophy

The company has been implementing the code of corporate governance during the financial year in terms of Clause 49 of the listing agreement entered into by the company with the Stock Exchange, Mumbai. The company's philosophy of Corporate Governance is aimed at assisting the top management in the efficient conduct of its business and fulfilling its obligations towards the Government, shareholders, employees, stakeholders and public at large. The governance is strongly guided by transparency, accountability, integrity, values and commitment in all facets of its operations. In fact the company has been practicing good corporate governance from the inception though it was not a strong demand of time that days. The company will be striving to follow good practice of corporate governance in future also.

1.0 BOARD OF DIRECTORS

Your Board includes eminent professionals who have excelled in their respective areas of specialisation and comprises of professionals drawn from technical, management and finance field. The Board of directors of the company consists of 6 directors, 3 of them are Executive directors. Among the remaining, two are Non-Executive directors and one is independent director. There is no institutional nominee on the Board.

1.1 Constitution of the Board-as on 31-3-2005

Sr.	Name of Director	Status*	No. of other Directorships	No. of other committees memberships	
				Chairman	Membership
1.	Mr. Ram Menon	NED	9	Nil	Nil
2.	Mr. Sachin Menon	NED	6	1	1
3.	Mr. R. D. Dixit	VCMD	4	3	3
4.	Mr. Nitin Menon	JMD	7	Nil	1
5.	Mr. T. K. Guha	ED	2	Nil	Nil
6.	Mr. Kumar Nair +	NED(I)	9	Nil	1

*Status

NED- Non-Executive Director

VCMD-Vice Chairman & Managing Director

JMD-Joint Managing Director

ED-Executive Director

NED(I)- Non Executive & Independent Director

+ Mr. Kumar Nair was appointed as additional director in the Board meeting held on 20th January, 2005

1.2 Board Procedure

1.2.1 Board Meetings:

During the financial year 2004-2005 the Board met four times. The annual calendar of meetings is agreed upon at the beginning of each financial year. The meetings are governed by a detailed agenda with comprehensive background information to enable the Board to take informed decisions. The Board papers are circulated to all the directors well in advance. The details of the meetings of Board and committees held during the financial year 2004-2005 and attendance thereto & the details of attendance of each director at the Board, Audit Committee, Share Transfer and Investors Grievance Committee and last Annual General Meeting held during financial year 2004-05 are given below & on the adjacent page :

Sr.	Name of Director	BM	ACM	STIGC	AGM
1.	Mr. Ram Menon	4	N.A.	N.A.	Yes
2.	Mr. Sachin Menon	3	N.A.	N.A.	Yes
3.	Mr. R. D. Dixit	4	1	23	Yes
4.	Mr. Nitin Menon	4	1	N.A.	Yes
5.	Mr. T. K. Guha	3	N.A.	18	Yes
6.	Mr. Kumar Nair	N.A.	No	N.A.	N.A.

Note:

BM- Board Meeting
ACM- Audit Committee Meeting
STIGC- Share Transfer & Investor Grievance Committee
AGM- Annual General Meeting

Mr. Sachin Menon retires by rotation and being eligible has offered himself for re-appointment. Mr. Kumar Nair was appointed as Additional Director in the Board meeting held on 20th January, 2005 in which he was not present.

Particulars of Mr. Kumar Nair:

Mr. Kumar Nair is a high qualified professional holding the degrees of B. SC. and Chartered Accountant.

He has spent over 9 years in Kotak Mahindra Finance Limited since the inception of the company and was a member of the original core team which transformed Kotak Mahindra into India's largest finance houses. In Kotak he was involved into every facet of organisation building like conceptualisation and policy formulation, banking and institutional liaison, corporate relationship management, human resources, systems and internal control, credit management. He had also been the Vice President responsible for trade finance, treasury, resources, research and marketing Indian equities to FIs. He had also been the Chief Executive of the then proposed Mutual Fund of Kotak.

In 1994 he had floated "Trans Warranty Finance Limited" and " Trans Warranty Securities Pvt. Ltd.". The companies are operating in financial services, corporate finance, trade finance, project finance, forex and derivatives, mergers and acquisitions, BPO, etc.

He is holding the directorship of 9 companies.

1.2.2. Audit Committee:

The Audit Committee was formed in the Board meeting held on 20th January, 2005. The Audit Committee consists of 1 independent Director and two Whole-time Directors. Audit Committee is headed by Mr. Kumar Nair, Non-executive, Independent and Professional Director. The other members are Mr. R. D. Dixit, Vice Chairman & Managing Director and Mr. Nitin Menon, Joint Managing Director. Mr. Amol Purandare, Assistant Company Secretary, acts as a Secretary to the Committee.

The Audit Committee has the adequate powers and detailed terms of reference to play effective role as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai.

1.2.2 Share Transfer and Investor Grievance Committee:

Mr. R. D. Dixit, Vice Chairman & Managing Director, is the Chairman of the committee. Mr. Amol Purandare, Asst. Company Secretary, is the Compliance Officer.

Board of Directors

Date	Members	Attended
20-05-2004	5	5
27-07-2004	5	4
29-10-2004	5	4
20-01-2005	5	5

Audit Committee

Date	Members	Attended
20-01-2005	3	2

Share Transfers & Investors Grievance Committee

Date	Members	Attended
05-04-2004	2	2
20-04-2004	2	2
05-05-2004	2	2
20-05-2004	2	2
05-06-2004	2	2
21-06-2004	2	2
05-07-2004	2	2
24-07-2004	2	2
21-08-2004	2	2
06-09-2004	2	2
20-09-2004	2	2
05-10-2004	2	2
20-10-2004	2	2
05-11-2004	2	2
21-11-2004	2	2
05-12-2004	2	2
20-12-2004	2	2
05-01-2005	2	2
20-01-2005	3	3
05-02-2005	3	3
21-02-2005	3	3
05-03-2005	3	3
21-03-2005	3	3

The total number of complaints received from the shareholders and redressed during the year were 56 and no complaint was pending as on 31st March, 2005.

GENERAL SHAREHOLDER INFORMATION

•General Body Meetings:

The last three AGMs were held on 23-8-2002, 29-8-2003 and 6-8-2004 at the registered office of the company at G-1, MIDC Gokul Shirgaon, Kolhapur-416 234. In the last AGM held on 6th August, 2004 the company has passed special resolution for altering Article 133C of the Articles of Association to increase the sitting fees from Rs.250/- to Rs.2,000/-.

During the year ended 31st March, 2005 no resolutions have been passed through postal ballot.

•Disclosures:

Disclosures on materially significant related party transactions that may have potential conflict with the interests of the large:

None of the transactions with any of the related parties were in conflict with the interest of the company.

Means of communication

Unaudited quarterly results are normally published in Economic Times (English), Maharashtra Times (Marathi) and Daily Pudhari (Marathi).

General Shareholder Information

Annual General Meeting

Date and Time : Saturday, 6th August, 2005 at 10.30 a.m.

Venue : Registered office of the company at G-1, MIDC Gokul, Shirgaon, Kolhapur

Tentative financial calendar for 2005-06

- | | |
|---|----------------------------|
| 1. Results for the quarter ending June 30, 2005 | Last week of July 2005 |
| 2. Results for the quarter ending September 30, 2005 | Last week of October 2005 |
| 3. Results for the quarter ending December 31, 2005 | Last week of January, 2006 |
| 4. Audited Results for the year ending March 31, 2006 | Last week of May 2006 |

Date of Book Closure : Sunday, 24th July, 2005 to Saturday, 6th August, 2005

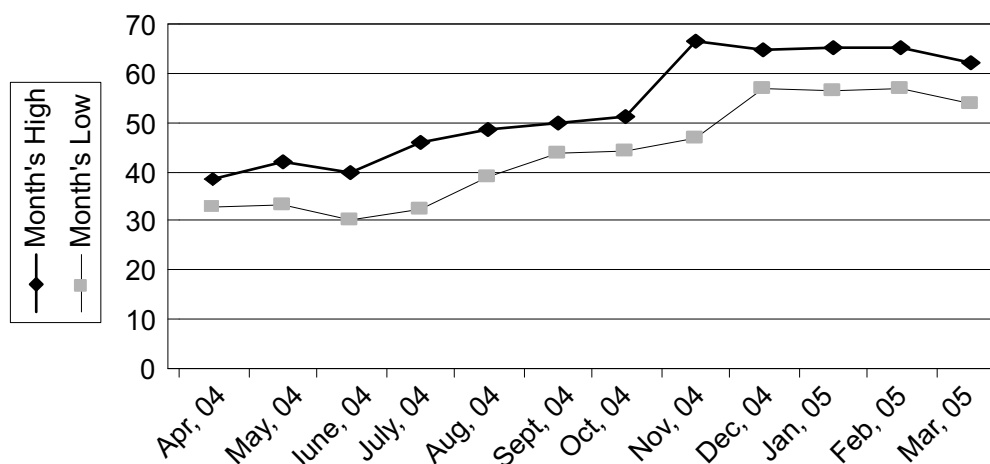
Dividend payment date : On or before 5th September, 2005

Stock Exchange where shares are listed : The Stock Exchange, Mumbai

Stock code : 523828

Market price data

Month	Month's High in Rs.	Month's Low in Rs.	Month	Month's High in Rs.	Month's Low in Rs.
April, 04	38.50	32.60	October, 04	51.00	44.00
May, 04	42.05	33.40	November, 04	66.50	47.00
June, 04	40.00	30.00	December, 04	64.75	57.00
July, 04	45.85	32.20	January, 05	65.00	56.50
August, 04	48.40	39.15	February, 05	65.00	57.05
September, 04	50.00	43.80	March, 05	62.00	54.00



Registrar & Transfer Agents

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai-400 078
Ph. (022) 55555367/68, Fax 25672693, Email : isrl@intimespectrum.com

Share Transfer System:

Presently, the share transfers which are received in physical form are processed within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respect. The share transfers received by the company are sent to the Registrar and Transfer Agents (R & T Agent). After the share transfer is effected, duly transferred share certificate is sent to transferee.

Distribution of shareholding as on 31st March, 2005

Shareholding of Nominal Value of Rs.	Shareholders		Share Amount	% of Total
	No.	%		
1-5,000	6,843	95.45	1,09,93,780	23.54
5,001-10,000	201	2.80	16,90,030	3.62
10,001-20,000	68	0.95	10,66,480	2.28
20,001-30,000	19	0.27	4,64,500	0.99
30,001-40,000	3	0.04	1,04,600	0.23
40,001-50,000	17	0.24	8,25,950	1.77
50,001-1,00,000	7	0.10	6,01,000	1.29
1,00,001 and above	11	0.15	3,09,53,660	66.28
Total	7169	100.00	4,67,00,000	100.00

Dematerialisation of shares:

33.59 % of the company's shares have been dematerialised up to 31st March, 2005.

Transfer of unclaimed amounts to Investor Education and Protection Fund

During the year under review the company has credited a sum of Rs. 1,79,040/- to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund(Awareness and Protection of Investor) Rules, 2001.

Plant Location And Investor Correspondence Address:

G-1, MIDC Gokul Shirgaon, Kolhapur-416 234

The Auditor's Certificate on Corporate Governance

M/S P. M. VARDHE & CO.
CHARTERED ACCOUNTANTS
630, "E", Shahupuri, 1st Lane,
Kolhapur-416001

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Menon Bearings Limited

We have examined the compliance of conditions of corporate governance by Menon Bearings Limited, for the year ended on 31st March, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange, Mumbai.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company had complied with the conditions on Corporate Governance as stipulated in the above mentioned Listing Agreement, except the norms prescribed for the appointment of Independent Directors.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer and Investors Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Kolhapur

Date : 08.05.2005

For M/s. P.M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

The
Auditors
Certificate
on
Corporate
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financial
statements

Menon
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Ltd.

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The Auditor's Report

to the members of Menon Bearings Ltd.

M/s. P. M. VARDHE & Co.

CHARTERED ACCOUNTANTS

630, "E", Shahupuri, 1st lane, Kolhapur 416 001

We have audited the attached Balance Sheet of M/s. Menon Bearings Limited, as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit :
- 2) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5.) On the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a.) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005, and
 - b) In the case of the Profit and Loss Account, of the profit of the Company, for the year ended on that date.
 - c) In case of Cash Flow statement of the Cash Flows of the Company, for the year ended on that date.

Place: Kolhapur
Date: 08 - 05 - 2005

For M/s. P.M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Annexure to the Auditor's report

annexure referred to in para I of auditor's report of even date

- I)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
 - c) During the year, the company has not disposed off any major part of the plant and machinery.
- II)
 - a) The physical verification of inventory has been conducted during the year by the management at reasonable intervals.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- III)
 - a) The Company has granted loans to another Company covered in the register of contracts maintained under Section 301 of the Act. The loan is given to another Company amounting to Rs.200 lacs and present outstanding balance is Nil.
 - b) The rate of interest and other terms and conditions of loan given by the Company are not prima facie prejudicial to the interest of the Company.
 - c) Receipts of the principal amount and interest are also regular.
 - d) There is no overdue amount on this loan account.
 - e) The Company has taken loans from other parties covered in the register maintained under Sec. 301 of the Act. Number of Parties are Two and the amount involved is Rs. 28.00 lacs, and present outstanding balance is Rs.18.01 lacs.
 - f) The rate of interest and other terms and conditions of loans taken by the Company are not prima facie prejudicial to the interest of the Company.
 - g) Payment of principal amount and interest are also regular.
- IV) There is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- V)
 - a) The particulars of contracts and arrangements referred to in Section 301 of the Act, have been entered in the register required to be maintained under that section, and
 - b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI) The Company has not accepted any deposits from the public.
- VII) The company is a listed company and it has an internal audit system commensurate with the size and nature of its business.
- VIII) On broad review of books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintaining cost records under Section 209 (1) (d) of the Companies Act, 1956, we are of the opinion that

Annexures to the Auditor's Report

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prima facie the prescribed accounts and records have been maintained. We have not however, made a detailed examination of the same.

- IX) a)** The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employee's state insurance, income-tax, sales-tax, wealth-tax, Service Tax, custom duty, excise-duty, and other statutory dues applicable to it. In our opinion, there are no arrears of outstanding dues as on the last day of the financial year concerned for a period of more than six months.
- b)** According to the records of the Company and information and explanation given to us, income tax dues for A.Y.2001-2002 as per demand on scrutiny assessment, amounting to Rs. 61.94 lacs, have been fully paid. However, appeal before Commissioner of Income Tax (Appeals) is pending. In case of Sales Tax / Wealth Tax / Service Tax / Custom Duty / Excise Duty / Cess, there are no such dues which are not deposited on account of any dispute.
- X)** The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit report or in immediately preceeding financial year.
- Xi)** The company has not defaulted in repayment of dues to banks or financial institution.
- XII)** The company has not granted any loans / advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII)** Provisions of any special statute applicable to chit fund in respect of nidhi / mutual benefit fund/ societies are not applicable to the Company.
- XIV)** The Company is dealing or trading in shares, securities, debentures and other investments. Company has maintained proper records of the transactions and timely entries have been made in these records. We also report that the company has held the shares, securities, debentures and other investments in its own name.
- XV)** The Company has offered Corporate Guarantee to UTI Bank Limited, Kolhapur for loans of Rs.1077.00 lacs taken by it's subsidiary M/s. Menon Alkop Private Ltd. According to the information and explanation given to us, we are of the opinion that, the terms and conditions thereof are not prima-facie prejudicial to the interests of the Company.
- XVI)** The Company has applied the term loans, for the purpose for which they were obtained.
- XVII)** According to the information and explanation given to us, we are of the opinion that the Company has not utilised short term funds towards long term investment.
- XVIII)** During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
- XIX)** The Company has not issued any debentures.
- XX)** The Company has not made any public issue of shares during the period covered by our audit report.
- XXI)** To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

Balance Sheet

as at
31st March,
2005

PARTICULARS	SCHEDULES	31.03.2005	31.03.2004
SOURCES OF FUNDS:			
1.SHAREHOLDER'S FUNDS			
a. Share Capital	A	4,67,00,000	4,67,00,000
b. Reserves & Surplus	B	9,79,20,273	8,83,80,170
		<u>14,46,20,273</u>	<u>13,50,80,169</u>
2. LOAN FUNDS			
a. Secured Loans	C	9,88,05,959	5,18,92,790
b. Unsecured Loans	D	4,61,73,022	14,49,78,981
		<u>76,48,790</u>	<u>65,05,007</u>
3. Deferred Tax Liability			
Total Rs.		<u>29,72,48,044</u>	<u>23,64,50,239</u>
APPLICATION OF FUNDS			
3. FIXED ASSETS			
Gross Block	E	19,06,50,609	15,57,11,561
Less : Depreciation		<u>8,44,96,649</u>	<u>7,04,51,912</u>
Net Block		10,61,53,960	8,52,59,649
Capital Work in process		9,95,835	59,52,733
4. INVESTMENTS	F	3,05,80,112	18,79,090
5. CURRENT ASSETS LOANS & ADVANCES	G		
Inventory		4,69,01,304	5,26,59,328
Sundry Debtors		7,21,59,582	5,09,38,946
Cash and Bank Balances		7,28,13,776	6,89,19,704
Loans And Advances		<u>8,05,03,906</u>	<u>8,26,77,016</u>
TOTAL		<u>27,23,78,568</u>	<u>25,51,94,994</u>
Less : Current Liabilities & Provisions	H		
a. Current Liabilities		3,56,54,219	4,02,96,126
b. Provisions		<u>7,72,06,212</u>	<u>7,15,40,101</u>
TOTAL		<u>11,28,60,431</u>	<u>11,18,36,227</u>
Net Current Assets		15,95,18,137	14,33,58,767
6. MISCELLANEOUS EXPENDITURE	I	-	
TOTAL		<u>29,72,48,044</u>	<u>23,64,50,239</u>
Notes forming part of Accounts	R		

Balance Sheet

as at
31st March,
2005

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As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

Profit & Loss Account

for the year ended
31st March,
2005

Profit & Loss Account

for the year
ended
31st March,
2005

PARTICULARS	SCHEDULES	31.03.2005	31.03.2004
1. INCOME			
Sales	J	26,65,87,615	19,31,36,641
Other Income	K	70,39,065	75,88,219
Increase / (Decrease) In Stock	L	2,30,946	13,49,469
TOTAL		27,38,57,626	20,20,74,329
2. EXPENDITURE			
Raw Material & Stores Consumed	M	11,37,54,700	7,99,52,787
Manufacturing Expenses	N	3,20,62,700	2,46,08,204
Payments to & Provision For Employees	O	2,61,69,660	2,23,56,826
Admin., Selling & Distribution Expenses	P	3,18,60,448	1,79,66,745
Cost of Finance	Q	74,87,170	78,48,402
Depreciation		1,41,07,445	1,16,68,316
Preoperative Expenses W/O			1,59,059
TOTAL		22,54,42,123	16,45,60,339
3. PROFIT BEFORE TAXATION		4,84,15,504	3,75,13,990
Provision for Income Tax (Current)		1,70,00,000	1,81,43,783
Deferred Tax Liability		11,43,783	
4. PROFIT AFTER TAXATION		3,02,71,721	2,36,60,693
5. Balance of Profit as per last Balance Sheet		7,53,30,169	7,12,52,444
Add: Previous Year Adjustments for Taxation		7,53,256	
Less: Previous Year Expenses		3,65,265	21,717
6. BALANCE PROFIT AVAILABLE FOR APPROPRIATION		10,59,89,881	9,48,91,420
7. APPROPRIATIONS			
Proposed Dividend		1,86,80,000	1,40,10,000
Tax on Dividend		24,39,608	17,51,250
General Reserve		48,50,000	38,00,000
9. BALANCE OF PROFIT CARRIED TO BALANCE SHEET		8,00,20,273	7,53,30,170
10. Notes to Accounts	R		
11. Basic and Diluted Earning per Share		6.48	5.07

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As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

Cash Flow Statement

for the year
2004-2005

Particulars	31-3-05	31-3-04
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	351.71	295.80
Profit after taxation	302.72	
Previous Year Expenses	3.88	
Provision for Income Tax (Current)	181.44	
Cost of Finance	74.87	
Dividend	(211.20)	
Add : Adjustments for		
Depreciation	141.07	118.27
Operating Profit before working capital change	492.79	414.07
Adjustments for		
Trade & Other Receivables	190.48	
Inventory	(57.58)	
Trade Payable	(286.14)	(231.33)
Cash Generated from operations	646.03	645.40
Interest Paid	74.87	78.49
Direct Taxes Paid	181.44	138.53
Cash Flow before Extra Ordinary Items	389.72	428.38
Extra Ordinary Items	NIL	NIL
Net Cash from Operating Activities	389.72	428.38
Cash Flow from Investing Activities		
Purchase of Fixed Assets	301.51	
Sale of Fixed Assets	(1.06)	
Purchase of Investments	287.01	
Net Cash used in Investing Activities	587.46	173.12
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(351.02)	
Repayment of Finance	114.34	
Net cash used in financing activities	(236.68)	160.93
Net Increase / (Decrease) in Cash and Cash Equivalents	38.94	94.33
Cash and Cash Equivalents as at 31.03.2005	728.14	
Cash and Cash Equivalents as at 01.04.2004	689.20	
Total	389.72	428.38

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

For and on Behalf of the Board of Directors

P. M. Vardhe
Proprietor

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Place : Kolhapur
Date : 08.05.2005

Amol Purandare
Asst. Company Secretary

Cash Flow Statement

for the year
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Schedule Nos. A to R

annexed to & forming part of the
Balance Sheet as at and Profit & Loss
Account for the year ended 31st March 2005

Particulars	31.03.2005	31.03.2004
Schedule "A" : Share Capital		
Authorised: 50,00,000 Equity Shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued,Subscribed and paid up : 46,70,000 Equity Shares of Rs.10 each fully paid	<u>4,67,00,000</u>	<u>4,67,00,000</u>
Schedule "B" : Reserves and Surplus		
General Reserve	1,05,50,000	1,54,00,000
Add : Current Year	48,50,000	38,00,000
Sub-Total	<u>1,54,00,000</u>	<u>10,50,000</u>
Capital Reserve	25,00,000	25,00,000
Profit & Loss Account	8,00,20,273	7,53,30,170
TOTAL	<u>9,79,20,273</u>	<u>8,83,80,170</u>
Schedule "C" : Secured Loans		
a) The United Western Bank Ltd. Loan Against FDR	1,42,81,430	18,21,135
b) UTI Bank Ltd 1) Term Loan	2,85,56,143	23,05,67,65
2) Cash Credit	4,97,12,915	23,26,68,33
3) Loan against FDRs.	32,78,564	
c) Car Loans ICICI Bank Ltd.	29,76,907	37,48,057
TOTAL	<u>9,88,05,959</u>	<u>5,18,92,790</u>
Schedule "D" : Unsecured Loan		
Interest free Sales Tax Loan from SICOM (Under the incentive scheme of Government of Maharashtra)	4,61,73,022	4,29,72,273
Schedule "E" : Fixed Assets - please refer page 28		
Schedule "F" : Investment (At cost)		
Non Trade (unquoted)		
1) 49000 Equity Shares of MB Autocomponents Pvt. Ltd. of Rs.10/- each	4,90,000	4,90,000
2) 27,50,000 Equity Shares of Menon Alkop Pvt. Ltd. of Rs. 10/- each	2,75,00,000	
Trade (Quoted)		
1) 50,000 Equity Shares of Hindustan Motors Ltd of Rs.23.79 each (Market value as on 31.03.2005 Rs. 32.95/- per share)	11,89,522	
2) 500 Equity Shares of Bank of Maharashtra of Rs. 23/- each (Market value as on 31.03.2005 Rs. 32.80 per share)	11,500	
3) 444 Equity Shares of Pentasoft Technologies Ltd. of Rs. 901.67 each (Market value as on 31.03.2005 Rs. 8.85 per share)	4,00,340	4,00,340

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Particulars	31.03.2005	31.03.2004
4) 1100 Equity Shares of Global Telesystems Ltd, of Rs.898.86 each (Market Value as on 31.03.2005 Rs. 97.95 per share)	9,88,750	9,88,750
TOTAL	<u>3,05,80,112</u>	<u>18,79,090</u>

Schedule "G" : Current Assets, Loans and Advances

Inventories

a) Raw Material	1,31,35,708	2,00,27,099
b) Stores & Spares	31,15,517	22,13,096
c) Finished goods	1,70,24,450	1,47,36,560
d) Work in Process	1,36,25,629	1,56,82,573
TOTAL	<u>4,69,01,304</u>	<u>5,26,59,328</u>

Sundry Debtors

(Unsecured, considered good)		
Outstanding for a period exceeding 6 months	34,53,435	15,53,257
Other Debts	6,87,06,147	4,93,85,689
TOTAL	<u>7,21,59,582</u>	<u>5,09,38,946</u>

Cash & Bank balances

a) Cash in Hand	9,092	1,51,817
b) Balances with Banks		
i) In Current A/c(s) With scheduled banks	64,22,982	49,53,933
ii) In Fixed Deposits	6,63,81,702	6,38,13,953
TOTAL	<u>7,28,13,776</u>	<u>6,89,19,704</u>

Loans & Advances

Other advance	5,14,699	2,52,384
Staff advance	21,100	28,550
Advances to Directors	29,22,522	29,54,993
Interest accrued but not received	52,57,874	76,96,429
Other Deposits	15,15,879	15,30,067
Prepaid expenses	6,78,023	4,87,810
Telephone deposit	28,710	28,710
Water deposit	70,705	70,705
Advance Income Tax	5,59,17,739	4,76,70,724
Advance to suppliers	1,05,14,245	1,91,51,331
Share application Money	10,049	1,15,000
Excise Duty	28,41,578	26,90,314
Service Tax	1,51,773	
Educational Cess	59,009	
TOTAL	<u>8,05,03,906</u>	<u>8,26,77,016</u>
Total Current Assets	<u>27,23,78,568</u>	<u>25,51,94,994</u>

Schedule "H" : Current Liabilities and Provisions

Current Liabilities

Sundry Creditors		2,73,98,652	3,23,03,654
Amount payable to SSI units	44,56,041		
Amount payable to others	2,29,42,611		
Sales Tax Payable		10,49,471	10,28,219
Liability for expenses and other liabilities		72,06,096	69,64,253
TOTAL		<u>3,56,54,219</u>	<u>4,02,96,126</u>

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Particulars	31.03.2005	31.03.2004
Provisions		
Provision for expenses	47,63,363	52,08,753
Unpaid Dividend	16,47,178	13,82,600
Proposed Dividend	1,86,80,000	1,40,10,000
Tax on Dividend	24,39,608	,17,51,250
Company Income Tax	4,90,00,000	4,86,00,000
Leave Encashment	6,76,063	5,87,498
TOTAL	7,72,06,212	7,15,40,101

Total Current Liabilities & Provisions	11,28,60,431	11,18,36,227
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Schedule "I" : Miscellaneous Expenditure

Preoperative Expenses	NIL	1,59,059
Less: Written Off During the year	NIL	1,59,059
TOTAL		NIL

Schedule "J" : Sales

1. Bearing Sale	8,66,41,892	5,90,76,510
2. Bush Sale	11,74,93,378	8,68,96,902
3. Thrust Washer Sale	4,87,02,998	2,39,62,588
4. Strip Sale	1,30,48,534	2,30,38,749
5. Cylinder Liners Sale	883	1,61,892
6. Endshield Sale (with bush)	6,99,930	NIL
TOTAL	26,65,87,615	19,31,36,641

Schedule "K" : Other Income

a) Interest	57,13,136	56,94,348
b) Income from other sources	3,61,856	2,77,925
c) Scrap Sale	9,34,390	12,52,431
d) Excess Provision Written off	NIL	3,63,515
e) Exchange Difference	2,,655	NIL
f) Dividend from Companies	2,450	NIL
g) Profit on sale Shares	24,578	NIL
TOTAL	70,39,065	75,88,219

Schedule "L" : Increase / (Decrease) in stock of Work-in-Process and Finished Goods

Opening Stock		
Finished Goods	1,47,36,560	2,03,99,192
Work in Process	1,56,82,573	86,70,472
Total	3,04,19,133	2,90,69,664
Closing Stock :		
Finished Goods	1,70,24,450	1,47,36,560
Work in Process	1,36,25,629	1,56,82,573
Total	3,06,50,079	3,04,19,133
Increase / (Decrease)in Stock	2,30,946	13,49,469

Schedule "M" : Raw Material & Stores Consumed

Opening Stock		
Raw Material	2,00,27,099	1,10,89,727
Stores & Spares	22,13,096	19,50,387
Total	2,22,40,195	1,30,40,114

Particulars	31.03.2005	31.03.2004
Add : Purchases		
Raw Material	8,43,80,775	7,10,95,164
Stores & Spares	2,33,84,955	1,80,57,704
Total	<u>10,77,65,730</u>	<u>8,91,52,868</u>
Less : Closing Stock		
Raw Material	1,31,35,708	2,00,27,099
Stores & Spares	31,15,517	22,13,096
Total	<u>1,62,51,225</u>	<u>2,22,40,195</u>
Raw Material & Stores Consumed	11,37,54,700	7,99,52,787
Schedule "N" : Manufacturing Expenses		
Outside labour charges	1,58,44,570	1,16,05,317
Electricity	1,22,68,941	1,03,45,500
Water charges	5,92,496	5,06,053
Repairs & Maintenance	32,75,407	20,83,368
Electric Material	81,286	67,966
TOTAL	<u>3,20,62,700</u>	<u>2,46,08,204</u>
Schedule "O" : Provisions for and Payments to employees		
Salary and Wages	2,42,72,870	2,06,95,082
Labour Welfare	2,93,824	2,33,566
Contribution to Provident Fund	13,15,250	12,37,171
Contribution to Group Gratuity Trust	2,87,716	1,91,006
TOTAL	<u>2,61,69,660</u>	<u>2,23,56,825</u>
Schedule "P" : Administrative, Selling & Distribution Expenses		
Rent, Rates and Taxes	2,78,065	1,67,096
Insurance	3,30,930	2,77,695
Freight Outward	14,63,787	13,01,378
Legal & Consultation	7,11,125	7,95,160
Postage, Telephone	6,95,453	8,05,741
Business Expenses	3,98,629	2,30,368
Sales Promotion Expenses	2,18,99,144	79,35,893
Printing & Stationary	5,27,062	5,30,716
Vehicle & Conveyance Expenses	4,67,086	1,14,509
Other Expenses	14,31,930	21,99,676
Traveling Expenses	16,25,980	10,70,494
Sitting Fees	11,750	5,000
Advertisement	10,26,115	2,13,007
Audit Fees	65,000	60,000
Exchange Difference	NIL	1,67,049
Establishment Expenses	3,00,000	3,00,000
Loss on sale of Fixed Assets	68,392	10,03,186
Loss in Share Trading	NIL	89,777
Key Man Insurance	5,60,000	7,00,000
TOTAL	<u>3,18,60,448</u>	<u>1,79,66,745</u>
Schedule "Q" : Cost of Finance		
Interest	65,41,769	56,15,609
Bank Commission & Other Charges	9,45,401	22,32,793
TOTAL	<u>74,87,170</u>	<u>78,48,402</u>

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SCHEDULE "E"
FIXED ASSETS SCHEDULE FOR THE YEAR 2004-2005 (in Rs.)

NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OP.BAL. AS ON 01-04-2005	ADDITIONS	DELETION	CL.BAL. AS ON 31-03-2005	Up to 31.03.2004	FOR THE YEAR	ADJUST- MENTS	TOTAL	As on 31.03.2005	As on 31.03.2004
1	LAND (Lease hold)	10,37,164	—	—	10,37,164	93,200	9,320	—	1,02,520	9,34,644	9,43,964
2	LAND (Free hold)	52,500	—	—	52,500	—	—	—	—	52,500	52,500
3	SITE DEVELOPMENT	15,07,313	6,91,015	—	21,98,328	—	—	—	—	21,98,328	15,07,313
4	BUILDING	3,35,16,304	44,92,121	—	3,80,08,425	49,36,752	11,22,187	—	60,58,939	319,49,486	2,85,79,552
5	PLANT AND MACHINERY	8,80,61,969	2,59,92,955	—	11,40,54,924	5,14,72,586	97,56,086	—	6,12,28,672	5,28,26,252	3,65,89,383
6	OFFICE EQUIPMENTS	18,27,135	1,71,380	1,51,000	18,47,515	5,17,611	83,898	56,681	5,44,828	13,02,687	13,09,524
7	TOOLS AND IMPLEMENTS	82,41,175	—	—	82,41,175	52,25,385	8,52,137	—	60,77,522	21,63,653	30,15,790
8	MATERIAL HANDLING EQUIP.	2,72,701	—	—	2,72,701	81,533	28,197	—	1,09,730	1,62,971	1,91,168
9	MISCELLANEOUS ASSETS	2,06,863	—	—	2,06,863	1,47,241	21,390	—	1,68,631	38,232	59,622
10	TECHNICAL KNOW HOW	52,44,590	—	—	52,44,590	39,27,109	5,42,291	—	44,69,400	7,75,190	13,17,481
11	ELECTRICAL INSTALLATION	43,16,288	3,75,029	—	46,91,317	16,88,786	4,72,509	—	21,61,295	25,30,022	26,27,502
12	FURNITURE	25,75,937	32,461	—	26,08,398	573,560	1,63,554	—	7,37,114	1871,284	20,02,377
13	FIRE FIGHTING EQUIPMENTS	46,760	—	—	46,760	26,492	4,835	—	31,327	15,433	20,268
14	VEHICLE	71,69,778	6,51,375	—	78,21,153	8,07,735	7,16,557	—	15,24,292	62,96,861	63,62,043
15	COMPUTERS	13,11,930	3,12,180	17,900	16,06,210	9,40,864	2,36,090	6,027	11,70,927	4,35,283	3,71,066
16	ELECTRICAL FORKLIFT	3,23,154	—	—	3,23,154	13,058	33,414	—	46,472	2,76,682	3,10,096
17	EFFLUENT TREATMENT PLANT	—	23,89,432	—	23,89,432	—	64,980	—	64,980	23,24,452	—
	TOTAL	15,57,11,561	3,51,07,948	1,68,900	19,06,50,609	7,04,51,912	1,41,07,445	62,708	8,44,96,649	10,61,53,960	8,52,59,649
	PREVIOUS YEAR	12,84,95,446	3,01,02,979	28,86,864	15,57,11,561	5,94,37,274	1,16,68,316	6,53,678	7,04,51,912	8,52,59,649	6,90,58,172

Schedule R

annexed to & forming part of the
Balance Sheet as at and Profit & Loss
Account for the year ended 31st March 2005

1).SIGNIFICANT-ACCOUNTING - POLICIES :

A) Basis of Accounting :

Accounts of the Company are prepared under the historical cost convention. Company has complied with accounting standards as recommended by the Institute of Chartered Accountants of India.

B) Depreciation :

1. Depreciation is charged on all the assets, on Straight Line basis (SLM) at the rates and manner prescribed in schedule XIV of the Companies Act, 1956 as amended up to date.
2. Fixed assets are stated at cost less depreciation. Costs comprise of cost of acquisition and all attributable costs of bringing the assets to condition for their intended use.
3. The cost of leasehold land is amortised over the period of lease.

C) Investment :

Investments are stated at cost and income thereon is credited to revenue on accrual basis.

D) Inventories:

Inventories are valued at cost or market price whichever is lower. The Company has valued closing stock exclusive of excise duty as per the new guidelines.

E) Sales:

Sales are recognised on despatches to customers. Sales exclude Excise / Duty and Sales Tax. During the year, sales made to MB Autocomponents Pvt. Ltd., are shown at gross of discount as against previous year presentation at net of discounts. Discount given is covered under Sales Promotion Expenses during the Current Year. However this change has no impact on Profit of the Company for the year under report.

F) Retirement Benefits:

The Company has created The Employees Group Gratuity Fund, which has taken Gratuity cum Life Insurance Policy from Life Insurance Corporation of India. Base for gratuity is the premium paid on the above policy. Provision for leave encashment is made on the basis of Actuarial Valuation. Company's contribution to Provident Fund has been charged to Profit and Loss Account.

G) DISCLOSURE OF BORROWING COST CAPITALISED UNDER ACCOUNTING STANDARD 16.

During the year Company has capitalised certain assets, however no borrowing cost has been capitalised as they do not satisfy the conditions as to qualifying asset, mentioned under A.S.16.

H) SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17

The Company operates in one business segment namely "Auto Components". Hence reporting under this standard is not applicable to the Company.

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I) RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18

Following are the related parties under above standard

No.	Name of Party	Nature of transaction	Amount (Rs.)
1	Menon Alkop Private Ltd.	Investment in Subsidiary	2,75,00,000.00
2	MB Autocomponents Pvt Ltd.	Sale	5,98,01,862.72
3	MB Exports	Sale	4,32,48,233.70
4	Mani Auto Components	Jobwork / tooling vendor	53,43,500.52
5	Menon Pistons Ltd.	Purchase	1,41,575.00
6	Karveer Investments P.Ltd.	Interest received on loan	5,46,084.00
7	Sucheta Menon	Interest paid on loan	2,10,313.00
8	R. D. Dixit	Interest paid on loan	60,706.00

Mr.R.D.Dixit - Vice Chairman & Managing Director, Mr. Nitin Menon - Joint Managing Director and Mr. T. K. Guha - Executive Director are employees of the Company. The salary paid and perquisites provided to them are disclosed under Note No.9 as "Managerial Remuneration". Apart from above directors, all other directors are non executive directors. The Company has not entered into any transactions with them other than the sitting fees which they have received from the Company.

Apart from above mentioned parties following parties are also related parties of the Company. However, no significant transactions took place with these parties in the year 2004-05.

1.) Menon & Menon Limited 2.) Menon Engineering Services. 3.) Menon Piston Rings Private Limited.

There are no write offs / write backs of any amount for any of the above parties during the year 2004-05

J) LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19

This accounting standard is not applicable to the Company since no new lease transaction(s) took place during the year 2004-2005.

K) EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20

The basic earnings per share for the year 2004-2005 is Rs. 6.48 (Previous year Rs. 5.07). Diluted earnings per share is not applicable as the Company has not issued any Preference Shares / security / warrant / debentures which are convertible into equity shares in future.

L) CONSOLIDATED FINANCIAL STATEMENTS AS PER ACCOUNTING STANDARD 21.

As per the Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately, including subsidiaries, in this annual report.

M) ACCOUNTING FOR TAXES ON INCOME AS PER ACCOUNTING STANDARD 22

Deferred taxes on income are computed as per accounting standard 22 and same are provided in the audited accounts at appropriate places. The details thereof are as under

Particulars	Op.Bal.(1/4/04)	During the year	As on 31/3/05
Depreciation	(-) 64,89,308.00	(-) 11,59,482.00	(-) 76,48,790.00
Provident Fund allowable (Opening Balance)	Nil	Nil	Nil
Provident Fund disallowable (Closing balance)	(-) 67,738.00	(+) 67,738.00	Nil
Deferred Revenue Exp.	(-) 14,205.00	(+) 14,205.00	Nil
Leave Encashment	(+) 66,244.00	(-) 66,244.00	Nil
Deferred Tax Liability	(-) 65,05,007.00	(-) 11,43,783.00	(-) 76,48,790.00

N) IMPAIRMENT OF LOSSES AS PER ACCOUNTING STANDARD 28

In the opinion of the management there are no impairment of assets of the company, as such no impairment losses are recognized in the Profit and Loss Account of the Company.

2. CONTINGENT LIABILITIES

- 1 Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2000. The liability in respect of pending assessments / appeals is unascertainable.
- 2 The Income Tax assessments are completed up to the Assessment Year 2002-2003. (relevant to Accounting year ended 31.03.2002). However, Company has preferred appeal against the assessment for A.Y.2001-02. Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.

OTHER NOTES

1. Previous year figures are regrouped wherever necessary to conform to current year figures.
2. Paise are rounded off to the nearest rupee.
3. Sundry Debtors

	Current Year	Previous Year
a) Debtors considered good in respect of which the Company is fully secured.	Nil	Nil
b) Debtors considered good for which the Company holds no security.	7,21,59,582	5,09,38,946
c) Debtors considered bad or doubtful.	Nil	Nil

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d) Debts due by Private Company in which Director is Director or member.	1,35,03,991	1,07,25,869
e) Debts due by firm in which Director is Partner.	3,14,33,303	1,80,87,688

- 4. There are S.S.I creditors above 30 days exceeding Rs. 1.00 lac, but they are all within contractual credit period.

5. The Company has made provision for Leave Encashment salary as per Actuarial Valuation.

6. The Company has been accounting liability for Excise Duty on Finished Goods as and when they are cleared. A liability in respect of finished goods in stock at the close of the year estimated at Rs. 27,78,390/- and has not been provided in the accounts nor included in the valuation of the inventory. However the said liability, if accounted, would have no impact on the profit for the year.

7. **AUDITOR'S REMUNERATION**

	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>
As Auditors	65,000	60,000
Other Matters	8,000	7,000
Total (Rs.)	----- 73,000 =====	----- 67,000 =====

(Exclusive of Service Tax)

8. Expenditure on employee getting remuneration not less than Rs. 24,00,000/- p.a. or Rs. 2,00,000/- p.m. is Nil.

•9. **MANAGERIAL REMUNERATION :**

Details of payment and provisions on account of Remuneration to Directors included in Profit and Loss Account.

	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>
No. of Persons	3	3
1) Salary	23,18,400	18,84,000
2) Contribution to P.F	2,78,208	2,26,080
3) Other Perquisites	18,37,040	14,62,800
4) Sitting Fees	11,750	5,000
Total	----- 44,43,398 =====	----- 35,77,880 =====

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10. CONSUMPTION OF RAW MATERIALS, STORES, SPARES AND CONSUMABLES :

No.	Particulars	Current Year		Previous Year	
		Qty (Kgs.)	Value (Rs.)	Qty (Kgs.)	Value (Rs.)
1	Copper	1,81,761	3,26,17,473	1,65,315	2,10,28,231
2	Steel Strip	9,38,208	3,29,57,337	8,56,173	2,54,65,052
3	Others		2,56,97,355		1,56,64,509
4	Stores, Spares & Consumables		2,24,82,535		1,77,94,995
	TOTAL		11,37,54,700		7,99,52,787

11. C.I.F. VALUE OF IMPORTS :

No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Raw Material & Consumables	49,23,204	13,35,136
2	Plant & Machinery	31,31,935	—
3	Capital work in Progress	—	28,11,397
	TOTAL	80,55,139	41,46,533

12. VALUATION OF IMPORTED AND INDIGENOUS RAW MATERIAL, STORES, SPARES AND CONSUMABLES :

No.	Raw material, stores and components consumed	Current Year		Previous Year	
		%	Value (Rs.)	%	Value (Rs.)
1	Imported	3.04 %	34,61,583	5.21 %	41,66,342
2	Indigenous	96.96 %	11,02,93,117	94.79 %	7,57,86,445
	TOTAL	100.00 %	11,37,54,700	100.00 %	7,99,52,787

13. EXPENDITURE IN FOREIGN CURRENCY :

No.	Particulars	Current Year	Previous Year
1	Raw Material & Consumables	37,50,532	9,36,410
2	Capital work in Progress	—	22,53,860
3	Plant & Machinery	22,62,900	—
4	Foreign tour expenses	7,81,134	1,11,130
	TOTAL	67,94,566	33,01,400

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PARTICULARS IN RESPECT OF EACH CLASS OF GOODS MANUFACTURED BY THE COMPANY

No.	Particulars		Bearings / Bushes / Thrust Washers		Bi-Metal Strips (Kgs)		Others	
			Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
a)	Registered Capacity	Nos.	2,50,00,000	2,50,00,000				
b)	Installed Capacity	Nos.	1,50,00,000	1,50,00,000				
c)	Actual Production	Nos.	1,49,64,232	1,29,72,250	98,244	1,56,330		
d)	Opening Stock							
	1.) Quantity	Nos.	15,32,282	17,88,443				
	2.) Value	Amt.	1,47,36,561	2,03,99,192				
e)	Closing Stock							
	1.) Quantity	Nos.	16,69,642	15,32,282				
	2.) Value	Amt.	1,70,24,450	1,47,36,561				
f)	Turnover							
	1.) Quantity	Nos.	1,48,26,872	1,32,30,411	98,244	1,56,330		
	2.) Value	Amt.	25,28,38,269	16,99,36,000	1,30,48,534	2,30,38,749	7,00,813	1,61,892

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

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Balance Sheet Abstract & Company's General Business Profile

REGISTRATION DETAILS

Registration No. : 062352 State Code 11
Balance sheet Date : 31.03.2005
Capital raised during the year : Nil

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000)

TOTAL LIABILITIES	2,97,248	TOTAL ASSETS	2,97,248
--------------------------	----------	---------------------	----------

SOURCES OF FUNDS

Paid - up capital	46,700	Reserves & Surplus	97,920
Secured Loans	98,806	Unsecured Loans	46,173
Deferred Tax Liability	7,649		

APPLICATION OF FUNDS

Net Fixed Assets	1,07,150	Investment	30,580
Net Current Assets	1,59,518	Miscl. Expenditure	NIL

Accumulated Losses Nil

PERFORMANCE OF THE COMPANY

Turnover	2,73,858	Total Expenditure	2,25,442
Profit before tax	48,416	Profit after tax	30,272
Earning per share in Rs.	6.48	Dividend	40%

GENERIC NAME OF THREE PRINCIPLE PRODUCTS OF THE COMPANY

Item Code No. (ITC code No.)	3563
Product Description	Thin Walled Engine Bearings
Item Code No. (ITC code No.)	3563
Product Description	Bushings
Item Code No. (ITC code No.)	3563
Product Description	Thrust Washers

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

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Menon Bearings Ltd



Auditor's Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS
Menon Bearings Limited,

We have examined the attached Consolidated Balance Sheet of Menon Bearings Limited ("The Company") and its subsidiary as at 31st March, 2005 and the Consolidated Profit and Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that, we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21. Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements given a true and fair view in conformity with the accounting principles generally accepted in India.

- A) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Company and its subsidiary as at 31st March, 2005.
- B) In the case of Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiary for the year then ended and,
- C) In the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the Company and its subsidiary for the year then ended.

**For M/s P. M. Vardhe & Co.
Chartered Accountants**

**Place: Kolhapur
Date: 8-5-2005**

**P. M. Vardhe
Proprietor**

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Consolidated Balance Sheet

as at
31st March,
2005

PARTICULARS	SCHEDULES		31.03.2005
SOURCES OF FUNDS:			
1.SHAREHOLDERS` FUNDS			
a. Share Capital	A	4,98,00,000	
b. Reserves & Surplus	B	<u>9,86,65,051</u>	
			14,84,65,051
2. LOAN FUNDS			
Secured Loans	C	13,35,11,343	
Unsecured Loans	D	<u>4,61,73,022</u>	17,96,84,365
3.Deferred Tax Liability			76,48,790
Total Rs.			<u>33,57,98,206</u>
APPLICATION OF FUNDS			
3. FIXED ASSETS			
Gross Block	E	19,82,97,507	
Less : Depreciation		<u>8,44,96,649</u>	
Net Block			11,38,00,858
Capital Work in process			4,47,56,965
4. INVESTMENTS	F		38,24,890
5. CURRENT ASSETS LOANS & ADVANCES			
Inventory		4,69,01,304	
Sundry Debtors		7,21,59,582	
Cash and Bank Balances		7,33,38,079	
Loans And Advances		<u>9,63,13,719</u>	
TOTAL		28,87,12,684	
Less : Current Liabilities & Provisions	H		
a. Current Liabilities		4,02,29,878	
b. Provisions		<u>7,74,74,572</u>	
TOTAL		11,77,04,450	
Net Current Assets			17,10,08,234
6. MISCELLANEOUS EXPENDITURE	I		24,07,259
TOTAL			<u>33,57,98,206</u>

Notes forming part of Accounts R

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

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Consolidated Profit & Loss Account

as at
31st March,
2005

PARTICULARS	SCHEDULES	31.03.2005
1. INCOME		
Sales	J	26,65,87,615
Other Income	K	70,39,065
Share in Associate		2,88,015
Increase / (Decrease) In Stock	L	2,30,946
TOTAL		27,41,45,642
2. EXPENDITURE		
Raw Material & Stores Consumed	M	11,37,54,700
Manufacturing Expenses	N	3,20,62,700
Payments to & Provision For Employees	O	2,61,69,660
Admin.,selling & distribution Expenses	P	3,18,60,448
Cost of Finance	Q	74,87,170
Depreciation		1,41,07,445
Preoperative Expenses W/O		-
TOTAL		22,54,42,123
3. PROFIT BEFORE TAXATION		4,87,03,519
Provision for Income Tax (Current)	1,70,00,000	1,81,43,783
Deferred Tax Liability	11,43,783	
4. PROFIT AFTER TAXATION		3,05,59,736
5. Balance of Profit as per last Balance Sheet	7,53,30,169	
Add: Previous Year Adjustments for Taxation	7,53,256	
Less: Previous Year Expenses	3,65,265	7,57,18,160
6. BALANCE PROFIT AVAILABLE FOR APPROPRIATION		10,62,77,896
7. APPROPRIATIONS		
Proposed Dividend	1,86,80,000	
Tax on Dividend	24,39,608	
General Reserve	48,50,000	2,59,69,608
9. BALANCE OF PROFIT CARRIED TO BALANCE SHEET		8,03,08,288
10. Notes to Accounts	R	
11. Basic and Diluted Earning per Share		6.54

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As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

Consolidated Cash Flow Statement for the year 2004-2005

(Rs. in Lakhs)

Particulars	Current Year	
Cash Flow from operating activity		
Net Profit before tax and extraordinary items		354.59
Profit after taxation	305.60	
Previous Year Expenses	3.88	
Provision for Income Tax (Current)	181.44	
Cost of Finance	74.87	
Dividend	(211.20)	
Add : Adjustments for Depreciation		141.07
Operating Profit before working capital change		495.67
Adjustments for		
Trade & Other Receivables	348.57	
Inventory	(57.58)	
Trade Payable	(334.58)	(43.59)
Cash Generated from operations		539.25
Interest Paid		74.87
Direct Taxes Paid		181.44
Cash Flow before Extra Ordinary Items		<u>282.95</u>
Net Cash from Operating Activities		<u>282.95</u>
Cash Flow from Investing Activities		
Purchase of Fixed Assets	815.59	
Sale of Fixed Assets	(1.06)	
Purchase of Investments	14.90	
Miscellaneous Expenditure	24.07	
Net Cash used in Investing Activities		853.50
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(698.07)	
Minority Interest	(31.00)	
Repayment of Finance	114.34	
Net cash used in financing activities		(614.73)
Net Increase / (Decrease) in Cash and Cash Equivalents		44.18
Cash and Cash Equivalents as at 31.03.2005	733.38	
Cash and Cash Equivalents as at 01.04.2004	689.20	
Total		<u>282.95</u>

As per our report of
even date attached

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

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

Amol Purandare
Asst. Company Secretary

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Schedule Nos. A to R

annexed to & forming part of the Consolidated
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Account for the year ended 31st March 2005

PARTICULARS **31.03.2005**

Schedule "A" : Share Capital

Authorised:

50,00,000 Equity Shares of Rs.10 each **5,00,00,000**

Issued, Subscribed and paid up :

46,70,000 Equity Shares of Rs.10 each fully paid 4,67,00,000

Minority Interest 31,00,000

4,98,00,000

Schedule "B" : Reserves and Surplus

General Reserve 1,05,50,000 1,54,00,000
Add : Current Year 48,50,000

Capital Reserve 25,00,000

Share in Reserves of Associates
Capital Reserve 4,56,763

Profit & Loss Account 8,03,08,288

TOTAL **9,86,65,051**

Schedule "C" : Secured Loans

a) The United Western Bank Ltd.

Loan Against FDR 1,42,81,430

b) UTI Bank Ltd

1) Term Loan 6,32,61,527

2) Cash Credit 4,97,12,915

3) Loan against FDRs. 32,78,564

c) Car Loans

ICICI Bank Ltd. 29,76,907

TOTAL **13,35,11,343**

Schedule "D" : Unsecured Loan

Interest free Sales Tax Loan from SICOM 4,61,73,022

(Under the incentive scheme of Government of
Maharashtra)

4,61,73,022

Schedule "E" : Fixed Assets-Please refer page No. - 47

Schedule "F" : Investment (At cost)

Non Trade (unquoted)

In Associates 12,34,778

49,000 Equity Shares of MB 4,90,000

Autocomponents Pvt. Ltd. of Rs.10 each

Add: Accumulated Income From Associates 7,44,778

In Others **NIL**

Schedule
Nos. A to F

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PARTICULARS

31.03.2005

Trade (Quoted)

1) 50,000 Equity Shares of Hindustan Motors Ltd. of Rs.23.79 each (Market value as on 31.03.2005 Rs. 32.95 per share)	11,89,522
2) 500 Equity Shares of Bank of Maharashtra of Rs. 23 each (Market value as on 31.03.2005 Rs. 32.80 per share)	11,500
3) 444 Equity Shares of Pentasoft Technologies Ltd. of Rs. 901.67 each (Market value as on 31.03.2005 Rs. 8.85 per share)	4,00,340
4) 1100 Equity Shares of Global Telesystems Ltd, of Rs.898.86 each (Market Value as on 31.03.2005 Rs. 97.95 per share)	9,88,750

TOTAL	38,24,890
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Schedule "G" : Current Assets, Loans and Advances

Inventories

a) Raw Material	1,31,35,708
b) Stores & Spares	31,15,517
c) Finished goods	1,70,24,450
d) Work in Process	1,36,25,629

TOTAL	4,69,01,304
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Sundry Debtors

(Unsecured, considered good)	
Outstanding for a period exceeding 6 months	34,53,435
Other Debts	6,87,06,147

TOTAL	7,21,59,582
--------------	-------------

Cash & Bank balances

a) Cash in Hand	15,917
b) Balances with Banks	
i) In Current A/c(s) With scheduled banks	69,35,460
ii) In Fixed Deposits	6,63,86,702

TOTAL	7,33,38,079
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Loans & Advances

Other advance	5,15,799
Staff advance	21,100
Advances to Directors	29,22,522
Interest accrued but not received	52,58,020
Other Deposits	15,15,879
Prepaid expenses	8,33,394
Telephone deposit	28,710
Water deposit	1,36,055
Advance Income Tax	5,59,17,739
Advance to suppliers	2,23,92,947
Excise Duty	64,37,544
Service Tax	2,02,074
Educational Cess	1,31,935

TOTAL	9,63,13,719
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Total Current Assets	28,87,12,684
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Schedule "H" : Current Liabilities and Provisions**Current Liabilities**

Sundry Creditors		3,18,29,389
Amount payable to SSI units	44,56,041	
Amount payable to others	<u>2,73,73,348</u>	
Sales Tax Payable		10,49,471
Liability for expenses		73,51,018
TOTAL		<u>4,02,29,878</u>

Provisions

Provision for expenses		50,31,723
Unpaid Dividend		16,47,178
Proposed Dividend		1,86,80,000
Tax on Dividend		24,39,608
Company Income Tax		4,90,00,000
Leave Encashment		<u>6,76,063</u>
TOTAL		<u>7,74,74,572</u>

Total Current Liabilities & Provisions11,77,04,450**Schedule "I" : Miscellaneous Expenditure**

Preliminary Expenses		1,90,406
Preoperative Expenses		<u>22,16,853</u>
TOTAL		<u>24,07,259</u>

Schedule "J" : Sales

1. Bearing Sale		8,66,41,892
2. Bush Sale		11,74,93,378
3. Thrust Washer Sale		4,87,02,998
4. Strip Sale		1,30,48,534
5. Cylinder Liners Sale		883
6. Endshield Sale (with bush)		<u>6,99,930</u>
TOTAL		<u>26,65,87,615</u>

Schedule "K" : Other Income

a) Interest		57,13,136
b) Income from other sources		3,61,856
c) Scrap Sale		9,34,390
d) Exchange Difference		2,655
e) Dividend from Companies		2,450
f) Profit on sale Shares		<u>24,578</u>
TOTAL		<u>70,39,065</u>

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PARTICULARS**31.03.2005****Schedule "L" : Increase / (Decrease) in stock of
Work-in-Process and Finished Goods****Opening Stock**

Finished Goods	1,47,36,560
Work in Process	1,56,82,573
Total	<u>3,04,19,133</u>

Closing Stock :

Finished Goods	1,70,24,450
Work in Process	1,36,25,629
Total	<u>3,06,50,079</u>

Increase / (Decrease) in Stock	<u>2,30,946</u>
---------------------------------------	-----------------

Schedule "M" : Raw Material & Stores Consumed**Opening Stock**

Raw Material	2,00,27,099
Stores & Spares	22,13,096
Total	<u>2,22,40,195</u>

Add : Purchases

Raw Material	8,43,80,775
Stores & Spares	2,33,84,955
Total	<u>10,77,65,730</u>

Less : Closing Stock

Raw Material	1,31,35,708
Stores & Spares	31,15,517
Total	<u>1,62,51,225</u>

Raw Material & Stores Consumed	<u>11,37,54,700</u>
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Schedule "N" : Manufacturing Expenses

Outside labour charges	1,58,44,570
Electricity	1,22,68,941
Water charges	5,92,496
Repairs & Maintenance	32,75,407
Electric Material	81,286
TOTAL	<u>3,20,62,700</u>

**Schedule "O" : Provisions for and
Payments to employees**

Salary and Wages	2,42,72,870
Labour Welfare	2,93,824
Contribution to Provident Fund	13,15,250
Contribution to Group Gratuity Trust	2,87,715
TOTAL	<u>2,61,69,660</u>

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Schedule "P" :Administrative, Selling & Distribution Expenses

Rent, Rates and Taxes	2,78,065
Insurance	3,30,930
Freight Outward	14,63,787
Legal & Consultation	7,11,125
Postage, Telephone	6,95,453
Business Expenses	3,98,629
Sales Promotion Expenses	2,18,99,144
Printing & Stationary	5,27,062
Vehicle & Conveyance Expenses	4,67,086
Other Expenses	14,31,930
Travelling Expenses	16,25,980
Sitting Fees	11,750
Advertisement	10,26,115
Audit Fees	65,000
Establishment Expenses	3,00,000
Loss on sale of Fixed Assets	68,392
Key Man Insurance	5,60,000
TOTAL	3,18,60,448

Schedule "Q" : Cost of Finance

Interest	65,41,769
Bank Commission & Other Charges	9,45,401
TOTAL	74,87,170

Schedule
Nos. P to Q

SCHEDULE "E"
FIXED ASSETS SCHEDULE FOR THE YEAR 2004-2005 (in Rs.)

NO	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		OP.BAL. AS ON 1-Apr-04	ADDITIONS	DELETION	CL.BAL. AS ON 31-Mar-05	FOR THE YEAR	ADJUST- MENTS		TOTAL
1	LAND (Lease hold)	10,37,164	76,46,898	—	86,84,062	9,320	—	1,02,520	85,81,542
2	LAND (Free hold)	52,500	—	—	52,500	—	—	—	52,500
3	SITE DEVELOPMENT	15,07,313	6,91,015	—	21,98,328	—	—	—	21,98,328
4	BUILDING	3,35,16,304	44,92,121	—	3,80,08,425	11,22,187	—	60,58,939	3,19,49,486
5	PLANT AND MACHINERY	8,80,61,969	2,59,92,955	—	11,40,54,924	97,56,086	—	6,12,28,672	5,28,26,252
6	OFFICE EQUIPMENTS	18,27,135	1,71,380	1,51,000	18,47,515	83,898	56,681	5,44,828	13,02,687
7	TOOLS AND IMPLEMENTS	82,41,175	—	—	82,41,175	8,52,137	—	60,77,522	21,63,653
8	MATERIAL HANDLING EQUIPMENTS	2,72,701	—	—	2,72,701	28,197	—	1,09,730	1,62,971
9	MISCELLANEOUS ASSETS	2,06,863	—	—	2,06,863	21,390	—	1,68,631	38,232
10	TECHNICAL KNOW HOW	52,44,590	—	—	52,44,590	5,42,291	—	44,69,400	7,75,190
11	ELECTRICAL INSTALLATION	43,16,288	3,75,029	—	46,91,317	4,72,509	—	21,61,295	25,30,022
12	FURNITURE	25,75,937	32,461	—	26,08,398	1,63,554	—	7,37,114	18,71,284
13	FIRE FIGHTING EQUIPMENTS	46,760	—	—	46,760	4,835	—	31,327	15,433
14	VEHICLE	71,69,778	6,51,375	—	78,21,153	7,16,557	—	15,24,292	62,96,861
15	COMPUTERS	13,11,930	3,12,180	17,900	16,06,210	2,36,090	6,027	11,70,927	4,35,283
16	ELECTRICAL FORKLIFT	3,23,154	—	—	3,23,154	33,414	—	46,472	2,76,682
17	EFFLUENT TREATMENT PLANT	—	23,89,432	—	23,89,432	64,980	—	64,980	23,24,452
	TOTAL	15,57,11,561	4,27,54,846	1,68,900	198,297,507	1,41,07,445	62,708	8,44,96,649	11,38,00,858

Significant Accounting Policies

to the Consolidated
Balance Sheet &
Profit & Loss Account

1. Principles of consolidation.

The consolidated financial statements relate to Menon Bearings Limited (“the company”) and its subsidiary. The consolidated financial statements have been prepared on the following basis.

- a) The financial statements of the Company and its subsidiary are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, after fully eliminating intra group balances and intra-group transactions in accordance with Accounting Standards (AS) 21 “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.
- b) The difference between the proceeds from disposal of investment in a subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as Investment.
- c) Minority Interest's share of net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- d) In case of associates where the Company directly or indirectly holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 “Accounting for investments in associates in consolidated financial statements” issued by the Institute of Chartered Accountants of India.
- e) The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profits and losses resulting from transactions between the Company and its associates to the extent of its share, through its profit and loss account to the extent such change is attributable to the associates' profit and loss account and through its reserves for the balance, based on available information.
- f) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
- g) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

2. Investments other than in subsidiary and associates have been accounted as per Accounting Standard (AS) 13 “Accounting for investments”.

3. Other significant accounting policies:

These are set out under “Significant Accounting Policies” as given in the Unconsolidated Financial Statements of Menon Bearings Limited and its subsidiary.

Significant Accounting Policies

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SCHEDULE “R”

NOTES ON ACCOUNTS TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- 1. The subsidiary company considered in the consolidated financial statements is Menon Alkop Pvt. Ltd. having proportion of ownership interest 89.87%. Subsidiary company is in implementation stage, as such Consolidated profit and loss account represents only the holding company and its Associate’s financial results.
- 2. The Associate Company considered in the consolidated financial statement is MB Autocomponents Pvt. Ltd. proportion of ownership interest is 49%.
- 3. Being first year of consolidation, no previous year figures are appearing.
- 4. As required by Accounting Standard (AS-23) on Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the carrying amount of investments in Associate at the beginning of the year have been restated at the original cost from the date of acquisition of the associates and corresponding adjustment has been made to the retained earnings at the end of the year.

5. MANAGERIAL REMUNERATION:

Details of payment and provisions on account of Remuneration to Directors included in Profit and Loss Account.

	CURRENT YEAR	PREVIOUS YEAR
	-----	-----
No. of Persons	3	3
1)Salary	23,18,400	18,84,000
2)Contribution to P.F	2,78,208	2,26,080
3)Other Perquisites	18,37,040	14,62,800
4)Sitting Fees	11,750	5,000
	-----	-----
Total	44,43,398	35,77,880
	=====	=====

6. Disclosure of borrowing cost capitalised under accounting Standard 16:

All the assets of the subsidiary company acquired during the year are qualifying assets as explained in AS-16. Hence, borrowing cost incurred during the year under review has been capitalised under pre-operative expenses

7. Segment Reporting Under Accounting Standard 17:

The Company operates in one business segment only namely “Auto components.” Hence reporting under this standard is not applicable to the company.

8. **RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18**

Following are the related parties under above standard.

No.	Name of Party	Nature of transaction	Amount (Rs.)
1	Menon Alkop Private Ltd.	Subsidiary Company	2,75,00,000.00
2	MB Autocomponents Pvt. Ltd.	Sale	5,98,01,862.72
3	MB Exports	Sale	4,32,48,233.70
4	Mani Auto Components	Jobwork / tooling vendor	53,43,500.52
5	Menon Pistons Ltd.	Purchase	1,41,575.00
6	Karveer Investments Pvt. Ltd.	Interest received on loan	5,46,084.00
7	Sucheta Menon	Interest paid on loan	2,10,313.00
8	R. D. Dixit	Interest paid on loan	60,706.00

Mr. R. D. Dixit - Vice Chairman & Managing Director, Mr. Nitin Menon - Joint Managing Director and Mr. T. K. Guha - Executive Director are employees of the Company. The salary paid and perquisites provided to them are disclosed under Note No.5 as "Managerial Remuneration". Apart from above directors, all other directors are non executive directors. The Company has not entered into any transactions with them other than the sitting fees which they have received from the Company.

Apart from above mentioned parties following parties are also related parties of the Company. However, no significant transactions took place with these parties in the year 2004-05.

- 1) Menon & Menon Limited
- 2) Menon Engineering Services.
- 3) Menon Piston Rings Private Limited.

There are no write offs / write backs of any amount for any of the above parties during the year 2004-05

9. **Lease Accounting as per Accounting Standard 19:**

This accounting standard is not applicable to the company since no new lease transactions took place during the year 2004-05

10. **Earnings per share as per Accounting Standard 20:**

The basic earning per share for the year 2004-2005 is Rs.6.54. Diluted earnings per share is not applicable to the company as the company has not issued any Preference shares / security / warrants / debentures, which are convertible into equity shares in the future.

11. **ACCOUNTING FOR TAXES ON INCOME AS PER ACCOUNTING STANDARD 22**

Deferred taxes on income are computed as per accounting standard 22 and same are provided in the audited accounts of the company at appropriate places. The details thereof are as under :

Particulars	Op. Bal.(1/4/04)	During the year	As on 31/3/05
Depreciation	(-) 64,89,308.00	(-) 11,59,482.00	(-) 76,48,790.00
Provident Fund disallowable (Closing balance)	(-) 67,738.00	(+) 67,738.00	Nil
Deferred Revenue Exp.	(-) 14,205.00	(+) 14,205.00	Nil
Leave Encashment	(+) 66,244.00	(-) 66,244.00	Nil
Deferred Tax Liability	(-) 65,05,007.00	(-) 11,43,783.00	(-) 76,48,790.00

12. **Contingent Liabilities**

1. Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2000. The liability in respect of pending assessments / appeals is unascertainable.
2. The Income Tax assessments are completed up to the Assessment Year 2002-2003. (relevant to Accounting year ended 31.03.2002). However, Company has preferred appeal against the assessment for A.Y.2001-02. Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.
3. Bank guarantee for subsidiary is given to Sales Tax Department of Rs.5,000/-

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Company for the Financial Year 04-05

Name of Subsidiary Company	Menon Alkop Private Limited
The financial year of the Subsidiary Company ended on	31 st March, 2005
Date from which, it became Subsidiary Company	29/03/2005
Number of shares held by Menon Bearings Limited	27,50,000 Equity shares of Rs.10/- each fully paid-up.
Extent of interest of holding Company at the end of Financial year of Sub-sidiary Company	89.87 %
The net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Holding Company.	Not applicable as the Subsidiary Company is in Project Implementation Stage.
a) Not dealt with in the Holding Company's Account. 1) For the Financial year ended 31 st March, 2005 2) For the Previous Financial years of the Subsidiary Company	Not applicable
b) Dealt with in Holding Company's Accounts. 1) For the Financial year ended 31 st March, 2005 2) For the Previous Financial years of the Subsidiary Company	Not applicable

Details of Subsidiary Company :

Name of Subsidiary Company	Menon Alkop Private Limited
Capital	Rs.3,06,00,000/-
Reserves	Not Applicable
Total Assets	Rs. 6,53,05,384/-
Total Liabilities	Rs. 6,53,05,384/-
Details of Investments	Not applicable
Total Income	Not applicable
Profit Before Taxation	Not applicable
Provision for Taxation	Not applicable
Profit After Taxation	Not applicable
Proposed Dividend	Not applicable

Note : Menon Alkop Private Limited has been formed on 25/06/2004 and it became Subsidiary of Menon Bearings Limited on 29/03/2005. It is still in project implementation stage.



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Menon Alkop Ltd







MENON ALKOP PRIVATE LIMITED

BOARD OF DIRECTORS

RAM MENON	<i>Chairman</i>
SACHIN MENON	<i>Director</i>
R. D DIXIT	<i>Director</i>
NITIN MENON	<i>Vice Chairman & Managing Director</i>
T. K. GUHA	<i>Joint Managing Director</i>

AUDITORS

M/s. P. M. VARDHE & CO.
Chartered Accountants, Kolhapur

BANKERS

UTI Bank Limited, Kolhapur

REGISTERED OFFICE

G-1, MIDC, Gokul Shirgaon,
Kolhapur 416 234

Report of the Director's of Menon Alkop Private Limited

Your Directors feel great pleasure in presenting 1st Annual Report of your company with the Audited Statement of Accounts for the period ended 31st March, 2005.

Operations : The company has undertaken the project of manufacture of aluminium die casting products. The project cost is estimated at Rs.1017 lacs. Already the company is in process of installing plant at Five Star MIDC, Kagal. Most probably the trial production will commence July/ Aug 05 & commercial production by April 06.

To finance the project, UTI Bank Ltd. has sanctioned term loan worth Rs.677 lacs and cash credit limit of Rs.200 lacs. Menon Bearings Ltd. also has invested to the tune of Rs.275 lacs during the year. Till 31st March, 2005 the Company has availed a loan of Rs.347.05 lacs and raised capital of Rs.306 lacs.

Dividend : As the company has not started commercial production, your directors do not recommend any dividend.

Public Deposits : The Company has not accepted any public deposit within the meaning of Section 58A & 58AA of the Companies Act, 1956 and rules framed thereunder.

Directors : Mr. Sachin Menon, Director, retire by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Auditors : M/s P. M. Vardhe & Co., Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Particulars of Employees : As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 statement of particulars of employees is not given since no employee is drawing salary of Rs.24,00,000/- per annum or Rs.2,00,000/- per month.

Directors' Responsibility Statement : Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1) while preparing the Annual Accounts, the applicable accounting standards have been followed and proper explanation relating to the material departures have been given wherever necessary.

•2) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2005.

•3) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.

•4) the Directors have prepared the Annual Accounts on a going concern basis.

The information required under the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed.

Acknowledgement:

The Directors wish to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance during the period under report by our bankers, all the customers, suppliers of the company and government agencies. The Board of Directors wishes to express its appreciation for the valuable contribution made by the employees at all levels during the period under report.

Information required under The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

I. CONSERVATION OF ENERGY

As the Company is in project implementation stage, Company has not consumed any energy during the period under report.

II. TECHNOLOGY ABSORPTION

FORM B

Form of disclosure of particulars in respect of absorption of technology, research and development

1. Specific areas in which R & D carried out by the company	As the Company is in project implementation stage, no R & D activities are carried out by the Company
2. Benefits derived as a result of above	N.A.
3. Future plan of action	N.A.
4. Expenditure on R & D	N.A.

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

1. Efforts in brief, made towards Absorption, Adoption	NIL
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development.	NIL
3. In case of imported technology (imported during last 5 years recorded from the beginning of the financial year).	High pressure die casting machine, CNC Vertical machining centre and spectrometer has been imported during the period.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1) Activities relating to export initiative for development of new export markets for products, services and exports: NIL

2) Total foreign exchange used and earned.

Used : Imports	Rs.156.10 lacs
Foreign Tour	Rs.2.51 lacs

Place: Kolhapur
Date: 08th May, 2005

For and on behalf of the Board of Directors

Ram Menon
Chairman

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Menon Alkop Pvt. Ltd.

Auditor's Report to the members of Menon Alkop Private Limited

M/s. P. M. VARDHE & Co.

CHARTERED ACCOUNTANTS

630, "E", Shahupuri, 1st lane, Kolhapur 416 001

We have audited the attached Balance Sheet of M/s. Menon Alkop Private Limited, as at 31st March, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet dealt with by this report is in agreement with the books of account.
- 4) In our opinion, the Balance Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5) On the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005, and
 - b) In the case of the Profit and Loss Account : NIL.

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Menon Alkop Pvt. Ltd.

Place: Kolhapur
Date: 08 - 05 - 2005

For M/s. P.M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Annexure to the Auditor's Report

annexure referred to in para I of our report of even date

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. b) The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification. c) During the year, the company has not disposed off any major part of the plant and machinery.
- (ii) The Company is in project implementation stage, as such there are no stocks on hand.
- (iii) a) The Company has not taken or granted loans, secured or unsecured to companies, firms and other parties covered in the register maintained under section 301 of the Act. b) Rate of Interest and other terms and conditions-not applicable. c) Receipt of Principle amount and interest-Not Applicable d) Overdue amount NotApplicable. e) The Company has not taken any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under section 301 of the Act.. f) Rate of Interest and other terms and conditions-not applicable. g) Payment of Principle amount and interest-NotApplicable
- (iv) There is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, we have not observed any major weaknesses in internal control system.
- (v) a) the particulars of contracts and arrangements referred to in section 301 of the Act, have been entered in the register required to be maintained under that section. b) The transactions made in pursuance of such contracts and arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has internal audit system commensurate with the size and nature of its business.
- (viii) Company has not yet gone into commercial production. In view of this, maintenance of cost records under section 209(1)(a) of the Companies Act, 1956 is not applicable.
- (ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues. b) There are no dues of Income tax/Sales tax/Wealth tax/Service tax/Customs duty/ Excise duty/cess which are not deposited on account of any disputes.
- (x) This being the first year, the Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit report.
- (xi) The company has not defaulted in repayment of dues to banks or financial institution.
- (xii) The company has not granted any loans / advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Provisions of any special statute applicable to chit fund in respect of nidhi / mutual benefit fund/ societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) The Company has not offered any Corporate Guarantee.
- (xvi) The Company has applied the term loans, for the purpose for which they were obtained.
- (xvii) This is the first year of the company, whatever long term finances availed by the company are utilised for long term uses only.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
- (xix) The Company has not issued any debentures.
- (xx) The Company has not made any public issue of shares during the period covered by our audit report.
- (xxi) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

Place: Kolhapur
Date: 08 - 05 - 2005

For M/s. P.M. Vardhe & Co.

Chartered Accountants

P. M. Vardhe

Proprietor

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Menon Alkop Pvt. Ltd.

Balance Sheet as at 31st March, 2005

PARTICULARS	SCHEDULES	31.03.2005
SOURCES OF FUNDS:		
1. SHAREHOLDER'S FUNDS		
Share Capital	A	3,06,00,000
2. LOAN FUNDS		
Secured Loans	B	3,47,05,384
Unsecured Loans		NIL
Total Rs.		<u>6,53,05,384</u>
APPLICATION OF FUNDS		
3. FIXED ASSETS		
		5,14,08,028
Leasehold Land		76,46,898
Capital Work in process	C	<u>4,37,61,130</u>
4. INVESTMENTS		
		NIL
5. CURRENT ASSETS LOANS & ADVANCES		
Cash and Bank Balances	D	5,24,303
Loans And Advances	E	<u>1,58,19,862</u>
TOTAL		<u>1,63,44,165</u>
Less : CURRENT LIABILITIES & PROVISIONS		
a. Current Liabilities	F	45,85,708
b. Provisions		<u>2,68,360</u>
TOTAL		<u>48,54,068</u>
Net Current Assets		1,14,90,097
6. MISCELLANEOUS EXPENDITURE G		
		24,07,259
TOTAL		<u>6,53,05,384</u>

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

NITIN MENON
Vice Chairman &
Managing Director

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Menon Alkop Pvt. Ltd.

Schedule Nos. A to H

annexed to and forming part of the Balance Sheet as at 31st March 2005

31.03.2005**Schedule "A" : Share Capital**

Authorised:

50,00,000 Equity Shares of Rs.10 each **5,00,00,000**

Issued, Subscribed and paid up :

30,60,000 Equity Shares of
Rs.10 each fully paid **3,06,00,000**
3,06,00,000**Schedule "B" : Secured Loans****a) UTI Bank Ltd**Term Loan **3,47,05,384**

(Against hypothecation of Land, Building, Plant & Machinery). All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon and Mr. Nitin Menon and corporate guarantee by Menon Bearings Limited, Holding Company

TOTAL**3,47,05,384****Schedule "C" : Capital Work-in-Process**

Site Development	20,55,393
Building under Construction	1,25,31,972
Plant & Machinery	2,39,52,697
Electrical Installations	36,51,734
Material Handling Equipments	10,11,018
Tools & Implements	5,36,844
Miscellaneous Assets	21,472

TOTAL**4,37,61,130****Schedule "D" : Cash & Bank balances**

a) Cash in Hand	6,825
b) Balances with Banks	5,17,478
Fixed Deposits	5,000
In Current Accounts	5,12,478

TOTAL**5,24,303****Schedule "E" : Loans & Advances**

Other advance	1,100
Interest accrued but not received	146
Prepaid expenses	1,55,371
Water deposit	65,350

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Menon Alkop Pvt. Ltd.

Advance to Creditors for Capital Items	1,18,78,702
Excise Duty on Capital Goods	35,95,966
Service Tax Receivable	50,301
Educational Cess Receivable	72,926
TOTAL	1,58,19,862

Schedule "F" : Current Liabilities and Provisions

Current Liabilities	
Sundry Creditors for Capital Items	44,30,737
Liability for expenses	1,44,921
Share Application Money	10,049
TOTAL	45,85,708

Provisions	
Provision for expenses	2,68,360
TOTAL	2,68,360

Total Current Liabilities & Provisions	48,54,068
---	------------------

Schedule "G" : Miscellaneous Expenditure

1) Preliminary Expenses	1,90,406
2) Pre-operative Expenses	22,16,853
Water Charges	65,663
Outside Labour Charges	4,464
Repairs & Maint	4,754
Development	3,685
Salary & Wages	1,01,386
Sundry Expenses	17,311
Reimb. Of Conveyance	3,164
Legal Expenses	1,60,310
Postage & Courier	494
Traveling Exps	38,396
Telephone & Trunk Call	8,058
Subscription & Contribution	7,466
Insurance	1,44,685
Consultancy	24,550
Sitting Fees	12,000
Filling & Registration	3,73,911
Advertisement	56,403
Licence Fees	11,819
Audit Fees	10,000
Foreign Tour Expenses	54,993
Entertainment Expenses	1,505
Printing & Stationery	24,286
Freight Outward	3,970
Interest on Term Loan	4,24,899
Bank Commission & Charges	3,55,924
Oils & Lubricants	3,02,610
Labour Welfare	148
TOTAL	24,07,259

SCHEDULE "H"

Schedule of notes annexed to and forming part of the Balance Sheet as on 31st March, 2005.

1) SIGNIFICANT ACCOUNTING POLICIES:

A) Basis of Accounting:

Accounts of the Company are prepared under the historical cost convention. Company has complied with accounting standards as recommended by the Institute of Chartered Accountants of India.

B) Depreciation:

As the company is in implementation stage, no depreciation is charged during the year.

C) Investment:

There are no investments.

D) Inventories:

There are no inventories.

E) Preoperative Expenses:

It is Company's intention to capitalise pre-operative expenses over the fixed assets in the year in which, the company goes into commercial production.

F) Retirement Benefits:

Since first year of the company gratuity is not applicable. Leave encashment provision is not made.

G) DISCLOSURE OF BORROWING COST CAPITALISED UNDER ACCOUNTING STANDARD 16.

During the year, Company is in the stage of implementation of project, as such all the assets satisfy the conditions as to qualifying assets as per AS-16. Hence whole of the borrowing cost has been capitalised & covered under pre-operative expenses, to be allocated to the qualifying assets during the year in which the company goes into commercial production.

H) SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17

The Company operates in one business segment namely "Auto Components". Hence reporting under this standard is not applicable to the Company.

I) RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18

Following are the related parties under above standard.

No.	Name of Party	Nature of transaction	Amount (Rs.)
1	Menon Bearings Ltd.	Holding Company Equity & Guarantee	2,75,00,000
2	Mani Auto Components	Machinery supply	4,36,987
3	Karveer Investments P. Ltd.	Equity	90,000
4	Ripin Engineering	Advance against machinery	1,12,500

Mr. Ram Menon - Chairman, Mr. R. D. Dixit - Director, Mr. Sachin Menon - Director, Mr. Nitin Menon - Vice Chairman & Managing Director and Mr. T. K. Guha - Joint Managing Director are directors of the Company. No salary or perquisites are provided to them except Sitting Fees as are disclosed under Note No.6 as "Managerial Remuneration". The Company has not entered into any transactions with them other than the sitting fees which they have received from the Company.

Apart from above mentioned parties following parties are also related parties of the Company. However, no significant transactions took place with these parties in the year 2004-05.

- 1) MB Autocomponents Pvt. Ltd. (formerly known as MB Autocomponents Ltd.)
- 2) MB Exports

There are no write offs / write backs of any amount for any of the above parties during the year 2004-05

J) LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19

Not applicable to the Company since no new lease transaction(s) took place during the year 2004-2005.

K) EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20

This Standard is not applicable as the company has not yet gone into commercial production.

L) CONSOLIDATED FINANCIAL STATEMENTS AS PER ACCOUNTING STANDARD 21.

This being a subsidiary company, Accounting Standard 21 is not applicable.

M) ACCOUNTING FOR TAXES ON INCOME AS PER ACCOUNTING STANDARD 22

As the company has not gone into commercial production this Accounting Standard is not applicable.

N) IMPAIRMENT OF LOSSES AS PER ACCOUNTING STANDARD 28

In view of new unit being in implementation stage, this Accounting standard is not applicable.

2. CONTINGENT LIABILITIES

Contingent Liabilities: Bank Guarantee given by UTI Bank Ltd. amounting to Rs.5,000/- for Sales Tax purposes.

OTHER NOTES

1. Previous year figures are not appearing, since this is the first year of the company.
2. Paise are rounded off to the nearest rupee.
3. S.S.I creditors above 30 days exceeding Rs. 1.00 lac are Nil.

4. AUDITOR'S REMUNERATION

	CURRENT YEAR
As Auditors	10,000
Other Matters	5,000

Total (Rs.)	15,000
	=====

(Exclusive of Service Tax)

5. Expenditure on employee getting remuneration not less than Rs. 24,00,000/- p.a. or Rs. 2,00,000/- p.m. is Nil.

6. MANAGERIAL REMUNERATION:

Details of payment and provisions on account of Remuneration to Directors included in Profit and Loss Account.

	CURRENT YEAR
No. of Persons	5
Sitting Fees	12,000

Total	12,000
	=====

7. Consumption of raw material, stores, spares and consumables-NIL
8. CIF value of Imports
Plant & Machinery Rs.1,82,58,323
9. Valuation of Imported and Indigenous raw material, stores, spares and consumables: NIL

10. Expenditure in Foreign Currency

	Amount Rs.
1. Capital WIP (Plant & Machinery)	1,56,09,633
2. Foreign Tour Expenses	2,50,701

11. Earnings in Foreign Currency:

NIL

12. Particulars in respect of each class of goods manufactured by the company:
Registered capacity: Aluminium Die-Castings: 50,00,000 Nos.

Balance Sheet Abstract & Company's General Business Profile

of Menon Alkop Private Limited

REGISTRATION DETAILS

Registration No.	19,441	State Code	11
Balance sheet Date	31.03.2005		

Capital raised during the year

(Amount in Rs. Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	30,600

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Rs. in Thousands)

Total Liabilities	65,305	Total Assets	65,305
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SOURCES OF FUNDS

Paid - up capital	30,600	Reserves & Surplus	Nil
Secured Loans	34,705	Unsecured Loans	Nil
Deferred Tax Liability	Nil		

APPLICATION OF FUNDS

Net Fixed Assets	51,408	Investment	Nil
Net Current Assets	11,490	Miscl. Expenditure	2,407
Accumulated Losses	Nil		

PERFORMANCE OF THE COMPANY

Turnover	Nil	Total Expenditure	Nil
Profit before tax	Nil	Profit after tax	Nil
Earning per share in Rs.	Nil	Dividend	Nil

GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No. (ITC code No.)	3499
Product Description	Aluminium Die Casting

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 08.05.2005

For and on Behalf of the Board of Directors

RAM MENON
Chairman

NITIN MENON
Vice Chairman &
Managing Director

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Menon Alkop Pvt. Ltd.

SITE PHOTOGRAPHS



MENON
ALKOP

Building Construction & machinery installation at the high tech Alkop Plant at the 5 Star MIDC Industrial Area at Kagal are at an advanced stage. The project is being completed ahead of schedule in record time.



Exports Up - 122.00%, Sales Up - 38.03 %

If undelivered please return to :



Menon Bearings Ltd.

G-1, MIDC, Gokul Shirgaon, Kolhapur - 416 234.
Ph.0231 - 2672533, 2672487. E-Mail : menonbrg@sancharnet.in
www.menonbearings.com

Net Profit Up - 27.94 %, Profit Before Tax Up - 29.06 %
Net Profit Up - 27.94 %, Profit Before Tax Up - 29.06 %
Net Profit Up - 27.94 %, Profit Before Tax Up - 29.06 %

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