

# Contents



Contents	01
Board of Directors	02
Notice	03
Proxy & Attendance Slip	06

## Financial Statements

Report of the Board of Directors	07
Report on Corporate Governance	11
CEO / CFO Certification	15
Auditor's Certificate on Corporate Governance	16
Auditor's Report	17
Annexure to Auditors Report	18
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22
Schedules A to Q	23
Other Notes	31
Balance Sheet Abstract & General Business Profile	34

## Consolidated Financial Statements

Auditor's Report to Consolidated Financial Statements	38
Consolidated Balance Sheet	39
Consolidated Profit & Loss Account	40
Consolidated Cash Flow Statement	41
Schedules A to R	42

# The Board Of Directors

RAM MENON	Chairman
R. D DIXIT	Vice Chairman & Managing Director
SACHIN MENON	Director
NITIN MENON	Joint Managing Director
T. K. GUHA	Executive Director
KUMAR NAIR	Director
SUHAS KULKARNI	AGM - Finance & Accounts
AMOL PURANDARE	Asst. Company Secretary
<b>AUDITORS</b>	M/s. P. M. VARDHE & CO. Chartered Accountants, Kolhapur
<b>BANKERS</b>	UTI Bank Limited, Kolhapur

## **REGISTERED OFFICE**

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

# Notice

15th AGM of  
Menon Bearings Ltd.



MENON BEARINGS LIMITED

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

## NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Friday, the 25<sup>th</sup> August, 2006 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 31<sup>st</sup> March 2006 and the profit and Loss Account for the year ended 31<sup>st</sup> March 2006 and the report of the Directors and of the Auditors.
- 2.) To declare a dividend.
- 3.) To appoint a Director in place of Mr. Kumar Nair, 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. Nitin Menon, who was appointed as Joint Managing Director of the company for a term of 5 years from 21st September 2000 to 20th September 2005, & whose appointment has expired on 20th September, 2005.,

WHEREAS it was required to re-appoint Mr. Nitin Menon as Joint Managing Director in terms of the resolution passed in the Annual General Meeting of the company, for a period of 5 years from 1st October , 2005 to 30th September 2010,

AND WHEREAS the Board of Directors of the company at its meeting held on 23rd October 2005 reappointed Mr. Nitin Menon as Joint Managing Director of the Company, with effect from 1st October 2005,

NOW THEREFORE IT IS RESOLVED THAT the reappointment of Mr. Nitin Menon as Joint Managing Director be & is hereby ratified effective from 1st October 2005.

All the terms & conditions of his appointment remain the same.

- 6.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED THAT approval be & is hereby accorded for revising the monthly remuneration payable to Mr. R. D. Dixit, Vice Chairman & Managing Director, Mr. Nitin Menon, Joint Managing Director, & Mr. T. K. Guha, Executive Director w.e.f. 1-4-2006 as under

EMOLUMENTS	Mr. Nitin Menon	Mr. R. D. Dixit	Mr. T. K. Guha
Basic	1,18,500	76,500	74,500
HRA	11,850	7,650	7,450
Conveyance	Nil	Nil	6,000
PPA	23,750	23,750	35,000
Production Incentive Allowance	57,420	6,160	6,370
Education Allowance	1,000	1,000	1,000
Soft Furnishing Allowance	2,500	2,000	2,500
Servant Allowance	2,500	2,000	2,500
<b>Total</b>	<b>2,17,520</b>	<b>1,19,060</b>	<b>1,35,320</b>

All the Whole Time Directors shall be entitled to the reimbursement of conveyance & medical expenses.

All other terms & conditions shall be as per the terms of their appointment.

" RESOLVED FURTHER THAT pursuant to the provisions of Section 198, 309 & 310 & other applicable provisions of the Companies Act, 1956 approval of the Company be & is hereby accorded to authorize the Board of Directors to grant increase in the remuneration of Whole Time Directors from time to time as may be deemed fit within the overall limit available for managerial remuneration under the Companies Act, 1956 & within the limit provided in chapter XIII of the Companies Act, 1956."

7.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

" RESOLVED THAT pursuant to the provisions of Section 198, 309 & 310 & other applicable provisions of the Companies Act, 1956 approval of the Company be & is hereby accorded for the payment of remuneration of Rs. 30,000/- per quarter to Mr. Kumar Nair, Director, on his attending the meeting of the Board.

RESOLVED FURTHER THAT the said remuneration shall be within the overall limit available for managerial remuneration under the Companies Act, 1956 & within the limit provided in chapter XIII of the Companies Act, 1956. "

8.) To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

" RESOLVED FURTHER THAT sitting fees payable to the directors ( including Managing Directors & Wholetime Directors ) for attending the meetings of the Board & committees thereof be increased from present Rs. 2000/- to Rs. 1,00,000/- subject to the approval of the central Government pursuant to the provisions contained in the first proviso to the section 310 of the Companies Act, 1956 & Article 133C of the Articles of Association of the Company be altered by substituting the words " Rs. 2,000/-" to words " Rs. 1,00,000/-".

RESOLVED FURTHER THAT the Board of Directors of the company be & is hereby authorized to decide on the amount payable as sitting fees to directors for attending the meetings of the Board & committees thereof subject to the ceiling provided as above. "

Kolhapur  
Date: 24-06-2006

**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 on 25/08/2006 which shall be record date.

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) 25963838*

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. Nitin Menon, Joint Managing Director, was appointed so on 21st September 2000 for a term of 5 years & his appointment expired on 20th September 2005. The Board of Directors in its meeting held on 23rd October, 2005 reappointed him as Joint Managing Director subject to the approval of the General Body in general meeting. Hence approval of the General Body is accorded for the ratification of his appointment w.e.f. 1st October 2005.

Mr. Nitin Menon, Mr. Ram Menon, & Mr. Sachin Menon are interested in the resolution.

The above statement may be regarded as an abstract of the terms & memorandum of interest under section 302 of the Companies Act, 1956.

**Resolution 6 :**

With effect from 1st April, 2006 there has been increment in

the payment to employees & staff of the company. It includes whole time directors also whose remuneration is revised as stated in the resolution. Approval of the General body is accorded for the said revision.

All directors except Mr. Kumar Nair are interested in the resolution.

The above statement may be regarded as an abstract of the terms & memorandum of interest under section 302 of the Companies Act, 1956.

**Resolution 7 :**

Mr. Kumar Nair was appointed as an Additional Director of the company & was reappointed as Director of the company in the last Annual General Meeting held on 6th August 2005. He was appointed as an independent director as per clause 49 of the listing agreement with the Bombay Stock Exchange Ltd. As per the said clause remuneration payable to the director requires previous approval of the shareholders. Your approval is accorded for the said purpose.

None of the directors are interested in the resolution except Mr. Kumar Nair.

**Resolution 8 :**

Considering the fact of high cost of living, the present sitting fees being too inadequate, it is proposed to increase the present fees to the maximum permissible under the Act. The proposal to increase the sitting fees as aforesaid would require the amendment in the Article 133C of the Articles of Association for which approval of the shareholders would be required in the general meeting. Hence, this special resolution.

All the directors except Vice Chairman & Managing director ( who is otherwise not entitled to sitting fees ) are interested in this resolution.



**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. / Mis. \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him  
 Mr. / Mis. \_\_\_\_\_  
 of \_\_\_\_\_  
 as my/our proxy to attend and vote for me / us on my / our behalf  
 at the 15th Annual General Meeting of the company to be held  
 on 25th August 2006 at 10.30 A. M. and any adjournment thereof

Signed \_\_\_\_\_  
 This \_\_\_\_\_  
 day of \_\_\_\_\_ 2006.

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 15th Annual General Meeting of  
 the Company to be held at the Registered Office of the company  
 on Friday the 25th of August 2006 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.



# Report of the Board of Directors

Your Directors feel great pleasure in presenting the 15<sup>th</sup> Annual Report of your company with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2006.

## ECONOMIC SCENARIO:

Indian Economy has shown the satisfactory progress during the year 2005-06. During the year under review the growth in the Indian Economy continued and all the sectors showed satisfactory results. As per the estimates of Central Statistical Organisation (CSO), the economy had a growth of 8.4 % during 2005-06 in its Gross Domestic Product(GDP). The industrial sector is estimated to have grown at a rate of 7.6%.

## OPERATIONS:

(Rs. In lacs)

Sr. No.	Particulars	Year Ended 31.03.06	Year Ended 31.03.05
1	Profit before tax	319.49	484.16
2	Provision for tax	115.93	181.44
3	<b>Profit after tax</b>	<b>203.56</b>	<b>302.72</b>
4	Balance of profit as per last Balance Sheet	800.20	753.30
5	Previous year adjustment for tax	Nil	7.53
6	Previous year expenses	4.16	3.65
7	Balance available for appropriation	999.60	1059.90
8	<b>Proposed dividend ( in Rs. Lakhs )</b>	<b>102.74</b>	<b>186.80</b>
9	Proposed dividend	22 %	40 %
10	Tax on dividend	14.41	24.40
11	General Reserve	21.00	48.50
12	Balance of profit carried to Balance Sheet	861.45	800.20

## RESULTS OF OPERATIONS:

During the year under review company has registered a sale of Rs. 2456.77 Lacs & net profit of Rs. 203.56 Lacs. The current fiscal was hampered by increase in the cost of raw material & cost of finance. To cure the position, your company has already initiated the process of revising prices & had been in discussions with its customers. So far almost all the customers have given price rise.

## DIVIDEND:

Considering the profit position, your directors have decided to plough back the profits into the company by way of capital investment & hence recommend a dividend at 22% i.e. Rs.2.20/- per share.

## AWARDS & ACHIEVEMENTS:

Cummins India Ltd. has been among the very valuable and respected customers of the company. But over the years your company has proved itself to be a respected supplier of Cummins (India) Limited with its qualities like product quality, punctuality, quickness, prompt response, etc. Your company keeping you on a high has continued its tradition of being

BEST AMONG THE BEST and awarded so by Cummins India Ltd.

**CORPORATE SOCIAL RESPONSIBILITY:**

During the financial year a lot the area situated nearby the company was hampered by the vicious flood claiming number of lives and lot of financial loss. For providing helping hand to those who were affected by flood, company and its employees contributed to the funds raised by social entities.

On the occasion of Republic day, company donated various things and articles to a school situated in a small village Kode, Tal. Radhanagari.

**WAGE AGREEMENT:**

The wage Agreement was entered into between management of the company and workers. It was very peaceful and in friendly manner which gave rise in wage payment.

**SUBSIDIARY:**

In terms of the approval granted by the Central Government on 9th March, 2006 under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit & Loss Account, Report of the Board of directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the company. These documents will be made available upon request by any member of the company interested in obtaining the same. However as directed by the Central Government, the financial data of the subsidiaries have been furnished under "Details of Subsidiary" forming part of the Annual Report. Further pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements are forming part of Annual Report.

**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. Kumar Nair, 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 31<sup>st</sup> March, 2006 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.

### **CEO / CFO Certification**

The CEO / CFO certification as required under the Listing Agreement with Bombay Stock Exchange is attached.

### **QS 9000**

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

### **Acknowledgment:**

Your 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**

- a) Automatic systems are installed to switch off the motors if running without load.
- b) Electronic rectifiers are installed to minimise the losses.
- c) Compressed air circuit modified to optimise the utilization of compressors.
- d) Power factor is maintained near unity to control the maximum demand
- e) Continuous improvement projects are implemented at various machines to reduce cycle time.
- f) Energy efficient air dryers are installed.

## II. TECHNOLOGY ABSORPTION

### FORM B

1.)	Specific areas in which R & D is carried out by the company	1.) New techniques developed for bush plating 2.) New process developed for thrust washer manufacturing
2.)	Benefits derived as a result of above	1.) Increased Productivity 2.) Reduced Lead time & less scrap generation
3.)	Future plan of action	To counter the rising raw material prices company will strengthen a.) Productivity Improvement Programmes b.) optimum Plant Utilization c.) Vendor Development Programmes
4.)	Expenditure on R & D	Capital WIP : Rs. 45.79 lacs Recurring : Rs. Nil

### TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1.)	Efforts in brief, made towards Absorption, Adoption	Hi-tech plating plant installed
2.)	Benefits derived as a result of above effort e.g. product improvement, cost reduction, product development.	a) High Productivity b) Improved Quality
3.)	In case of imported technology (imported during last 5 years recorded from the beginning of the financial year)	

### FOREIGN EXCHANGE EARNINGS AND OUTGO

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 Imports : Rs. 46.99 lacs Deemed Export Worth : Rs. 686.65 lacs

Place: Kolhapur  
Date: 24<sup>th</sup> June 2006

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

# Report on Corporate Governance

For The Financial Year 2005 - 2006

## 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 Bombay Stock Exchange Ltd. The company's philosophy of Corporate Governance can be witnessed from the practices that stems from culture and mindset of the organization. It 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 those 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 31-3-2006

Sr.	Name of Director	Status*	No. of other Directorships	No. of other committees memberships	
				Chairman	Membership
1.	Mr. Ram Menon	NED	8	Nil	Nil
2.	Mr. Sachin Menon	NED	4	1	1
3.	Mr. R. D. Dixit	VCMD	3	3	3
4.	Mr. Nitin Menon	JMD	6	Nil	1
5.	Mr. T. K. Guha	ED	1	Nil	Nil
6.	Mr. Kumar Nair	NED(I)	9	1	Nil

\*Status

**NED**- Non-Executive Director

**VCMD**-Vice Chairman & Managing Director

**JMD**-Joint Managing Director

**ED**-Executive Director

**NED(I)**- Non Executive & Independent Director

## 1.2 Board Procedure

### 1.2.1 Board Meetings:

During the financial year 2005-2006 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 2005-2006 and attendance thereto are as follows & 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 2005-06 are given below & on the adjacent page :

Sr.	Name of Director	BM	ACM	STIGC	AGM
1.	Mr. Ram Menon	3	N.A.	N.A.	Yes
2.	Mr. Sachin Menon	3	N.A.	N.A.	Yes
3.	Mr. R. D. Dixit	4	4	27	Yes
4.	Mr. Nitin Menon	4	4	N.A.	Yes
5.	Mr. T. K. Guha	4	N.A.	N.A.	Yes
6.	Mr. Kumar Nair	3	3	N.A.	No

**Note:**

**BM**- Board Meeting

**ACM**- Audit Committee Meeting

**STIGC**- Share Transfer & Investor Grievance Committee

**AGM**- Annual General Meeting

Mr. Kumar Nair retires by rotation and being eligible has offered himself for re-appointment.

#### 1.2.2. Audit Committee:

The Audit Committee consists of one 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. Suhas Kulkarni, AGM-Finance & Accounts is the other member. Mr. Amol Purandare, Asst. Company Secretary, is the Compliance Officer.

The total number of complaints received from the shareholders and redressed during the year were 58 and no complaint was pending as on 31<sup>st</sup> March, 2006.

### GENERAL SHAREHOLDER INFORMATION

#### General Body Meetings:

The last three AGMs were held on 29-8-2003, 6-8-2004 & 6-8-2005 at the registered office of the company at G-1, MIDC Gokul Shirgaon, Kolhapur-416 234. In the last AGM held on 6<sup>th</sup> August, 2005 the company has not passed any special resolution.

During the year ended 31<sup>st</sup> March, 2006 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 : Friday, 25<sup>th</sup> August, 2006 at 10.30 a.m.  
Venue: Registered office of the company at G-1, MIDC Gokul, Shirgaon, Kolhapur

### Board of Directors

Date	Members	Attended
08-05-2005	6	5
30-07-2005	6	5
23-10-2005	6	6
29-01-2006	6	5

### Audit Committee

Date	Members	Attended
08-05-2005	3	3
30-07-2005	3	2
23-10-2005	3	3
29-01-2006	3	3

### Share Transfers & Investors Grievance Committee

Date	Members	Attended
05-04-2005	3	3
20-04-2005	3	3
05-05-2005	3	3
08-05-2005	3	3
20-05-2005	3	3
20-06-2005	3	3
05-07-2005	3	3
20-07-2005	3	3
30-07-2005	3	3
05-08-2005	3	3
20-08-2005	3	3
05-09-2005	3	3
20-09-2005	3	3
05-10-2005	3	3
20-10-2005	3	3
23-10-2005	3	3
05-11-2005	3	3
21-11-2005	3	3
05-12-2005	3	3
20-12-2005	3	3
05-01-2006	3	3
20-01-2006	3	3
29-01-2006	3	3
06-02-2006	3	3
20-02-2006	3	3
06-03-2006	3	3
20-03-2006	3	3

### Tentative financial calendar for 2006-07

- |   |                            |
|---|----------------------------|
| 1. Results for the quarter ending June 30, 2006       | Last week of July 2006     |
| 2. Results for the quarter ending September 30, 2006  | Last week of October 2006  |
| 3. Results for the quarter ending December 31, 2006   | Last week of January, 2007 |
| 4. Audited Results for the year ending March 31, 2007 | Last week of May 2007      |

Record Date:	Friday, 25 <sup>th</sup> August, 2006
Dividend payment date:	On or before 20th September, 2006
Stock Exchange where shares are listed:	Bombay Stock Exchange Ltd., 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, 05	63.00	55.05	October, 05	120.00	90.00
May, 05	89.00	56.50	November, 05	118.00	92.00
June, 05	87.80	72.95	December, 05	124.75	90.00
July, 05	114.60	73.75	January, 06	156.50	102.00
August, 05	114.80	87.00	February, 06	131.20	105.10
September, 05	143.85	99.05	March, 06	119.00	90.00

### Registrar & Transfer Agents

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai-400 078  
Ph. (022) 25963838, Fax 25962691, 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 31<sup>st</sup> March, 2006

Shareholding of Nominal Value of Rs.	Shareholders		Share Amount	% of Total
	No.	%		
1-5,000	6,360	94.81	99,18,000	21.24
5,001-10,000	220	3.28	18,06,860	3.87
10,001-20,000	69	1.03	10,81,650	2.32
20,001-30,000	19	0.28	4,80,430	1.03
30,001-40,000	7	0.10	2,44,880	0.52
40,001-50,000	15	0.22	7,43,680	1.59
50,001-1,00,000	6	0.09	5,01,000	1.07
1,00,001 and above	12	0.19	3,19,23,520	68.36
<b>Total</b>	<b>6708</b>	<b>100.00</b>	<b>4,67,00,000</b>	<b>100.00</b>

### Dematerialisation of shares:

37.89 % of the company's shares have been dematerialised up to 31<sup>st</sup> March, 2006.

### **Transfer of unclaimed amounts to Investor Education and Protection Fund**

During the year under review the company has credited a sum of Rs. 1,45,785/- 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. This unpaid dividend related to the F.Y. 1997-98. Unpaid dividends for F.Y. 1996-97 has already been credited to Investor Education and Protection Fund in last year.

### **Plant Location And Investor Correspondence Address:**

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

### **Management Discussion & Analysis :**

The operations of your company comprise Auto Components

#### **A. Industry Review :**

The automobile market, especially commercial vehicle & car market showed a good progress during the year under review. The production of the OEMs has been increased robustly.

The year was affected by the vicious flood claiming lot of lives & also loss of infrastructure. It has also affected the supplies of your company. The replacement market continued to be stagnating.

The raw material prices are reaching the sky, but your company has already initiated the process of price revision from all the customers & almost all the customers are positive.

#### **B. Future Outlook :**

With the growing competition & increase in raw material prices your company's raw material consumption may rise. But company has already initiated the process of price revision which may nullify the adverse effect on profitability. In the year under review your company has received many enquiries across the globe which were taken care of very successfully. This may lead to substantial increase on the export front & consequently in sales.

#### **C. Concerns & Threat :**

The signs of competitive pressure from domestic as well as foreign manufacturers are noticed. Company is trying to cope with it by developing new cost effective products by developing advanced manufacturing technics.

#### **D. Future Challenge**

The future challenge for the company will be to gear up to develop new techniques & new products with different raw material mix. To meet the demands of high performance quicker manufacturing methods has to be adopted.

### **Declaration under Cl. 49 I (D) (ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with Code of Conduct**

The Shareholders,

I, Nitin Menon, Joint Managing Director, do hereby declare that all the members of the Board and Senior Management personnel have affirmed code of conduct for the Board of directors and Senior Management of Menon Bearings Ltd. made w.e.f. 1st April, 2005.

Place: Kolhapur

Date: 24-6-2006

Nitin Menon

Joint Managing Director

# Certification by Managing Director & Chief Financial Officer to the Board

We, R. D. Dixit, Vice Chairman & Managing Director, & Suhas Kulkarni, AGM, Finance & Accounts of Menon Bearings Limited, certify that :

1. We have reviewed the financial statements for the year & that to the best of our knowledge & belief :
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - b) these statements give a true & fair view of the state of affairs of the company & of the results of operations & cash flows. the financial statements have been prepared in conformity, in all material respects , with the existing generally accepted accounting principles including Accounting Standards, applicable laws & regulations.
2. There are, to the best of our knowledge & belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept overall responsibility for the company's internal control system for financial reporting. This is monitored by the internal audit function, which encompasses the examination & evaluation of the adequacy & effectiveness. Internal audit works with all levels of management & statutory auditors, & reports significant issues to the audit Committee of the Board. The auditors & audit committee are appraised of any corrective action taken with regard to significant deficiencies & material weaknesses.
4. We indicate to the auditors & to the audit committee :
  - a) significant changes in internal control over financial reporting during the year
  - b) significant changes in accounting policies during the year
  - c) instances of significant fraud of which we have become aware of & which involve management or other employees who have significant role in the company's internal control system over financial reporting.

However, during the year there were no such changes or instances.

**R. D. Dixit,**  
Vice Chairman & Managing Director

**Suhas Kulkarni,**  
AGM - Finance & Accounts

Place : Kolhapur  
Date : 24.06.2006

# The Auditor's Certificate on Corporate Governance

**M/S P. M. VARDHE & CO.**  
CHARTERED ACCOUNTANTS  
630, "E", Shahupuri, 1<sup>st</sup> 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, 2006, 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 : 24.06.2006

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

*Chartered Accountants*

**P. M. Vardhe**

*Proprietor*

# 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, 2006 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 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, 2006, 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: 24-06-2006

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

**P. M. Vardhe**  
*Proprietor*

# Annexure to the Auditor's Report

annexure referred to in para 1 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 not granted loans to another Company covered in the register of contracts maintained under Section 301 of the Act.  
b) The question of rate of interest and other terms and conditions does not arise.  
c) There is no question of receipts of the principal amount and interest and overdue amount.  
d) 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 NIL.  
e) The rate of interest and other terms and conditions of loans taken by the Company were not prima facie prejudicial to the interest of the Company.  
f) Payment of principal amount and interest were 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.  
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 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, employees' 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. Income Tax Assessment for A.Y.2003-04 is completed. Out of demand raised of Rs. 38.60 lacs, Rs.12.00 lacs are paid. Company has preferred appeal, which is pending before CIT (Appeals). An order imposing fiscal penalty of Rs.25,03,720/- under the Foreign Trade (Development & Regulation) Act, 1992 has

been received by the company . However company has preferred an appeal with Director General of Foreign trade, New Delhi, which is pending.

- 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 preceding 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. & MB Autocomponents Private Limited for loans of Rs. 50.00 lacs. 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 utilized 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.

Place: Kolhapur  
Date: 20 - 05 - 2007

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

**P. M. Vardhe**  
*Proprietor*

# Balance Sheet

as at 31st March, 2006

PARTICULARS	SCHEDULES	31.03.2006	31.03.2005
<b>SOURCES OF FUNDS:</b>			
<b>1. SHAREHOLDER'S FUNDS</b>			
a. Share Capital	A	4,67,00,000	4,67,00,000
b. Reserves & Surplus	B	10,61,45,243	9,79,20,273
		<hr/>	<hr/>
		15,28,45,243	14,46,20,272
<b>2. LOAN FUNDS</b>			
a. Secured Loans	C	11,84,38,102	9,88,05,959
b. Unsecured Loans	D	4,90,89,679	4,61,73,022
		<hr/>	<hr/>
		57,91,814	76,48,790
<b>3. DEFERRED TAX LIABILITY</b>			
<b>Total Rs.</b>		<hr/> <hr/>	<hr/> <hr/>
		32,61,64,838	29,72,48,043
<b>APPLICATION OF FUNDS</b>			
<b>4. FIXED ASSETS</b>			
Gross Block	E	19,22,02,745	
Less : Depreciation		9,95,78,613	
Net Block		<hr/>	
Capital Work in process		45,79,075	9,95,835
		9,26,24,132	10,61,53,960
<b>5. INVESTMENTS</b>			
	F	4,02,05,590	3,05,80,112
<b>6. CURRENT ASSETS LOANS &amp; ADVANCES</b>			
Inventory		4,28,11,581	4,69,01,303
Sundry Debtors		6,21,81,739	7,21,59,582
Cash and Bank Balances		7,77,87,388	7,28,13,776
Loans And Advances		11,63,80,563	8,05,03,906
		<hr/>	<hr/>
<b>TOTAL</b>		29,91,61,271	27,23,78,567
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS H</b>			
a. Current Liabilities		2,96,61,094	3,56,54,219
b. Provisions		8,07,44,136	7,72,06,212
		<hr/>	<hr/>
<b>TOTAL</b>		11,04,05,230	11,28,60,431
Net Current Assets		18,87,56,041	15,95,18,136
<b>7. MISCELLANEOUS EXPENDITURE</b>			
		<hr/>	<hr/>
<b>TOTAL</b>		32,61,64,838	29,72,48,043
		<hr/> <hr/>	<hr/> <hr/>
Notes forming part of Accounts	Q		

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

P. M. Vardhe  
Proprietor

Place : Kolhapur  
Date : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
Chairman

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Profit & Loss Account for the year ended 31st March, 2006

PARTICULARS	SCHEDULES	31.03.2006	31.03.2005
<b>1. INCOME</b>			
Sales	I	24,56,77,210	26,65,87,615
Other Income	J	72,72,662	70,39,065
Increase / (Decrease) In Stock	K	12,34,970	2,30,946
<b>TOTAL</b>		<b>25,41,84,842</b>	<b>27,38,57,626</b>
<b>2. EXPENDITURE</b>			
Raw Material & Stores Consumed	L	10,96,00,072	11,37,54,700
Manufacturing Expenses	M	2,84,83,762	3,20,62,700
Payments to & Provision For Employees	N	2,54,80,412	2,61,69,660
Admin., Selling & Distribution Expenses	O	3,15,51,433	3,18,60,448
Cost of Finance	P	1,10,36,545	74,87,170
Depreciation		1,60,84,048	1,41,07,446
Preoperative Expenses W/O			
<b>TOTAL</b>		<b>22,22,36,272</b>	<b>22,54,42,124</b>
<b>3. PROFIT BEFORE TAXATION</b>		<b>3,19,48,570</b>	<b>4,84,15,503</b>
Provision for Income Tax (Current)	1,30,00,000		
Deferred Tax Liability / ( Assets )	( 18,56,976 )		
Fringe Benefit Tax Liability	4,50,000	1,15,93,024	1,81,43,783
<b>4. PROFIT AFTER TAXATION</b>		<b>2,03,55,546</b>	<b>3,02,71,720</b>
5. Balance of Profit as per last Balance Sheet	8,00,20,272		7,53,30,169
Add: Previous Year Adjustments for Taxation			7,53,256
Less: Previous Year Expenses	4,15,646	7,96,04,625	3,65,265
<b>6. BALANCE PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>9,99,60,171</b>	<b>10,59,89,880</b>
<b>7. APPROPRIATIONS</b>			
Proposed Dividend	1,02,74,000		1,86,80,000
Tax on Dividend	14,40,928		24,39,608
General Reserve	21,00,000	1,38,14,928	48,50,000
<b>8. BALANCE OF PROFIT CARRIED TO BALANCE SHEET</b>		<b>8,61,45,243</b>	<b>8,00,20,272</b>
<b>9. Notes to Accounts</b>	Q		
<b>10. Basic and Diluted Earning per Share</b>		<b>4.36</b>	<b>6.48</b>

As per our report of  
even date attached  
**M/s. P. M. Vardhe & Co.**  
Chartered Accountants  
P. M. Vardhe  
Proprietor  
Place : Kolhapur  
Date : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
Chairman

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Cash Flow Statement for the year 2005-2006

( in Rs. Lacs )

Particulars	31-3-06	31-3-05
<b>Cash Flow from operating activity</b>		
Net Profit before tax and extraordinary items	308.55	351.71
Profit after taxation	203.56	
Previous Year Expenses	(4.16)	
Provision for Income Tax (Current)	115.93	
Cost of Finance	110.37	
Dividend	(117.15)	
Add : Adjustments for		
Depreciation	160.84	160.84
Preoperative Expenses W/O		141.07
<b>Operating Profit before working capital change</b>	<b>469.39</b>	<b>492.78</b>
Adjustments for		
Trade & Other Receivables	258.99	
Inventory	(40.90)	
Trade Payable	(18.06)	(153.24)
Cash Generated from operations	269.36	646.02
Interest Paid	110.37	74.87
Direct Taxes Paid	115.93	181.44
Cash Flow before Extra Ordinary Items	43.06	389.72
Extra Ordinary Items	NIL	NIL
Net Cash from Operating Activities	<b>43.06</b>	<b>389.72</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	147.22	
Sale of Fixed Assets	(85.84)	
Purchase of Investments	96.25	
Net Cash used in Investing Activities	157.63	587.46
<b>Cash Flow from Financing Activities</b>		
Proceeds from Long-Term-Borrowings	(29.17)	
Repayment of Finance	(135.13)	
Net cash used in financing activities	(164.30)	(236.68)
Net Increase / (Decrease) in Cash and Cash Equivalents	49.73	38.94
Cash and Cash Equivalents as at 31.03.2006	777.87	
Cash and Cash Equivalents as at 01.04.2005	728.14	
<b>Total</b>	<b>43.06</b>	<b>389.72</b>

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

P. M. Vardhe  
Proprietor

Place : Kolhapur  
Date : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
Chairman

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Schedules A to Q

annexed to & forming part of the  
Balance Sheet as at and Profit & Loss  
Account for the year ended 31st March 2006

Particulars	31.03.2006	31.03.2005
<b>Schedule "A" : Share Capital</b>		
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>
	<u>4,67,00,000</u>	<u>4,67,00,000</u>
<b>Schedule "B" : Reserves and Surplus</b>		
General Reserve	1,54,00,000	
Add : Current Year	<u>21,00,000</u>	1,75,00,000
<b>Sub-Total</b>		1,54,00,000
Capital Reserve	25,00,000	25,00,000
Profit & Loss Account	<u>8,61,45,243</u>	<u>8,00,20,273</u>
<b>TOTAL</b>	<u>10,61,45,243</u>	<u>9,79,20,273</u>
<b>Schedule "C" : Secured Loans</b>		
<b>a) The United Western Bank Ltd.</b>		
Loan Against FDR	99,57,270	1,42,81,430
<b>b) UTI Bank Ltd</b>		
1) Term Loan	3,12,37,181	2,85,56,143
2) Cash Credit	5,58,31,219	4,97,12,915
( Against hypothecation of Land, building, Plat & Machinery & stock ) All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon		
3) Loan against FDRs.	2,00,58,964	32,78,564
<b>c) Car Loans</b>		
ICICI Bank Ltd.	<u>13,53,468</u>	<u>29,76,907</u>
<b>TOTAL</b>	<u>11,84,38,102</u>	<u>9,88,05,959</u>
<b>Schedule "D" : Unsecured Loan</b>		
Interest free Sales Tax Loan from SICOM (Under the incentive scheme of Government of Maharashtra)	4,90,89,679	4,61,73,022
<b>Schedule "E" : Fixed Assets - please refer page 26</b>		
<b>Schedule "F" : Investment (At cost)</b>		
<b>Non Trade (unquoted)</b>		
1) 49000 Equity Shares of MB Autocomponents Pvt. Ltd. of Rs.10/- each	4,90,000	4,90,000
2) 38,31,500 ( 27,50,000 previous year ) Equity Shares of Menon Alkop Pvt. Ltd. of Rs. 10/- each	3,83,15,000	2,75,00,000
<b>Trade (Quoted)</b>		
1) 50,000 Equity Shares of Hindustan Motors Ltd of Rs.23.79 each (Market value as on 31.03.2006 Rs. 32.95/- per share)	—	11,89,522
2) 500 Equity Shares of Bank of Maharashtra of Rs. 23/- each (Market value as on 31.03.2006 Rs. 30.55 per share)	11,500	11,500
3) 444 Equity Shares of Pentasoft Technologies Ltd. of Rs. 901.67 each (Market value as on 31.03.2006 Rs. 1.52 per share)	4,00,340	4,00,340

Particulars	31.03.2006	31.03.2005
4) 1100 Equity Shares of Global Telesystems Ltd, of Rs.898.86 each (Market Value as on 31.03.2006 Rs. 143.05 per share )	9,88,750	9,88,750
<b>TOTAL</b>	<u>4,02,05,590</u>	<u>3,05,80,112</u>

#### Schedule "G" : Current Assets, Loans and Advances

##### Inventories

a) Raw Material	85,26,510	1,31,35,708
b) Stores & Spares	24,00,022	31,15,517
c) Finished goods	1,97,35,217	1,70,24,450
d) Work in Process	1,21,49,832	1,36,25,629
<b>TOTAL</b>	<u>4,28,11,581</u>	<u>4,69,01,304</u>

##### Sundry Debtors

(Unsecured, considered good)		
Outstanding for a period exceeding 6 months	23,18,893	34,53,435
Other Debts	5,98,62,846	6,87,06,147
<b>TOTAL</b>	<u>6,21,81,739</u>	<u>7,21,59,582</u>

##### Cash & Bank balances

a) Cash in Hand	1,58,004	9,092
b) Balances with Banks		
i) In Current A/c(s) With scheduled banks	97,50,086	64,22,982
ii) In Fixed Deposits	6,78,79,298	6,63,81,702
<b>TOTAL</b>	<u>7,77,87,388</u>	<u>7,28,13,776</u>

##### Loans & Advances

Other advance	3,23,898	5,14,699
Staff advance	3,42,307	21,100
Advances to Directors	28,42,322	29,22,522
Interest accrued but not received	58,01,974	52,57,874
Other Deposits	15,69,079	15,15,879
Prepaid expenses	8,47,875	6,78,023
Telephone deposit	27,050	28,710
Water deposit	1,28,765	70,705
Advance Income Tax	6,82,75,933	5,59,17,739
Advance to suppliers	87,02,343	1,05,14,245
Share application Money	—	10,049
Excise Duty	27,09,432	28,41,578
Service Tax	7,03,315	1,51,773
Educational Cess	—	59,009
VAT Refund Receivable	3,32,630	—
Interest free unsecured loan to Menon Alkop Pvt. Ltd.	2,37,73,640	—

<b>TOTAL</b>	<u>11,63,80,563</u>	<u>8,05,03,906</u>
<b>Total Current Assets</b>	<u>29,91,61,271</u>	<u>27,23,78,568</u>

#### Schedule "H" : Current Liabilities and Provisions

##### Current Liabilities

Sundry Creditors		2,36,94,171	2,73,98,652
Amount payable to SSI units	3506360		
Amount payable to others	20187811		
Sales Tax Payable		14,39,001	10,49,471
Liability for expenses and other liabilities		45,27,922	72,06,096
<b>TOTAL</b>		<u>2,96,61,094</u>	<u>3,56,54,219</u>

Particulars	31.03.2006	31.03.2005
<b>Provisions</b>		
Provision for expenses	38,69,806	47,63,363
Unpaid Dividend	20,26,123	16,47,178
Proposed Dividend	1,02,74,000	1,86,80,000
Tax on Dividend	14,40,928	24,39,608
Company Income Tax	6,20,00,000	4,90,00,000
Fringe Benefit Tax	4,50,000	—
Leave Encashment	6,83,279	6,76,063
<b>TOTAL</b>	<b>8,07,44,136</b>	<b>7,72,06,212</b>
<b>Total Current Liabilities &amp; Provisions</b>	<b>11,04,05,230</b>	<b>11,28,60,431</b>

#### Schedule "I" : Sales

1. Bearing Sale	8,80,09,161	8,66,41,892
2. Bush Sale	10,52,86,418	11,74,93,378
3. Thrust Washer Sale	4,75,47,989	4,87,02,998
4. Strip Sale	25,42,394	1,30,48,534
5. Cylinder Liners Sale	—	883
6. Endshield Sale (with bush)	22,91,248	6,99,930
<b>TOTAL</b>	<b>24,56,77,210</b>	<b>26,65,87,615</b>

#### Schedule "J" : Other Income

a) Interest	47,11,824	57,13,136
b) Income from other sources	4,51,580	3,61,856
c) Scrap Sale	17,28,155	9,34,390
d) Exchange Difference	—	2,655
e) Dividend from Companies	2,680	2,450
f) Profit on sale Shares	3,78,423	24,578
<b>TOTAL</b>	<b>72,72,662</b>	<b>70,39,065</b>

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

<b>Opening Stock</b>		
Finished Goods	1,70,24,450	1,47,36,560
Work in Process	1,36,25,629	1,56,82,573
<b>Total</b>	<b>3,06,50,079</b>	<b>3,04,19,133</b>
<b>Closing Stock :</b>		
Finished Goods	1,97,35,217	1,70,24,450
Work in Process	1,21,49,832	1,36,25,629
<b>Total</b>	<b>3,18,85,049</b>	<b>3,06,50,079</b>
<b>Increase / (Decrease) in Stock</b>	<b>12,34,970</b>	<b>2,30,946</b>

#### Schedule "L" : Raw Material & Stores Consumed

<b>Opening Stock</b>		
Raw Material	1,31,35,708	2,00,27,099
Stores & Spares	31,15,517	22,13,096
<b>Total</b>	<b>1,62,51,225</b>	<b>2,22,40,195</b>

Particulars	31.03.2006	31.03.2005
<b>Add : Purchases</b>		
Raw Material	8,38,81,912	8,43,80,775
Stores & Spares	2,03,93,467	2,33,84,955
<b>Total</b>	<u>10,42,75,379</u>	<u>10,77,65,730</u>
<b>Less : Closing Stock</b>		
Raw Material	85,26,510	1,31,35,708
Stores & Spares	24,00,022	31,15,517
<b>Total</b>	<u>1,09,26,532</u>	<u>1,62,51,225</u>
<b>Raw Material &amp; Stores Consumed</b>	<u>10,96,00,072</u>	<u>11,37,54,700</u>
<b>Schedule "M" : Manufacturing Expenses</b>		
Outside labour charges	1,30,76,124	1,58,44,570
Electricity	1,23,19,998	1,22,68,941
Water charges	6,39,360	5,92,496
Repairs & Maintenance	23,80,557	32,75,407
Electric Material	67,723	81,286
<b>TOTAL</b>	<u>2,84,83,762</u>	<u>3,20,62,700</u>
<b>Schedule "N" : Provisions for and Payments to employees</b>		
Salary and Wages	2,33,73,027	2,42,72,870
Labour Welfare	4,22,511	2,93,824
Contribution to Provident Fund	13,29,727	13,15,250
Contribution to Group Gratuity Trust	3,55,147	2,87,716
<b>TOTAL</b>	<u>2,54,80,412</u>	<u>2,61,69,660</u>
<b>Schedule "O" : Administrative, Selling &amp; Distribution Expenses</b>		
Rent, Rates and Taxes	1,92,167	2,78,065
Insurance	6,80,643	3,30,930
Freight Outward	13,42,211	14,63,787
Legal & Consultation	9,49,217	7,11,125
Postage, Telephone	8,27,143	6,95,453
Business Expenses	5,00,127	3,98,629
Sales Promotion Expenses	2,12,64,146	2,18,99,144
Printing & Stationary	7,22,176	5,27,062
Vehicle & Conveyance Expenses	6,55,067	4,67,086
Other Expenses	19,82,552	14,31,930
Traveling Expenses	9,97,906	16,25,980
Sitting Fees	20,000	11,750
Advertisement	3,96,710	10,26,115
Audit Fees	65,000	65,000
Establishment Expenses	3,40,000	3,00,000
Loss on sale of Fixed Assets	6,16,368	68,392
Key Man Insurance	—	5,60,000
<b>TOTAL</b>	<u>3,15,51,433</u>	<u>3,18,60,448</u>
<b>Schedule "P" : Cost of Finance</b>		
Interest	1,03,75,893	65,41,769
Bank Commission & Other Charges	660,652	9,45,401
<b>TOTAL</b>	<u>1,10,36,545</u>	<u>74,87,170</u>

**SCHEDULE "E"**  
**FIXED ASSETS SCHEDULE FOR THE YEAR 2005-2006 ( in Rs. )**

NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OPBAL. AS ON 01-04-2005	ADDITIONS	DELETION	CLBAL. AS ON 31-03-2006	Upto 31.03.2005	FOR THE YEAR	ADJUST- MENTS	TOTAL	As on 31.03.2006	As on 31.03.2005
1	LAND (Lease hold)	10,37,164	—	—	10,37,164	1,02,520	9,320	—	1,11,840	9,25,324	9,34,644
2	LAND ( Free hold)	52,500	—	—	52,500	—	—	—	—	52,500	52,500
3	SITE DEVELOPMENT	21,98,328	16,73,461	—	38,71,789	—	—	—	—	38,71,789	21,98,328
4	BUILDING	3,80,08,425	8,59,749	—	3,88,68,174	60,58,939	12,86,542	—	73,45,481	3,15,22,693	3,19,49,486
5	PLANT AND MACHINERY	11,40,54,924	54,23,236	79,24,591	11,15,53,569	6,12,28,672	1,14,53,593	7,06,445	7,19,75,820	3,95,77,749	5,28,26,252
6	OFFICE EQUIPMENTS	18,47,515	1,53,493	—	20,01,008	5,44,828	91,913	—	6,36,741	13,64,267	13,02,687
7	TOOLS AND IMPLEMENTS	82,41,175	5,61,421	—	88,02,596	60,77,522	8,69,198	—	69,46,720	18,55,876	21,63,653
8	MATERIAL HANDLING EQUIP.	2,72,701	1,00,391	—	3,73,092	1,09,730	34,148	—	1,43,878	2,29,214	1,62,971
9	MISCELLANEOUS ASSETS	2,06,863	—	—	2,06,863	1,68,631	21,390	—	1,90,021	16,842	38,232
10	TECHNICAL KNOW HOW	52,44,590	—	—	52,44,590	44,69,400	5,42,291	—	50,11,691	2,32,899	7,75,190
11	ELECTRICAL INSTALLATION	46,91,317	—	52,087	46,39,230	21,61,295	4,80,649	5,304	26,36,640	20,02,590	25,30,022
12	FURNITURE	26,08,398	55,974	—	26,64,372	7,37,114	1,65,940	—	9,03,054	17,61,318	18,71,284
13	FIRE FIGHTING EQUIPMENTS	46,760	—	—	46,760	31,327	4,835	—	36,162	10,598	15,433
14	VEHICLE	78,21,153	18,98,236	16,09,668	81,09,721	15,24,292	6,92,444	2,90,335	19,26,401	61,83,320	62,96,861
15	COMPUTERS	16,06,210	4,12,521	—	20,18,731	11,70,927	2,72,209	—	14,43,136	5,75,595	4,35,283
16	ELECTRICAL FORKLIFT	3,23,154	—	—	3,23,154	46,472	33,414	—	79,886	2,43,268	2,76,682
17	EFFLUENT TREATMENT PLANT	23,89,432	—	—	23,89,432	64,980	126,162	—	1,91,142	21,98,290	23,24,452
	<b>TOTAL</b>	<b>19,06,50,609</b>	<b>1,11,38,482</b>	<b>9,586,346</b>	<b>19,22,02,745</b>	<b>8,44,96,649</b>	<b>1,60,84,048</b>	<b>10,02,086</b>	<b>9,95,78,613</b>	<b>9,26,24,132</b>	<b>10,61,53,960</b>
	PREVIOUS YEAR	15,57,11,561	3,51,07,948	1,68,900	19,06,50,609	7,04,51,912	1,41,07,446	62,708	8,44,96,650	106,153,959	8,52,59,649

# Schedule Q

annexed to & forming part of the  
Balance Sheet as at and Profit & Loss  
Account for the year ended 31st March 2006

---

## 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 Institute of Chartered Accountants of India.

### B) Fixed Assets:

Fixed assets are stated at cost (net of Cenvat and MVAT wherever applicable) of appreciation less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

### C) Impairment of Fixed Assets:

The company has reviewed the carrying costs of fixed assets and does not expect any loss on account of impairment.

### D) 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. The cost of leasehold land is amortised over the period of lease.

### E) Investment:

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

### F) 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.

### G) Foreign Exchange Transactions:

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. There are no outstanding liabilities payable in foreign currency on the Balance Sheet date.

### H) Contingent Liabilities & Provisions:

Contingent liabilities are disclosed after careful evaluation of facts and legal aspects of the matter involved. Provisions are recognized when the company has a legal obligation and on management discretion as a result of past events for which it is probable that cash outflow may be required and reliable estimate can be made of the amount of obligation.

### I) Sales:

Sales are recognised on despatches to customers. Sales exclude Excise Duties and VAT.

### J) 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.

#### **K) DISCLOSURE OF BORROWING COST CAPITALISED UNDER ACCOUNTING STANDARD 16.**

During the year Company has capitalised certain assets. Appropriate borrowing cost directly related to asset has been capitalized under Capital Work in Process as required under A.S. 16.

#### **L) 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.

#### **M) 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 Pvt. Ltd.	Investment in Shares in Subsidiary	1,08,15,000
		Investment as unsecured loan in Subsidiary	2,37,73,641
		Purchase	58,93,285
		Sale	88,91,699
2.	MB Autocomponents Pvt. Ltd.	Sale	5,51,27,891
3.	MB Exports	Sale	6,29,78,367
4.	Mani Auto Components	Jobwork / tooling vendor	68,62,565
5.	Menon Pistons Ltd.	Purchase	2,25,451
6.	Karveer Investments Pvt. Ltd.	Interest received on loan	45,910
7.	Sucheta Menon	Interest paid on loan	75,516
8.	R. D. Dixit	Interest paid on loan	52,818

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. Mr. Kumar Nair, Director is paid remuneration. The salary, perquisites and remuneration paid are disclosed under Note No.8 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 2005-06.

- 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 2005-06

#### **N) LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19**

Not applicable to the Company since no new lease transaction(s) took place during the year 2005-2006.

#### **O) EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20**

The basic earnings per share for the year 2005-2006 is Rs.4.36 (Previous year Rs. 6.48). A 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.

#### **P) 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.

#### **Q) 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. 01-04-05	During the year	As on 31-03-06
Depreciation	(-) 76,48,790.00	(+) 17,17,467.00	(-) 59,31,323.00
Leave Encashment	Nil	(+) 1,39,509.00	(+) 1,39,509.00
Deferred Tax Liability	(-) 76,48,790.00	(+) 18,56,976.00	(-) 57,91,814.00

## **2. CONTINGENT LIABILITIES**

- 1) Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2001. The liability in respect of pending assessments / appeals is unascertainable.
- 2) The Income Tax assessments are completed up to the Assessment Year 2003-2004. (relevant to Accounting year ended 31.03.2003). However, Company has preferred appeal against the assessment for A.Y. 2001-02 and A.Y. 2003-04. Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.
- 3) UTI Bank Ltd. and the United Western Bank Ltd. have issued guarantees on behalf of the company for Rs.1.97 lacs (Previous Year Rs.1.03 lacs) and Letters of Credit form UTI bank Ltd. For 121.85 lacs (Previous Year Rs.84.22 lacs)
- 4) Under the Foreign Trade (Development & Regulation) Act, 1992, a notice for recovery of fiscal penalty of Rs.25,03,720/- has been received by the company. As the company has preferred an appeal against the said notice, no provision has been made in the books of accounts.

## 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.	6,21,81,739	7,21,59,582
c) Debtors considered bad or doubtful.	Nil	Nil
d) Debts due by Private Company in which Director is Director or member.	1,32,46,348	1,35,03,991
e) Debts due by firm in which Director is Partner.	1,58,67,427	3,14,33,303

- 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 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.32,20,787/- 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.

### 6) AUDITOR'S REMUNERATION:

	Current Year	Previous Year
As Auditor	65,000	65,000
Other Matters	8,000	8,000
<b>Total ( Rs. )</b>	<b>73,000</b>	<b>73,000</b>

( Exclusive of Service Tax )

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

8) **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	4	3
1.)	Salary	23,74,800	23,18,400
2.)	Contribution to P.F.	2,84,526	2,78,208
3.)	Other Perquisites	31,12,631	18,37,040
4.)	Remuneration	84,000	Nil
5.)	Sitting Fees	20,000	11,750
<b>Total</b>		<b>58,75,957</b>	<b>44,43,398</b>

9) **CONSUMPTION OF RAW MATERIAL, STORES, SPARES & CONSUMABLES**

No.	Particulars	Current Year		Previous Year	
		Qty (Kgs.)	Value (Rs.)	Qty (Kgs.)	Value (Rs.)
1	Copper	1,68,880	3,52,43,179	1,81,761	3,26,17,473
2	Steel Strip	8,19,702	2,87,05,509	9,38,208	3,29,57,337
3	Others		2,45,42,422		2,56,97,355
4	Stores, Spares & Consumables		2,11,08,962		2,24,82,535
	<b>TOTAL</b>		<b>10,96,00,072</b>		<b>11,37,54,700</b>

10) **C.I.F. VALUE OF IMPORTS**

No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Raw Material & Consumables	51,06,481	49,23,204
2	Plant & Machinery	2,55,539	31,31,935
	<b>TOTAL</b>	<b>53,62,020</b>	<b>80,55,139</b>

11) **VALUATION OF IMPORTED & INDIGENOUS RAW MATERIAL, STORES, SPARES & CONSUMABLES**

No.	Raw material, stores and components consumed	Current Year		Previous Year	
		%	Value (Rs.)	%	Value (Rs.)
1	Imported	4.66	51,06,481	3.04	34,61,583
2	Indigenous	95.34	10,44,93,591	96.96	11,02,93,117
	<b>TOTAL</b>	<b>100.00</b>	<b>10,96,00,072</b>	<b>100.00</b>	<b>11,37,54,700</b>

12) EXPENDITURE IN FOREIGN CURRENCY

No.	Particulars	Current Year	Previous Year
1	Raw Material & Consumables	42,62,279	37,50,532
2	Plant & Machinery	1,93,348	22,62,900
3	Foreign tour expenses	2,43,410	7,81,134
	<b>TOTAL</b>	<b>46,99,037</b>	<b>67,94,566</b>

13) 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.	6,00,00,000	2,50,00,000				
b)	Installed Capacity	Nos.	1,80,00,000	1,50,00,000				
c)	Actual Production	Nos.	1,34,25,002	1,49,64,232	12,683	98,244		
d)	<b>Opening Stock</b>							
	1.) Quantity	Nos.	16,69,642	15,32,282				
	2.) Value	Amt.	1,70,24,450	1,47,36,561				
e)	<b>Closing Stock</b>							
	1.) Quantity	Nos.	18,28,557	16,69,642				
	2.) Value	Amt.	1,97,35,216	1,70,24,450				
f)	<b>Turnover</b>							
	1.) Quantity	Nos.	1,32,66,087	1,48,26,872	12,683	98,244		
	2.) Value	Amt.	24,08,43,567	25,28,38,269	25,42,395	1,30,48,534	22,91,248	7,00,813

# Balance Sheet Abstract & Company`s General Business Profile

## REGISTRATION DETAILS

Registration No. : 062352 State Code 11  
 Balance sheet Date : 31.03.2006  
 Capital raised during the year : Nil

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

<b>TOTAL LIABILITIES</b>	3,26,165	<b>TOTAL ASSETS</b>	3,26,165
--------------------------	----------	---------------------	----------

### SOURCES OF FUNDS

Paid - up capital	46,700	Reserves & Surplus	1,06,145
Secured Loans	1,18,438	Unsecured Loans	49,090
Defered Tax Liability	5,792		

### APPLICATION OF FUNDS

Net Fixed Assets	97,203	Investment	40,206
Net Current Assets	1,88,756	Miscl. Expenditure	—

Accumulated Losses Nil

## PERFORMANCE OF THE COMPANY

Turnover	2,54,185	Total Expenditure	2,22,236
Profit before tax	31,949	Profit after tax	20,356
Earning per share in Rs.	4.36	Dividend	22 %

## 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 : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
 Chairman

**R. D. DIXIT**  
 Vice Chairman &  
 Managing Director

**NITIN MENON**  
 Joint Managing Director

Suhas Kulkarni  
 AGM, Finance & Accounts

Amol Purandare  
 Asst. Company Secretary

# Best Amongst the Best



Mr. R. D. Dixit, Vice Chairman & Managing Director,  
and Mr. Sachin Menon, Director, MBL receiving the  
" Best Amongst The Best " Supplier award for 2004 at the hands of  
Mr. Ravi Batra, Vice President, Cummins India Ltd.



# Consolidated Financial Results

# Auditors 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, 2006 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 did not audit the financial statements of subsidiary company, whose financial statements reflect total assets (net) of Rs.13.51 crores as at 31st March, 2006 and total revenues of Rs.1.35 crores for the year then ended. These financial statements have been audited by the auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

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, 2006.

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.

Place: Kolhapur  
Date: 24-06-2006

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

P. M. Vardhe  
Proprietor

# Consolidated Balance Sheet as at 31st March, 2006

PARTICULARS	SCHEDULES	31.03.2006	31.03.2005
<b>SOURCES OF FUNDS:</b>			
<b>1.SHAREHOLDERS' FUNDS</b>			
a. Share Capital	A	4,67,00,000	4,67,00,000
b. Reserves & Surplus	B	<u>10,06,75,057</u>	9,86,65,051
		14,73,75,057	14,53,65,051
2. Minority Interests		46,66,905	31,00,000
<b>3. LOAN FUNDS</b>			
Secured Loans	C	18,66,88,976	13,35,11,343
Unsecured Loans	D	<u>4,90,89,679</u>	4,61,73,022
4. Deferred Tax Liability		1,07,54,026	76,48,790
<b>Total Rs.</b>		<b><u>39,85,74,643</u></b>	<b><u>33,57,98,206</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>5. FIXED ASSETS</b>			
Gross Block	E	26,80,82,257	
Less : Depreciation		<u>10,11,21,040</u>	
Net Block		16,69,61,217	11,38,00,858
Capital Work in process		4,35,62,489	4,47,56,965
<b>6. INVESTMENTS</b>			
	F	27,20,038	38,24,890
<b>7. CURRENT ASSETS</b>			
<b>LOANS &amp; ADVANCES</b>			
Inventory		4,61,71,126	4,69,01,304
Sundry Debtors		6,93,57,477	7,21,59,582
Cash and Bank Balances		7,78,24,912	7,33,38,079
Loans And Advances		<u>10,38,11,309</u>	9,63,23,768
<b>TOTAL</b>		29,71,64,824	28,87,22,732
Less : Current Liabilities & Provisions	H		
a. Current Liabilities		3,47,00,344	4,02,29,878
b. Provisions		<u>8,16,95,019</u>	7,74,74,572
<b>TOTAL</b>		11,63,95,363	11,77,04,450
Net Current Assets		18,07,69,460	17,10,08,234
8. Miscellaneous Expenditure to the extent not written off	I	45,61,439	24,07,259
<b>TOTAL</b>		<b><u>39,85,74,643</u></b>	<b><u>33,57,98,206</u></b>
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 : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
*Chairman*

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Consolidated Profit & Loss Account as at 31st March, 2006

PARTICULARS	SCHEDULES	31.03.2006	31.03.2005
<b>1. INCOME</b>			
Sales	J	24,98,60,935	26,65,87,615
Other Income	K	73,68,103	70,39,065
Increase / (Decrease) In Stock	L	27,53,579	2,30,946
Income from Associates		84,670	2,88,015
<b>TOTAL</b>		<b>26 00 67 287</b>	<b>27,41,45,641</b>
<b>2. EXPENDITURE</b>			
Raw Material & Stores Consumed	M	10,95,22,551	11,37,54,700
Manufacturing Expenses	N	3,00,79,277	3,20,62,700
Payments to & Provision For Employees	O	2,76,83,394	2,61,69,660
Admin.,selling & distribution Expenses	P	3,21,13,095	3,18,60,448
Cost of Finance	Q	1,27,02,943	74,87,170
Depreciation		1,76,26,477	1,41,07,446
Preoperative Expenses W/O		5,06,827	-
<b>TOTAL</b>		<b>23,02,34,564</b>	<b>22,54,42,124</b>
<b>3. PROFIT BEFORE TAXATION</b>		<b>2,98,32,723</b>	<b>4,87,03,517</b>
Provision for Income Tax (Current)		1,30,00,000	1,70,00,000
Deferred Tax Liability		31,05,236	11,43,783
Fringe Benefit Tax		5,05,000	
<b>4. PROFIT AFTER TAXATION</b>		<b>1,32,22,487</b>	<b>3,05,59,734</b>
Add share of loss transferred to minority		9,18,095	
<b>Profit After Tax</b>		<b>1,41,40,579</b>	<b>3,05,59,734</b>
<b>5. Balance of Profit as per last Balance Sheet</b>		<b>8,03,08,286</b>	<b>7,53,30,169</b>
Add: Previous Year Adjustments for Taxation			7,53,256
Less: Previous Year Expenses		4,15,646	3,65,265
<b>6. BALANCE PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>9,40,33,222</b>	<b>10,62,77,894</b>
<b>7. APPROPRIATIONS</b>			
Dividend		1,02,74,000	1,86,80,000
Tax on Dividend		14,40,928	24,39,608
General Reserve		21,00,000	48,50,000
<b>9. BALANCE OF PROFIT CARRIED TO BALANCE SHEET</b>		<b>8,02,18,294</b>	<b>8,03,08,286</b>
10. Notes to Accounts	R		
11. Basic and Diluted Earning per Share		3.03	6.54

As per our report of  
even date attached

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

P. M. Vardhe  
Proprietor

Place : Kolhapur  
Date : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
Chairman

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Consolidated Cash Flow Statement

for the year 2005-2006

(Rs. in Lakhs)

Particulars	31 March 06	31 March 05
<b>Cash Flow from operating activity</b>		
Net Profit before tax and extraordinary items	313.23	354.59
Profit after Taxation	141.41	
Previous Year Expenses	(4.16)	
Provision for Income Tax (Current)	166.10	
Cost of Finance	127.03	
Dividend	(117.15)	
	<hr/>	
Add : Adjustments for Depreciation	176.26	181.33
Preoperative Expenses W/O	5.07	141.07
	<hr/>	
<b>Operating Profit before working capital change</b>	<b>494.56</b>	<b>495.66</b>
Adjustments for		
Trade & Other Receivables	(46.95)	
Inventory	7.30	
Trade Payable	79.15	39.50
	<hr/>	<hr/>
Cash Generated from operations	534.06	539.25
Interest Paid	127.03	74.87
Direct Taxes Paid	166.10	181.44
	<hr/>	<hr/>
Cash Flow before Extra Ordinary Items	240.93	282.95
Extra Ordinary Items		
Net Cash from Operating Activities	<b>240.93</b>	<b>282.95</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	711.66	
Sale of Fixed Assets	(15.72)	
Sale of Investments	(11.05)	
Miscellaneous Expenditure	26.61	
	<hr/>	
Net Cash used in Investing Activities	711.50	853.50
	<hr/>	
<b>Cash Flow from Financing Activities</b>		
Proceeds from Long-Term-Borrowings	(29.17)	
Proceeds from Issue of Share Capital	(15.67)	
Repayment of Finance	(470.60)	
	<hr/>	
Net cash used in financing activities	(515.44)	(614.73)
Net Increase / (Decrease) in Cash and Cash Equivalents	44.87	44.18
Cash and Cash Equivalents as at 31.03.2006	778.25	
Cash and Cash Equivalents as at 01.04.2005	733.38	
	<hr/>	
<b>Total</b>	<b>240.93</b>	<b>282.95</b>
	<hr/> <hr/>	<hr/> <hr/>

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

P. M. Vardhe  
Proprietor

Place : Kolhapur  
Date : 24.06.2006

For and on Behalf of the Board of Directors

**RAM MENON**  
Chairman

**R. D. DIXIT**  
Vice Chairman &  
Managing Director

**NITIN MENON**  
Joint Managing Director

Suhas Kulkarni  
AGM, Finance & Accounts

Amol Purandare  
Asst. Company Secretary

# Schedules A to R

annexed to & forming part of the Consolidated  
Balance Sheet as at and Profit & Loss  
Account for the year ended 31st March 2006

PARTICULARS	31.03.2006	31.03.2005
<b>Schedule "A" : Share Capital</b>		
Authorised:		
50,00,000 Equity Shares of Rs.10 each	5,00,00,000	5,00,00,000
Issued, Subscribed and paid up :		
46,70,000 Equity Shares of Rs.10 each fully paid	4,67,00,000	4,67,00,000
	<u>4,67,00,000</u>	<u>4,67,00,000</u>
<b>Schedule "B" : Reserves and Surplus</b>		
General Reserve	1,54,00,000	1,75,00,000
Add : Current Year	21,00,000	1,54,00,000
	<u>1,75,00,000</u>	
Capital Reserve	25,00,000	25,00,000
Share in Reserves of Associates		
Capital Reserve	4,56,763	4,56,763
Profit & Loss Account	8,02,18,294	8,03,08,288
<b>TOTAL</b>	<u>10,06,75,057</u>	<u>9,86,65,051</u>
<b>Schedule "C" : Secured Loans</b>		
<b>a) The United Western Bank Ltd.</b>		
Loan Against FDR	99,57,270	1,42,81,430
<b>b) UTI Bank Ltd</b>		
1) Term Loan	9,94,88,055	6,32,61,527
2) Cash Credit	5,58,31,219	4,97,12,915
(Against hypothication of Land, Building, Plant & Machinery ) ( All loans jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon )		
3) Loans Against FDR	2,00,58,964	32,78,564
<b>c) Car Loans</b>		
ICICI Bank Ltd.	13,53,468	29,76,907
<b>TOTAL</b>	<u>18,66,88,976</u>	<u>13,35,11,343</u>
<b>Schedule "D" : Unsecured Loan</b>		
Interest free Sales Tax Loan from SICOM (Under the incentive scheme of Government of Maharashtra)	4,90,89,679	4,61,73,022
	<u>4,90,89,679</u>	<u>4,61,73,022</u>
<b>Schedule "E" : Fixed Assets-Please refer page No. - 46</b>		
<b>Schedule "F" : Investment (At cost)</b>		
<b><u>Non Trade (unquoted)</u></b>		
In Associates		

<b>PARTICULARS</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
49,000 Equity Shares of MB Autocomponents Pvt. Ltd. of Rs.10 each	4,90,000	4,90,000
Add: Accumulated Income From Associates	8,29,448	7,44,778
	<u>13,19,448</u>	<u>12,34,778</u>
<b>Trade (Quoted)</b>		
1) 50,000 Equity Shares of Hindustan Motors Ltd. of Rs.23.79 (Market value as on 31.03.2006 Rs. 32.95 per share)		11,89,522
2) 500 Equity Shares of Bank of Maharashtra of Rs. 23 each (Market value as on 31.03.2006 Rs.30.55 per share)	11,500	11,500
3) 444 Equity Shares of Pentasoft Technologies Ltd. of Rs. 901.67 each (Market value as on 31.03.2006 Rs. 1.52 per share)	4,00,340	4,00,340
4) 1100 Equity Shares of Global Telesystems Ltd, of Rs.898.86 (Market Values as on 31.03.2006 Rs.143.05 per share )	9,88,750	9,88,750
<b>TOTAL</b>	<u>27,20,038</u>	<u>38,24,890</u>

#### **Schedule "G" : Current Assets, Loans and Advances**

##### **Inventories**

a) Raw Material	99,90,383	1,31,35,708
b) Stores & Spares	27,77,085	31,15,517
c) Finished goods	1,97,35,217	1,70,24,450
d) Work in Process	1,36,68,441	1,36,25,629
<b>TOTAL</b>	<u>4,61,71,126</u>	<u>4,69,01,304</u>

##### **Sundry Debtors**

(Unsecured, considered good)

Outstanding for a period exceeding 6 months	23,18,893	34,53,435
Other Debts	6,70,38,584	6,87,06,147
<b>TOTAL</b>	<u>6,93,57,477</u>	<u>7,21,59,582</u>

##### **Cash & Bank balances**

a) Cash in Hand	1,78,691	15,917
b) Balances with Banks		
i) In Current A/c(s) With scheduled banks	97,61,777	69,35,460
ii) In Fixed Deposits	6,78,84,444	6,63,86,702
<b>TOTAL</b>	<u>7,78,24,912</u>	<u>7,33,38,079</u>

##### **Loans & Advances**

Other advance	3,23,898	5,15,799
Staff advance	3,77,004	21,100
Advances to Directors	28,42,322	29,22,522
Interest accrued but not received	58,39,327	52,58,020
Other Deposits	23,21,879	15,15,879
Prepaid expenses	9,38,084	8,33,394
Telephone deposit	32,050	28,710
Water deposit	1,94,115	1,36,055
Advance Income Tax	6,82,75,933	5,59,17,739
Advance Tax ( FBT )	41,784	—
Advance to suppliers	96,35,276	2,23,92,947
1.) Advance to Raw Material Suppliers	8,89,666	—
2.) Advance to Consumable Suppliers	43,267	—

<b>PARTICULARS</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
Excise Duty	98,44,348	64,37,544
Service Tax	8,97,536	2,02,074
Educational Cess	1,45,700	1,31,935
VAT Refund Receivable	21,02,053	—
<b>TOTAL</b>	<b>10,38,11,309</b>	<b>9,63,13,718</b>
<b>Total Current Assets</b>	<b>29,71,64,824</b>	<b>28,87,12,684</b>

#### **Schedule "H" : Current Liabilities and Provisions**

##### **Current Liabilities**

Sundry Creditors		2,75,02,598	3,18,29,389
Amount Payable to SSI Units	35,06,360		
Amount Payable to others	<u>2,39,96,238</u>		
Sales Tax Payable		14,39,001	10,49,471
Liability for expenses & other Liabilities		57,58,745	73,51,018
<b>TOTAL</b>		<b>3,47,00,344</b>	<b>4,02,29,878</b>

##### **Provisions**

Provision for expenses		46,83,372	50,31,723
Unpaid Dividend		20,26,123	16,47,178
Proposed Dividend		1,02,74,000	1,86,80,000
Tax on Dividend		14,40,928	24,39,608
Company Income Tax		6,20,00,000	4,90,00,000
Fringe Benefit Tax		5,05,000	—
Leave Encashment		7,65,596	6,76,063
<b>TOTAL</b>		<b>8,16,95,019</b>	<b>7,74,74,572</b>
<b>Total Current Liabilities &amp; Provisions</b>		<b>11,63,95,363</b>	<b>11,77,04,450</b>

#### **Schedule "I" : Miscellaneous Expenditure**

Preliminary Expenses		1,90,406	1,90,406
Preoperative Expenses		48,77,860	22,16,853
Less : Written off during the year		5,06,827	
<b>TOTAL</b>		<b>45,61,439</b>	<b>24,07,259</b>

#### **Schedule "J" : Sales**

1. Bearing Sale		8,80,09,161	8,66,41,892
2. Bush Sale		10,26,33,185	11,74,93,378
3. Thrust Washer Sale		4,75,47,989	4,87,02,998
4. Strip Sale		25,42,395	1,30,48,534
5. Cylinder Liners Sale		—	883
6. Endshield Sale (with bush)		22,91,248	6,99,930
7. Aluminium Die Casting Products		67,16,770	—
8. Other Products		1,20,187	—
<b>TOTAL</b>		<b>24,98,60,935</b>	<b>26,65,87,615</b>

<b>PARTICULARS</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
<b>Schedule "K" : Other Income</b>		
a) Interest	47,49,177	57,13,136
b) Income from other sources	4,64,270	3,61,856
c) Scrap Sale	17,73,553	9,34,390
d) Exchange Difference	—	2,655
e) Dividend from Companies	2,680	2,450
f) Profit on sale Shares	3,78,423	24,578
<b>TOTAL</b>	<b>73,68,103</b>	<b>70,39,065</b>
<b>Schedule "L" : Increase / (Decrease) in stock of Work-in-Process and Finished Goods</b>		
<b>Opening Stock</b>		
Finished Goods	1,70,24,450	1,47,36,560
Work in Process	1,36,25,629	1,56,82,573
<b>Total</b>	<b>3,06,50,079</b>	<b>3,04,19,133</b>
<b>Closing Stock :</b>		
Finished Goods	1,97,35,217	1,70,24,450
Work in Process	1,36,68,441	1,36,25,629
<b>Total</b>	<b>3,34,03,658</b>	<b>3,06,50,079</b>
<b>Increase / (Decrease) in Stock</b>	<b>27,53,579</b>	<b>2,30,946</b>
<b>Schedule "M" : Raw Material &amp; Stores Consumed</b>		
<b>Opening Stock</b>		
Raw Material	1,31,35,708	2,00,27,099
Stores & Spares	31,15,517	22,13,096
<b>Total</b>	<b>1,62,51,225</b>	<b>2,22,40,195</b>
<b>Add : Purchases</b>		
Raw Material	8,68,71,183	8,43,80,775
Stores & Spares	1,91,67,612	2,33,84,955
<b>Total</b>	<b>10,60,38,794</b>	<b>10,77,65,730</b>
<b>Less : Closing Stock</b>		
Raw Material	99,90,383	1,31,35,708
Stores & Spares	27,77,085	31,15,517
<b>Total</b>	<b>1,27,67,468</b>	<b>1,62,51,225</b>
<b>Raw Material &amp; Stores Consumed</b>	<b>10,95,22,551</b>	<b>11,37,54,700</b>
<b>Schedule "N" : Manufacturing Expenses</b>		
Outside labour charges	1,34,49,459	1,58,44,570
Electricity	1,32,85,199	1,22,68,941
Water charges	7,95,774	5,92,496
Repairs & Maintenance	24,31,467	32,75,407
Electric Material	1,09,940	81,286
Testing Fees	2,823	—
Hamali	4,615	—
<b>TOTAL</b>	<b>3,00,79,277</b>	<b>3,20,62,700</b>

**SCHEDULE "E"**  
**FIXED ASSETS SCHEDULE FOR THE YEAR 2005-2006 ( in Rs. )**

NO.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE	ADDITIONS	DELETION	TOTAL	UPTO 31-Mar-05	FOR THE YEAR	ADJUSTMENTS	TOTAL	As on 31.03.2006	As on 31.03.2005
1	LAND (lease hold)	86,84,062			86,84,062	1,02,520	89,814		1,92,334	84,91,728	85,81,542
2	LAND ( Free hold)	52,500			52,500					52,500	52,500
3	SITE DEVELOPMENT	21,98,328	1,00,92,619		1,22,90,947	60,58,939	15,13,005		75,71,944	1,22,90,947	21,98,328
4	BUILDING	3,80,08,425	1,03,78,309		4,83,86,734	60,58,939	15,13,005		75,71,944	4,08,14,790	3,19,49,486
5	PLANT AND MACHINERY	11,40,54,924	3,62,21,364	9,12,214	14,93,64,074	6,12,28,672	1,23,21,412	7,06,445	7,28,43,639	7,65,20,435	5,28,26,252
6	OFFICE EQUIPMENTS	18,47,515	2,47,638		20,95,153	5,44,828	94,174		6,39,002	14,56,151	13,02,687
7	TOOLS AND IMPLEMENTS	82,41,175	36,06,754		1,18,47,929	60,77,522	9,15,289		69,92,811	48,55,118	21,63,653
8	MATERIAL HANDLING EQUIP.	2,72,701	12,73,961		15,46,662	1,09,730	65,733		1,75,463	13,71,199	1,62,971
9	MISCELLANEOUS ASSETS	2,06,863	3,40,140		5,47,003	1,68,631	26,437		1,95,068	3,51,935	38,232
10	TECHNICAL KNOW HOW	52,44,590			52,44,590	44,69,400	5,42,291		50,11,691	2,32,899	7,75,190
11	ELECTRICAL INSTALLATION	46,91,317	67,01,392	52,087	1,13,40,622	21,61,295	6,79,008	5,306	28,34,997	85,05,625	25,30,022
12	FURNITURE	26,08,398	3,20,473		29,28,871	7,37,114	1,72,946		9,10,060	20,18,811	18,71,284
13	FIRE FIGHTING EQUIPMENTS	46,760	54,462		1,01,222	31,327	6,131		37,458	63,764	15,433
14	VEHICLE	78,21,153	18,98,236	16,09,668	81,09,721	15,24,292	6,92,444	2,90,335	19,26,401	61,83,320	62,96,861
15	COMPUTERS	16,06,210	12,23,371		28,29,581	11,70,927	3,48,217		15,19,144	13,10,437	4,35,283
16	ELECTRICAL FORKLIFT	3,23,154			3,23,154	46,472	33,414		79,886	2,43,268	2,76,682
17	EFFLUENT TREATMENT PLANT	23,89,432			23,89,432	64,980	1,26,162		1,91,142	21,98,290	23,24,452
	<b>TOTAL</b>	<b>19,82,97,507</b>	<b>7,23,58,719</b>	<b>25,73,969</b>	<b>26,80,82,257</b>	<b>8,44,96,649</b>	<b>1,76,26,477</b>	<b>10,02,086</b>	<b>10,11,21,040</b>	<b>16,69,61,217</b>	<b>11,38,00,858</b>
	Previous Year	15,57,11,561	4,27,54,846	1,68,900	19,82,97,507	7,04,51,912	1,41,07,446	62,708	8,44,96,649	11,38,00,858	—

PARTICULARS	31.03.2006	31.03.2005
<b>Schedule "O" : Provisions for and Payments to employees</b>		
Salary and Wages	2,53,99,648	2,42,72,870
Labour Welfare	4,94,092	2,93,824
Contribution to Provident Fund	14,26,254	13,15,250
Contribution to Group Gratuity Trust	3,63,400	2,87,715
<b>TOTAL</b>	<u>2,76,83,394</u>	<u>2,61,69,659</u>

**Schedule "P" : Administrative, Selling & Distribution Expenses**

Rent, Rates and Taxes	2,01,492	2,78,065
Security Expenses	78,750	
Insurance	6,80,643	3,30,930
Freight Outward	14,37,257	14,63,787
Legal & Consultation	9,79,830	7,11,125
Postage, Telephone	9,09,076	6,95,453
Business Expenses	5,45,604	3,98,629
Sales Promotion Expenses	2,12,80,317	2,18,99,144
Printing & Stationary	7,77,555	5,27,062
Vehicle & Conveyance Expenses	6,92,187	4,67,086
Other Expenses	19,99,155	14,31,930
Travelling Expenses	10,09,564	16,25,980
Sitting Fees	29,000	11,750
Advertisement	4,15,297	10,26,115
Audit Fees	1,21,000	65,000
Establishment Expenses	3,40,000	3,00,000
Loss on sale of Fixed Assets	6,16,368	68,392
Key Man Insurance		5,60,000
<b>TOTAL</b>	<u>3,21,13,095</u>	<u>3,18,60,448</u>

**Schedule "Q" : Cost of Finance**

Interest	1,20,14,945	65,41,769
Bank Commission & Other Charges	6,87,998	9,45,401
<b>TOTAL</b>	<u>1,27,02,943</u>	<u>74,87,170</u>

# Significant Accounting Policies

to the Consolidated  
Balance Sheet &  
Profit & Loss Account

## 1. Principles of consolidation.

a.) 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.

b.) 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.

c.) The investment in a subsidiary, at the time of acquisition of shares in the subsidiary is recognised in the financial statements as investments.

d.) 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.

e.) 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.

f.) The company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealised 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 associate's profit and loss account and through its reserves for the balance, based on available information.

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.

## 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 87.28%.

2. The Associate Company considered in the consolidated financial statement is MB Autocomponents Pvt. Ltd. proportion of ownership interest is 49%.

3. 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.

#### 4. MANAGERIAL REMUNERATION:

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

		CURRENT YEAR 4	PREVIOUS YEAR 3
1)	Salary	23,74,800	23,18,400
2)	Contribution to P.F	2,84,526	2,78,208
3)	Other Perquisites	31,12,631	18,37,040
4)	Remuneration	84,000	NIL
5)	Sitting Fees	29,000	11,750
	Total	58,84,957 =====	44,43,398 =====

#### 5. 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.

#### 6. SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17:

Not Applicable

#### 7. 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 Pvt. Ltd.	Purchase	8,00,965
		Sale	7,73,911
2.	MB Autocomponents Pvt. Ltd.	Sale	55,82,553
3.	MB Exports	Sale	6,29,78,367
4.	Mani Auto Components	Jobwork / tooling vendor	68,71,276
5.	Menon Pistons Ltd.	Purchase	2,94,619
6.	Karveer Investments Pvt. Ltd.	Interest received on loan	45,910
		Investment	5,20,000
7.	Sucheta Menon	Interest paid on loan	75,516
8.	R. D. Dixit	Interest paid on loan	52,818
9.	Ripin Engineering	Purchase of Machinery & Job Work	29,04,694

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.4 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 2005-06.

Menon & Menon Limited  
Menon Engineering Services.  
Menon Piston Rings Private Limited.

There are no write offs / write backs of any amount for any of the above parties during the year 2005-06

**8. LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19:**

Not applicable to the company since no new lease transactions took place during the year 2005-06

**9. EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20:**

The basic earning per share for the year 2005-2006 is Rs.3.03. 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.

#### 10. 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 and its subsidiary at appropriate places.

Particulars	Op. Bal.(1/4/05)	During the year	As on 31/3/06
Depreciation	(-) 76,48,790.00	(-) 30,91,989	(-) 1,07,40,779
Leave Encashment	Nil	(+)1,57,980	(+) 1,57,980
Preliminary Expenses	Nil	(-) 1,71,227	(-)1,71,227
Total	(-)76,48,790.00	(-)31,05,236	(-)1,07,54,026

#### 11. CONTINGENT LIABILITIES

1. Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2001. The liability in respect of pending assessments / appeals is unascertainable.

2. The Income Tax assessments are completed up to the Assessment Year 2003-2004. (relevant to Accounting year ended 31.03.2003). However, Company has preferred appeal against the assessment for A.Y.2001-02 & A.Y. 2003-04. Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.

3. UTI Bank Ltd. and the United Western bank Ltd. have issued guarantees on behalf of the company for Rs. 2.02 lacs ( Previous Year Rs. 1.03 Lacs ) and Letters of Credit from UTI Bank Ltd. for Rs 121.85 Lacs ( Previous Year Rs. 84.22 Lacs )

4. Under the Foreign Trade ( Development & Regulation ) Act, 1992, a notice for recovery of fiscal penalty of Rs. 25,03,720/- has been received by the company. As the company has preferred an appeal against the said notice, no provision has been made in the books of accounts.

**Statement Pursuant to section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Company for the Financial Year 2005-006**

Name of Subsidiary Company	Menon Alkop Private Limited
The financial year of the Subsidiary Company ended on	31 <sup>st</sup> March, 2006
Date from which, it became Subsidiary Company	29/03/2005
Number of shares held by Menon Bearings Limited	38,31,500 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	87.28 %
The net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Holding Company.	Loss Rs. 62,99,634/-
a) Not dealt with in the Holding Company's Account. 1) For the Financial year ended 31 <sup>st</sup> March, 2006 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 <sup>st</sup> March, 2006 2) For the Previous Financial years of the Subsidiary Company	Not applicable

**Details of Subsidiary Company**

Name of Subsidiary Company	Menon Alkop Private Ltd.
Capital	Rs. 4,39,00,000/-
Reserves	NIL
Total Assets	Rs. 14,08,86,727/-
Total Liabilities	Rs. 14,08,86,727/-
Details of Investments	Rs. 13,36,68,998/-
Total Income	Rs. 1,35,43,328/-
Profit Before Taxation ( Loss )	( Rs. 22,00,517 )
Provision for Taxation	Rs. 50,17,212/-
Profit After Taxation( Loss )	( Rs. 72,17,729/- )
Proposed Dividend	NIL