



## NOTICE TO THE MEMBERS

**NOTICE** is hereby given that the 24th Annual General Meeting of the members of REXNORD ELECTRONICS AND CONTROLS LIMITED will be held on Friday, September 28, 2012 at 11.00 A. M. at the registered office of the Company at 92-D, Govt. Industrial Estate, Charkop, Kandivli [West], Mumbai - 400 067 to transact, with or without modification(s) the following businesses:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2012 and the audited Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. Kishore Chand Talwar, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

### **SPECIAL BUSINESS:**

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

#### **4. ASAN ORDINARY RESOLUTION:**

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the Members be and is hereby accorded for re-appointment of MR. KISHORE CHAND TALWAR as Chairman & Managing Director of the Company for a period of 5 [Five] years w.e.f. April 1, 2012 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific powers be and is hereby given to the Board of Directors of the Company to decide his remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MR. KISHORE CHAND TALWAR so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above Resolution."

#### **5. ASAN ORDINARY RESOLUTION:**

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the Members be and is hereby accorded for re-appointment of MRS. NAINY K. TANNA as Wholetime Director of the Company for a period of 5 [Five] years w.e.f. April 1, 2012 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific powers be and is hereby given to the Board of Directors of the Company to decide her remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MRS. NAINY K. TANNA so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above Resolution."

By order of the Board  
**REXNORD ELECTRONICS AND CONTROLS LIMITED**

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai  
Dated: 1<sup>st</sup> September 2012

### **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 26/09/2012 to 28/09/2012 (both days inclusive).
3. Members desirous of seeking any information concerning the Accounts of the Company are requested to address their queries in writing to the Company at least seven days before the date of the meeting so that the requested information can be made available at the time of the meeting.
4. Members / Proxies are requested to please bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.
5. The shares of the Company are listed on Mumbai, Ahmedabad, Bangalore and Delhi Stock Exchanges.
- 6a. In view of Circular issued by the SEBI for appointing common agency for both the modes of transfers i.e. physical as well as Demat, the Company has already appointed M/s. BIG SHARE SERVICES PRIVATE LIMITED as Registrar & Transfer Agent for both the modes of transfer i.e. physical as well as Demat. Members are therefore requested to send their grievances to them for early disposal at the address given below.
- 6b. Members holding Shares in physical form are requested to notify immediately any change in their address with PIN CODE to the Registrar and Transfer Agent of the Company at the address given below AND in case their shares are held in Demat, this information should be passed on directly to their respective Depository Participants and not to the Company.

**M/s. BIG SHARE SERVICES PRIVATE LIMITED**  
[Unit: Rexnord Electronics and Controls Limited]  
E/2, Ansa Industrial Estate, Sakivihar Road,  
Saki Naka, Andheri [East], Mumbai - 400 072.  
Tel.: 022-28473747 / 3474  
E-mail: info@bigshareonline.com

7. All documents referred to in the Notice are open for inspection at the registered office of the Company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.



8. Members/Proxies holding their Shares in physical mode are requested to fill the enclosed attendance slip and handover the same at the entrance with signature. In the absence thereof, they may not be admitted to the meeting venue.
9. Members who are holding shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification at the meeting.
10. In all correspondence with the Company, members are requested to quote their Folio No. and in case their shares are held in Demat form, they must quote their Client ID and DP ID numbers.
11. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items No. 4-5 is annexed hereto.

#### LISTING REQUIREMENTS:

As required under Clause 49 (IV) [G] (i) of the Listing Agreement, given below are the details of the Director(s) who are seeking appointment/re-appointment/re-appointment as Managing or Wholetime directors (Resolution at Item Nos. 2, 4 & 5):

#### DIRECTOR SEEKING RE-APPOINTMENT / RE-APPOINTMENT AS CHAIRMAN & MANAGING DIRECTOR:

A. Name : MR. KISHORE CHAND. TALWAR  
Age : 59 [03.04.1953]  
Qualifications : B.A. [Diploma in Export Marketing]

Mr. Kishore Chand Talwar is associated with the Company since inception. He has an experience of over 35 years to his credit. He looks after overall affairs of the Company.

Other Directorships : NIL  
Committee Memberships  
Audit Committee Member : NIL  
Shareholders Grievance Committee Member : NIL  
Remuneration Committee Member : NIL  
Relationship with other directors  
Mr. Ayyaswami Sunderam : None  
Mrs. Nainy K. Tanna : Daughter  
Mr. Ram Sanahi : None  
No. of shares held in the Company : 18,52,000

#### DIRECTOR RE-APPOINTMENT AS WHOLE TIME DIRECTOR:

B. Name : Mrs. Nainy K. Tanna  
Age : 31 [24.09.1981]  
Qualifications : M. Com., MBA in marketing from NMIMS and Diploma in Export & Import

Mrs. Nainy K. Tanna is associated with the Company since August 01, 2001 as director of the Company. She has an experience of over 10 years to her credit. She looks after Finance, Import and Export related activities of the Company.

Other Directorships : NIL  
Committee Memberships  
Audit Committee Member : Rexnord Electronics and Controls Limited  
Shareholders Grievance Committee Member : Rexnord Electronics and Controls Limited  
Remuneration Committee Member : Rexnord Electronics and Controls Limited  
No. of shares held in the Company : 237200  
Relationship with other directors  
Mr. Kishore Chand Talwar : Father  
Mr. Ayyaswami Sunderam : None  
Mr. Ram Sanahi : None

By order of the Board

**REXNORD ELECTRONICS AND CONTROLS LIMITED**

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai

Dated: 1<sup>st</sup> September 2012



## EXPLANATORY STATEMENT U/S. 173 (2) OF THE COMPANIES ACT, 1956:

### Item No. 4

It is proposed to re-appoint Mr. Kishore Chand Talwar as Chairman & Managing Director for a period of 5 years w.e.f. April 01, 2012.

Mr. Kishore Chand Talwar is on the board of the Company since July 4, 1988 and looks after overall affairs of the Company. The terms of appointment have been cleared and approved by Remuneration Committee.

In the overall interest of the Company, your board recommends the resolution for approval of the members.

Mr. Kishore Chand Talwar is interested in the resolution as the same is for his own appointment. Mrs. Nainy K. Tanna is interested being close relative of Mr. Kishore Chand Talwar.

The above explanatory statement alongwith notice may be deemed to be an abstract under section 302 of the Companies Act, 1956.

### Item No. 5

It is proposed to re-appoint Mrs. Nainy K. Tanna as Wholetime Director for a period of 5 years w.e.f. April 01, 2012.

Mrs. Nainy K. Tanna is on the board of the Company since August 1, 2001 and looks after Finance, Import and Export related activities of the Company. The terms of appointment have been cleared and approved by Remuneration Committee.

In the overall interest of the Company, your board recommends the resolution for approval of the members.

Mrs. Nainy K. Tanna is interested in the resolution as the same is for her own appointment. Mr. Kishore Chand Talwar is interested being close relative of Mrs. Nainy K. Tanna.

The above explanatory statement alongwith notice may be deemed to be an abstract under section 302 of the Companies Act, 1956.



## DIRECTORS' REPORT

To,  
THE SHAREHOLDERS,

Your Directors have great pleasure in presenting their 24th Annual Report together with the audited accounts for the year ended March 31, 2012.

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Total revenue	272661972.80	276354766.80
Profit before depreciation and amortization	18765807.58	15589413.75
Depreciation and amortization	6095271.39	5537336.62
Profit before tax	12670536.19	10052077.13
Tax expense	4556846.29	3248761.83
Net Profit after tax	8113689.90	6803315.30
Balance brought forward	17646364.76	10843049.46
Balance carried forward	25760054.66	17646364.76

### OPERATIONS:

Total revenue of your company, during the year under review, remained at ₹ 272661972.80 as against the total revenue of ₹ 276354766.80 in the previous year. Your company has been able to earn net profit after tax of ₹ 8113689.90 for the year as against the net profit after tax of ₹ 6803315.30 in the previous year.

The extremely challenging and prevailing recessionary economic conditions leading to slowdown in demand and inflation compounded by weak rupee pushed up the scale of manufacturing and finance cost resulting in an adverse environment for overall performance in 2011-12. Directors are pleased to inform that despite difficult times, your company based on its core strengths and sincere efforts of all the Rexnord team members, has resulted in sustainable performance. The board expects better results for the current year.

### DIVIDEND:

To consolidate the financial position of the Company, the Board does not propose any dividend for the year ended March 31, 2012.

### RESEARCH & DEVELOPMENT:

The R&D department of the Company has been arduously working to provide quality and value for money to the customer in keeping with market trends.

### ISO CERTIFICATION:

The Company's products were awarded as DIN EN ISO 9001:2008 Certification.

### FIXED DEPOSITS:

Your Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 from the public and the rules made there under.

### BOARD OF DIRECTORS:

As per the provisions of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Mr. Kishore Chand Talwar retires by rotation and being eligible offer himself for reappointment.

As terms of appointment of Mr. Kishore Chand Talwar as Chairman & Managing Director and Mrs. Nainy K. Tanna as Wholtime Director expired, it is proposed to re-appoint them. Necessary resolutions are placed for member's approval.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

An analysis of the Company's performance is discussed in the Management Discussion and Analysis Report which forms part of this Directors Report.

### CORPORATE GOVERNANCE:

Your Company fully subscribes to the standards set out by the Securities And Exchange Board of India's Corporate Governance practices and has ensured compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchange. A separate report on Corporate Governance together with Auditors' Certificate on its compliance is included in this Annual Report.

### DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- appropriate policies have been selected and applied consistently and judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for that year;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

### CODE OF CONDUCT:

The Company is committed to conduct its business in accordance with the applicable laws, rules and regulations and highest standards of business ethics. In recognition thereof, the Board of directors has implemented a Code of Conduct for adherence by the Directors and Senior Management Personnel of the Company. This will help in dealing with ethical issues and also foster a culture of accountability and integrity.

### AUDITORS:

M/s. R. S. Agrawal & Associates, Chartered Accountants, auditors of the Company are retiring at the ensuing Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to act as auditors, if re-appointed. The Company has received a certificate from them that they are qualified under section 224 (1) of the Companies Act, 1956, for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2013 as set out in the Notice convening the Meeting.

### AUDITORS' OBSERVATIONS:

As pointed out by the Statutory Auditors, the board hereby clarifies as under:

- The Company is looking for professional directors to appoint them as directors to compose the remuneration committee in conformity of requirement of Schedule XIII of the Companies Act, 1956.
- The income tax dues have not been paid on account of disputes pending with respective authorities for granting the credit of TDS.
- The Company had applied for additional term loan for the investment already made by the Company out of its short term funds on setting up a factory at Village Devdal, Kaman Taluka Vasai, Thane and is expected to be sanctioned by the bankers which shall increase the long term funds of the Company.



Other observations of the auditors contained in their report have been adequately dealt with in the notes to the financial statements which are self-explanatory and, therefore, do not call for any further comments.

**AUDIT COMMITTEE:**

In accordance with the provisions of the Companies Act, 1956 and Listing Agreement the Company has constituted an Audit Committee. The Audit Committee acts in accordance with the terms of reference specified from time to time by the Board.

**DEPOSITORY SERVICES:**

The Company's Equity Shares have been admitted to the depository mechanism of the National Securities Depository Limited (NSDL) and also the Central Depository Services Limited (CDSL). As a result the investors have an option to hold the shares of the Company in a dematerialised form in either of the two Depositories. The Company has been allotted ISIN No. INE687C01012.

Shareholders' therefore are requested to take full benefit of the same and lodge their holdings with Depository Participants [DPs] with whom they have their Demat Accounts for getting their holdings in electronic form.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:**

The information pursuant to section 217 (I) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are given as under.

Efficient use of energy in all form has been a consistent corporate trust in the Company. Better maintenance of equipments, improved operating practice and installation of most modern machinery has resulted in lot of saving in energy cost and consumption of raw materials.

**A. CONSERVATION OF ENERGY:**

The Company is consistently doing research in the field of saving energy by implementing new cost-effective ideas. Form for disclosure of particulars with respect of Consumption of Energy is enclosed herewith.

	Unit	Current Year	Previous Year
a. Power & Fuel Consumption			
Electricity - Purchased			
Unit (KWH)	Units	822545	817659
Total Amount	In ₹	6633486*	5794558*
Average Rate	₹ per unit	8.06	7.09
*includes power charges ₹ 66,33,486/- (57,94,558/-) for 8,22,545 Units (8,17,659 Units) for processing of goods directly paid by the Company.			
b. Consumption per unit of production			
Electricity (KWH)			
Instrument Cooling			
Fans/Motors AC	Units/Thousand	788	752
Instrument Cooling Fans DC	Units/Thousand	197	188

**B. TECHNOLOGY ABSORPTION:**

a) Research & Development

The Research & Development department of the Company has been arduously working to provide quality and value for money to the customer in keeping with market trends. Research and Development is being carried out in the following areas.

- Making design modifications in the products so as to simplify the manufacturing process and enhance productivity.
- Developing Jigs, Fixtures and devices to increase productivity.
- Improvements to tool design.
- Up gradation of machines.
- Design and development of special machines required for increasing capacity.
- Development of equipment required for testing product reliability at various stages.

b) Technology absorption, adaptation and innovation.

Technology for the manufacture of Instrument Cooling Fans of various sizes has been successfully absorbed.

**C. FOREIGN EXCHANGE EARNED AND USED:**

The particulars regarding foreign exchange earnings and expenditure appear at note nos. 36, 37 and 40 in the notes to the financial statements.

**PARTICULARS OF EMPLOYEES:**

None of the employees of the Company came within the purview of the information required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended.

**LISTING:**

Shares of the Company are listed at the Stock Exchanges at Mumbai, Ahmadabad, Bangalore and Delhi. The Company has not paid the listing fees for Ahmadabad, Bangalore and Delhi Stock Exchanges since the Company is in process of getting the equity shares delisted from these stock exchanges.

**SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION:**

The Company has taken all the necessary steps for safety and environmental control and protection at the plant.

**ACKNOWLEDGMENT:**

The Directors wish to convey their appreciation to the Company's shareholders, customers, suppliers, bankers and distributors for the support they have given to the Company and the confidence, which they have reposed in its management and the employees for the commitment and dedication shown by them.

For and on behalf of the Board  
**REXNORD ELECTRONICS AND CONTROLS LIMITED**

**Kishore Chand Talwar**  
 Chairman & Managing Director

Place: Mumbai  
 Dated: 1<sup>st</sup> September 2012





## ANNEXURE TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE & DEVELOPMENT:

The main business of the Company is manufacturing and sale of instrument cooling fans and shaded pole motors used for industrial purposes. The industry is directly related to the growth of the user industry in which the products find applications. The instrument cooling fans and shaded pole motors are mainly used in the computer hardware equipments, power supply equipments, textile machines, refrigeration industry, injection molding machines, photocopying machines etc.

### OPPORTUNITIES, THREATS, OUTLOOK, RISKS AND CONCERNS:

In spite of continuance of global recessionary trends during the year under review, your Company could not be much affected due to quality of its products.

The Company is experiencing pressure on margins due to immense competition from international competitors. However the Company is confident of adequately protecting its plans from the competition.

There is also pressure from rising cost of manufacturing of the products like manpower costs, processing charges etc. These are risks and matter of concern and may affect the profitability of the Company.

The general outlook with respect to this industry in India is of caution under immense competitive pressure. However the intrinsic strength of your Company has helped us to effectively overcome such pressure and the sales therefore should register a modest but definite growth.

The Company is regularly investing in modernization and up-gradation of its production facilities which poised the Company to take maximum advantage of demand of its products. During the year under review the Company has set up a factory at village Devadal, Kaman, Taluka Vasai, Thane to bring all the manufacturing facilities under one roof.

The company has also aimed at increasing the profitability by introducing higher revenue generating products and also aimed at catering to a broad line of products & services by adding on the metal blade series in the product range.

The Company's operations are predominantly comprises of only one business segment -Instrument Cooling Fans/ Motors.

### EXPORTS:

The Company is holding DIN EN ISO 9001:2008 Certificate by TUV NORD CERT GmbH for its quality systems which reflects your Company's continuous commitment towards quality & standards. During the year under review your Company achieved export turnover of around 17.58% of total sales as against the export turnover of around 13.84% of the total sales in the previous year. The Company is putting its best efforts to increase the export. The Company is consolidating its resources to build a market presence in the international arena.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Internal Control Systems are designed to ensure the reliability of financial and

other record and accountability of executive action to the management's authorization. The internal control systems are reviewed by the top management and by the audit committee of the board and proper follow up action is ensured wherever required. Regular audit committee meetings are held where statutory auditors as well as internal auditors participate and internal audit reports are discussed and reviewed.

The Statutory auditors have evaluated the system and procedures of internal controls of the Company and have reported the adequacy of the same. The internal audit functions of the Company are carried out by a firm of chartered accountants.

### FINANCIAL AND OPERATIONAL PERFORMANCE:

During the year under review, the Company has achieved total revenue of ₹ 272661972.80 as against total revenue of ₹ 276354766.80 in the previous year. The Company has earned profit before tax of ₹ 12670536.19 during the year as against the profit before tax of ₹ 10052077.13 in the previous year.

The challenges described above could not affect the Company much and your Company was able to register net profit of ₹ 8113689.90 as against net profit of ₹ 6803315.30 in spite of global recessionary trends. During the current financial year, the Company is working for increasing the top line and bottom line.

### HUMAN RESOURCES:

Development of skills and updating of knowledge are essential for continues growth of any organization. Your Company considers human resources as a key asset. Therefore, your Company not only implemented many in house training programs but also sent selected employees to suitable outside programs to keep them abreast of the latest developments in the industry and economy.

To establish direct link between performance and reward, your Company has been steadily increasing the weightage of actual performance in remuneration packages.

The Company has, under its employment 22 officers and other staff.

### CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations, estimates or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement due to external factors. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in Government regulations, tax laws, economic developments within the country and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis, of any subsequent developments, events or information.

## REPORT ON CORPORATE GOVERNANCE

### A) MANDATORY REQUIREMENTS

#### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency and fairness in all its transactions in the widest sense and meet its stakeholder's aspirations and social expectations. Good Corporate Governance practices stem from the culture and mindset of the organization and at Rexnord we are committed to meet the aspirations of all our stakeholders.

Rexnord Electronics and Controls Limited [Rexnord] is committed to adhere to the corporate governance code as prescribed by the SEBI and has accordingly

implemented various aspects of the code.

Rexnord maintains the highest standards of Corporate Governance; it is the Company's constant endeavor to adopt the best Corporate Governance practices keeping in view the prevailing codes of Corporate Governance and practices of well-known companies.

As Rexnord aspires to achieve its vision, its Corporate Governance standards must be globally benchmarked. The Company's philosophy is to constantly improve and create sustainable value through ethical business conduct. It envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations and all its interactions with shareholders, employees, lenders and regulatory bodies.



The corporate governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the board of directors, the senior management, employees, etc. The Company's focus revolves around values based on transparency, integrity and professionalism.

## 2. BOARD OF DIRECTORS:

The Company presently has four directors. Two of the directors are executive directors and the other two are non executive directors. The Executive directors are comprised of the Chairman & Managing Director and a Wholetime Director. The two non executive directors are independent directors and professionals with expertise and experience in general corporate management, finance and other allied fields.

As per clause 49 of the Listing Agreement, if the Chairman is an Executive Chairman at least half of the board should comprise of non executive and independent directors. The composition of Board of directors is in compliance of the requirement of the Listing Agreement.

Composition of the Board of Directors has a healthy mix of Executive & Non Executive Directors and ensures the desired level of independence, functioning and decision making.

The details of composition of the Board, Category, attendance of directors at board meetings and last Annual General Meeting, number of other directorships and other committee memberships are given below:

Name of Director	Designation	Category	No. of Board Meeting attended	Attendance at last AGM	No. of other companies in which directorships is held		No. of outside committee position held	
					Public	Private	Mem.	Chmn
Mr. K. C. Talwar	CMD	Executive	8	YES	--	--	--	--
Mrs. Nainy K. Tanna	WTD	Executive	8	YES	--	--	--	--
Mr. Ram Sanahi	Director	Non Executive and Independent	8	NO	--	--	--	--
Mr. Ayyaswami Sundaram	Director	Non Executive and Independent	8	YES	--	1	--	--

CMD stands for Chairman & Managing Director.

WTD stands for Wholetime Director

During the financial year ended March 31, 2012, 08 [Eight] board meetings were held on 04/05/2011, 30/06/2011, 13/08/2011, 31/08/2011, 10/11/2011, 10/01/2012, 30/01/2012 and 14/02/2012.

## INFORMATION SUPPLIED TO BOARD:

Among others, this includes:

- Review of annual operating plans of business, capital budgets and updates.
- Quarterly results of the Company and its operating units
- Minutes of meeting of audit committee and other committees.
- Information on recruitment and remuneration of senior officers just below the board level.
- General notices of interests.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problem.
- Any material default in financial obligations to and by the Company. Any issue which involves possible public or product liability claims of a substantial nature.
- Details of any joint venture of collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant development in the human resource and industrial relations fronts.
- Sale of material nature of investments and assets which is not in the normal course of business.

- Foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

The Board is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda of board meeting or are placed during the course of the meeting.

As mandated by the revised Clause 49, the independent directors on the board of the Company:

- apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates that may affect independence of the director;
- are not related to promoters or persons occupying management positions at the board level or at one level below the board;
- have not been an executive of the Company in the immediately preceding three financial years;
- are not partners or executives or were not partners or executives during the preceding three financial years of any of the following;
  - Statutory audit firm or the internal audit firm that is associated with the Company; and
  - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- are not material suppliers, services providers or customers or lessors or lessees of the Company, which may affect their independence;
- are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

## 3. COMMITTEES OF BOARD:

To focus effectively on the issues and ensure expedient resolution of the diverse matters, the Board has constituted a set of committees of directors with specific terms of reference / scope. The committee operates as empowered agents of the board. The inputs and details required for the decision is provided by the operating managers. The Minutes of the Meeting of the all Committees of the board are placed before the board for discussions / noting.

Details of the committee of the board and other related information are as follows:

### 3.1 AUDIT COMMITTEE:

The Company has a qualified and independent Audit Committee comprising of three Directors. Two members of the committee are independent and non executive directors and one member is an executive director. All the members have financial and accounting knowledge and have related financial management expertise. The broad terms of reference of the Audit Committee are in consonance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Committee acts as a link between the Management, the Internal Auditors, the Statutory Auditors and the Board of Directors of the Company. The Committee focus its attention on monitoring the financial reporting system within the Company, considering quarterly & Annual Financial Results of the Company and submitting its observations to the Board of Directors before its adoption by the Board, review of internal control system, audit methodology and process, major accounting policies and practice, compliance with accounting standards. Committee also reviews the legal compliance reporting system.



The Senior Manager – Finance of the Company and the representative of the internal and statutory auditors is always invited to attend these meetings.

The role of Audit Committee includes the following:

- To investigate into any matter referred to it by the Board and for that purpose to have full access to the information contained in the records of the Company and external professional advice, if necessary.
- To investigate any activity within its terms of reference.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To recommend the board the appointment, reappointment and if required replacement of statutory auditors and fixation of audit fee and also approval for payment of any other services.
- Reviewing with management the annual and quarterly financial statements before submission to the Board.
- Reviewing with management, performance of statutory and internal auditors, and the adequacy of internal control systems.
- To recommend the board the appointment, removal and terms of remuneration of internal auditors and review of adequacy of internal audit function.
- Discussion with internal auditors any significant finding and follow up thereon.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any areas of concern.

There were 5 [five] meetings of the committee during the year. The names of member of committee and their attendance are as follows:

Name of the Members	Status	No. of Meetings attended
Mr. Ayyaswami Sundram	Chairman	5
Mr. Ram Sanehi	Member	5
Mrs. Nainy K. Tanna	Member	5

The Company has appointed a whole time Company Secretary to act as Secretary to the Committee.

### 3.2.REMUNERATION & REMUNERATION COMMITTEE:

The Company has set up a Remuneration Committee as required under the provisions of the Companies Act, 1956 and all matters relating to review and approval of compensation payable to the executive and non executive directors are considered by the Remuneration Committee and necessary recommendations are made by the Committee to the Board for the approval within the overall limits approved by the Members and as per Schedule XIII to the Companies Act, 1956.

The Company pays remuneration to its Chairman & Managing Director and its Wholetime Directors by way of Salary, perquisites and allowances. Salary is paid within the range as approved by the Shareholders and as per Schedule XIII to the Companies Act, 1956. The Board approves all the revisions in salary, perquisites and allowances subject to the overall ceiling prescribed by Section 198 and 309 of the Companies Act, 1956.

The names of member of committee and their attendance are as follows:

Name of the Members	Status	No. of Meetings attended
Mr. Ayyaswami Sundram	Chairman	1
Mr. Ram Sanehi	Member	1
Mrs. Nainy K. Tanna	Member	1

The details of remuneration paid to executive directors during the financial year 2011-12 are given below:

Particulars	Mr. Kishore Chand Talwar	Mrs. Nainy K. Tanna
Salary (₹)	3,00,000/-	3,00,000/-
Allowances & Perquisites (₹)	11,64,000/-	11,64,000/-
Bonus	Nil	Nil
Pension	Nil	Nil
Fixed Components:		
Contribution to Provident Fund (₹)	36,000/-	36,000/-
Performance linked Incentive	Nil	Nil
Commission	Nil	Nil
Service Contract	5 Years	5 Years
Severance Fees	Nil	Nil
Stock Options	Nil	Nil
<b>Total (₹)</b>	<b>15,00,000/-</b>	<b>15,00,000/-</b>

The details of remuneration paid to non executive directors during the financial year 2011-2012 are given below:

Particulars	Mr. Ram Sanehi	Mr. Ayyaswami Sundram
Sitting Fees (₹)	40,000/-	40,000/-
Shareholding in the Company	----	----

### 3.3.SHAREHOLDERS GRIEVANCE COMMITTEE:

The Company has constituted a Shareholders Grievance Committee at board level to strengthen the investor relations and to inter-alia look into issues relating to shareholders grievances pertaining to transfer of shares, non receipt of declared dividends, non receipt of annual report, issues concerning dematerialization etc. The Shareholders Grievance Committee met 5 [five] times during the year ended March 31, 2012.

The composition of the Shareholders Grievance Committee and details of the meetings attended by the Directors are given below:

Name of the Members	Status	No. of Meetings attended
Mr. Ayyaswami Sundram	Chairman	5
Mr. Ram Sanehi	Member	5
Mrs. Nainy K. Tanna	Member	5

Mr. Anand Patkar, Senior Manager – Finance is the compliance officer and attended all the meetings of the Shareholders' Grievances Committee held during the year ended March 31, 2012.





**Details of Investors Complaints received during the year:**

Sr. No.	Nature of Complaints	Received	Disposed	Pending
1.	Non Receipt of Share Certificates after transfer	1	1	Nil
2.	Others	3	3	Nil
	<b>Total</b>	<b>4</b>	<b>4</b>	

There were no shares pending for transfer as on 31<sup>st</sup> March 2012.

**4. GENERAL BODY MEETINGS:**

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
31.03.2011	30.09.2011	11.00 A.M.	Registered Office
31.03.2010	30.09.2010	11.00 A.M.	--As above--
31.03.2009	26.09.2009	1.00 P.M.	--As above--

All the matters as set out in the respective notices were passed by the shareholders. No special resolution was required to be put through postal ballot at last Annual General Meeting nor is proposed for ensuing Annual General Meeting.

**5. DISCLOSURES:**

- (I) During the year, the Company did not enter into any materially significant related party transactions with its promoters, directors, management or their relatives etc. that may have a potential conflict with the interests of the Company at large. However the related party transactions are disclosed in note nos. 32 of notes to the financial statements.
- (ii) No funds have been raised through issue of equity or debt in the form of public or rights or preferential issues during the year under review.
- (iii) A brief resume, nature of expertise in specific functional areas, names of companies in which the person already hold directorship and membership of committees of the Board and his shareholding in the Company forms part of the notice of the Annual General Meeting, annexed to this Annual Report for the directors seeking appointment/ reappointment.
- (iv) The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authority on all matters relating to capital markets during the last three years. No penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any other statutory authority on any matter related to capital market during last three years.
- (v) Though there is no formal Whistle Blower Policy, the Company takes cognizance of complainants and suggestions made by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employees of the Company have been denied access to the Audit Committee of the Board of Directors of the Company.
- (vi) The financial statements of the Company are qualified. It is always the Company's endeavor to present unqualified financial statements and Company is moving towards a regime of unqualified financial statements.
- (vii) The Company has a periodic review and reports to the Board of Directors of the Company of risk assessment by senior executives with a view to minimize risk.
- (viii) Certificate from Mr. Kishore Chand Talwar, Managing Director in terms of clause 49 (V) of the listing agreements with the stock exchanges for the financial year ended 31st March 2012 was placed before the board of directors of the Company in its meeting held on 1<sup>st</sup> September 2012.

**6. MEANS OF COMMUNICATION**

- (i) Quarterly results are submitted to the Bombay Stock Exchange.
- (ii) All items required to be covered in the Management Discussion and Analysis has been included in the Annexure to the Directors' Report.
- (iii) No formal presentations were made to the institutional investors and analysts during the year under review.
- (iv) The Company has its own website i.e. www.rexnordindia.com and all the vital information relating to the Company and its products are displayed on the web site.

**7. GENERAL SHAREHOLDERS INFORMATION:**

**7.1. ANNUAL GENERAL MEETING :** 24th Annual General Meeting.  
**DAY & DATE :** Friday, September 28, 2012.  
**TIME :** 11.00 A.M.  
**VENUE :** Registered Office.

**7.2. FINANCIAL CALENDAR:**

- \* Financial reporting for the quarter ended June 30, 2012 : Mid of Aug., 2012
- \* Financial reporting for the quarter ended Sept.30, 2012 : Mid of Nov., 2012
- \* Financial reporting for the quarter ended Dec. 31, 2012 : Mid of Feb., 2013
- \* Financial reporting for the year ended March 31, 2013 : Mid of May, 2013
- \* Annual General Meeting for the year ended March 31, 2013 : End of Sep., 2013

**7.3. DATE OF BOOK CLOSURE:** 26/09/2012 TO 28/09/2012  
 [Both days inclusive].

**7.4. LISTING:**

- The Stock Exchange, Mumbai.
- The Stock Exchange, Ahmedabad.
- The Stock Exchange, Bangalore.
- The Stock Exchange, Delhi.

**7.5. STOCK CODE OF THE COMPANY : The Stock Exchange, Mumbai**

- Scrip Name : Rexnord Electronics and Controls Ltd.
- Scrip Code : 531888.
- Electronic Mode : INE687C01012

**7.6 STOCK PRICES DATA & PERFORMANCE IN COMPARISON TO BSE SENSEX: [AS OBTAINED FROM BSE WEBSITE]**

Month	Company's Share		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April, 2011	10.20	6.86	19,811.14	18,976.19
May, 2011	10.50	8.55	19,253.87	17,786.13
June, 2011	10.79	8.00	18,873.39	17,314.38
July, 2011	11.24	8.35	19,131.70	18,131.86
August, 2011	10.59	8.26	18,440.07	15,765.53
Sept., 2011	10.10	8.92	17,211.80	15,801.01
October, 2011	10.80	8.66	17,908.13	15,745.43
November, 2011	10.54	8.67	17,702.26	15,478.69
December, 2011	9.60	7.80	17,003.71	15,135.86
January, 2012	10.99	7.91	17,258.97	15,358.02
February, 2012	10.80	7.18	18,523.78	17,061.55
March, 2012	8.50	7.00	18,040.69	16,920.61



**7.7. REGISTRAR & TRANSFER AGENTS UNDER PHYSICAL AND DEMAT MODE:**

M/S. Big Share Services Private Limited,  
[Unit: Rexnord Electronics And Controls Limited], E/2, Ansha Industrial Estate, Sakivihar Road, Saki Naka, Andheri [East], Mumbai - 400 072.

**7.8. SHARE TRANSFER SYSTEM:**

Share transfer requests are received at the registered office of the Company as well as directly at RTA's office. RTA does the verification and processing of documents. In order to comply with the requirements of SEBI's circular Nos. SMD/POLICY/CIR-10/02 dated May 7, 2002 to effect transfer of shares within one month, the RTA has been authorized to process, approve and effect transfer of shares on behalf of the Company at fortnightly intervals. The share certificates duly endorsed for transfer are returned to shareholders within stipulated time of 30 days.

The turnaround time for completion of transfer of shares in physical mode is generally 15 days, if the documents are clear in all respects.

**7.9. COMPLIANCE OFFICER:**

Mr. Anand Patkar, Senior Manager - Finance

**7.10. DEPOSITORY CONNECTIVITY: NSDL and CDSL.**

**7.11. ISIN NO. FOR THE COMPANY'S SECURITY: INE687C01012.**

**7.12. SHAREHOLDING PATTERN AS ON 31ST MARCH, 2012:**

Category	No. of shares held	% of shareholding
Promoters & Promoter Group	29,75,771	45.91
Mutual Funds /UTI	NIL	NIL
Financial Institutions / Banks	2,000	0.03
Bodies Corporate	1,40,522	2.17
Indian Public	30,50,907	47.07
NRI / OCBs	3,12,000	4.82
<b>Total</b>	<b>64,81,200</b>	<b>100.00</b>

**7.13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012:**

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Equity Capital
Upto 500	3866	6,32,258	9.76
501-1000	344	2,98,622	4.61
1001-2000	144	2,27,717	3.51
2001-3000	68	1,77,014	2.73
3001-4000	25	90,327	1.39
4001-5000	19	91,348	1.41
5001-10000	28	1,91,318	2.95
10001 & above	42	47,72,596	73.64
<b>Total</b>	<b>4536</b>	<b>64,81,200</b>	<b>100.00</b>

**7.14. DEMATERIALISATION OF SHARES:**

As on March 31<sup>st</sup>, 2012, 54,13,480 shares representing 83.53% of total equity shares were held in dematerialised form with NSDL and CDSL.

Member can hold shares in electronic forms and trade the same in Depository System. However, they may hold the same in physical form also.

**7.15 OUTSTANDING GDRs/ ADRs/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS:**

The Company has not issued any GDRs / ADRs / Warrants or any other convertible instruments.

**7.16. WORKS:**

- (i) Plot Survey No. 62, 74 & 75 Village –Devadal, Kaman Taluka Vasai, Thane  
(ii) Unit No. 12-15, Sarswati Building, Tungareshwar Industrial Estate, Sativali, Vasai (East), Thane

**7.17. ADDRESS FOR CORRESPONDENCE:**

REXNORD ELECTRONICS AND CONTROLS LIMITED  
92-D, Govt. Industrial Estate, Charkop, Kandivli [West], Mumbai - 400 067.  
Telephone Nos: 2868 3087 / 2868 4715

**7.18. COMPLIANCE:**

A certificate has been obtained from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance and is attached to this report.

**8. CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT:**

The board of directors has laid down the Code of Conduct for all the board members and members of senior management of the Company. Certificate from the Managing Director affirming compliance of the said code by all the board members and members of senior management of the Company to whom the code is applicable is annexed separately to this report.

**9. STEPS FOR PREVENTION OF INSIDE TRADING**

In compliance of the SEBI (Prevention of insider Trading) Regulations as amended in 2002, the Company has issued a comprehensive guidelines advising and cautioning management, staff and other relevant business associates on the procedure to be followed while dealing in equity shares of Company and disclosure requirements in this regard. Company believes that "The Code of Internal Procedure and Conduct" and "The Code of Corporate Disclosures Policies" framed by it in this regard will help in ensuring compliance of the amended SEBI regulations.

**B) NON-MANDATORY REQUIREMENTS**

**1. CHAIRMAN OF THE BOARD:**

The Company has an Executive Chairman and hence the requirement pertaining to reimbursement of expenses to a non-executive chairman does not arise.

**2. REMUNERATION COMMITTEE:**

Please refer item no. 3.2 under Mandatory Requirements.

**3. SHAREHOLDERS RIGHTS:**

The Company furnishes the quarterly and half yearly results on receipt of a request from the shareholders.

**4. POSTAL BALLOT:**

The provision relating to Postal Ballot will be complied with in respect of matters, wherever applicable.

**5. TRAINING OF BOARD MEMBERS:**

Directors are fully briefed about all business related matters risks assessment market conditions of the product manufactured by the Company, competition and new initiative proposed by the Company.

For and on Behalf of the Board

**REXNORD ELECTRONICS AND CONTROLS LIMITED**

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai.

Dated : 1<sup>st</sup> September 2012



## ANNEXURE TO CORPORATE GOVERNANCE REPORT

### Declaration regarding affirmation of Code of Conduct

In terms of the requirements of the amended clause 49 I (D) (ii) of the listing agreement, this is to confirm that all the members of the Board and the senior managerial personnel have affirmed compliance with the code of conduct for the year ended 31<sup>st</sup> March 2012.

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai

Dated: 1<sup>st</sup> September 2012

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

The Board of Directors  
Rexnord Electronics and Controls Limited  
92-D, Govt. Industrial Estate,  
Charkop, Kandivli (West),  
Mumbai – 400 067

- I, the undersigned, in my capacity as Chief Executive Officer of **Rexnord Electronics and Controls Limited** ("the Company"), to the best of my knowledge and belief certify that:
- a. I have reviewed the financial statements and the cash flow statement of the Company for the year ended March 31, 2012 and that to the best of my knowledge and belief:
    - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
    - (ii) these statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
  - b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
  - c. I accept the responsibility for establishing and maintaining internal controls and I have evaluated the effectiveness of the internal control systems of the

Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps taken or propose to take to rectify these deficiencies.

- d. I have indicated, based on my most recent evaluation, wherever applicable, to the Auditors and the Audit committee
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**Kishore Chand Talwar**  
Managing Director

Place : Mumbai.

Dated: 1<sup>st</sup> September 2012



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
**The Members**  
**REXNORD ELECTRONICS AND CONTROLS LIMITED,**

We have examined the compliance of conditions of Corporate Governance by REXNORD ELECTRONICS AND CONTROLS LIMITED ('the Company') for the year ended on 31<sup>st</sup> March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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 the 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 and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

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.

For and on behalf of  
**R. S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 100156W

**O. P. Agrawal**  
Partner  
M. No. 045862

Place : Mumbai

Dated: 1<sup>st</sup> September 2012

## AUDITORS' REPORT

To  
**The Members**  
**REXNORD ELECTRONICS AND CONTROLS LIMITED**

- 1) We have audited the attached Balance Sheet of REXNORD ELECTRONICS AND CONTROLS LIMITED ('the Company') as at 31<sup>st</sup> March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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.
- 2) 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 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.
- 3) As required by the Companies (Auditors' Report) Order 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we give in the Annexure a statement on the matters specified in the paragraph 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Act;
- e) based on the representations made by the directors of the Company and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as at 31<sup>st</sup> March 2012 from being appointed as director in terms of clause (g) of sub section (1) of Section 274 of the Act;
- f) *Attention of the members is invited that the composition of the remuneration committee is not in conformity with the requirements of Schedule XIII to the Companies Act, 1956;*
- g) *Subject to the foregoing*, 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 notes to the financial statements, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012;
  - ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
**R.S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 100156W

**O. P. Agrawal**  
Partner  
M. No. 045862

Place : Mumbai

Dated : 1<sup>st</sup> September 2012

## ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED IN PARAGRAPH (3) OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF REXNORD ELECTRONICS AND CONTROLS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012 ON THE BASIS OF SUCH CHECKS/TEST CHECKS AS WE CONSIDER APPROPRIATE AND IN TERMS OF THE INFORMATION AND EXPLANATIONS GIVEN TO US, WE STATE THAT: -

- (i) (a) the Company has maintained records, showing particulars including quantitative details and situation of its fixed assets;
- (b) as explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. We were informed that no material discrepancy have been noticed by the management on such verification as compared to the aforesaid records of fixed assets; and



- (c) there was no substantial disposal of fixed assets during the year.
- (ii) (a) as certified by the management, physical verification of inventory was conducted by the management at the close of the year;
- (b) the procedures, as explained to us, of physical verification of inventories followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business; and
- (c) the Company is maintaining records of inventory. As certified by the management, there were no material discrepancies noticed on physical verification of inventories as compared to book records and the same have been properly dealt with in the books of account.
- (iii)(a) the Company has, during the year, not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act;
- (b) as the Company has not granted any loans, therefore, the provisions of sub clauses (b), (c) and (d) of the clause 4 (iii) of the Companies (Auditors' Report) Order 2003 are not applicable to the Company;
- (c) the Company has taken interest free unsecured loan from one party covered in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the year was ₹ 1500000.00 and balance of loan taken from such party at the end of the year was ₹ 500000.00;
- (d) the terms and conditions of the aforesaid interest free unsecured loan taken were prima facie not prejudicial to the interest of the Company; and
- (e) since the aforesaid loan, as informed, is repayable on demand, payment of principal amount of the same is considered to be regular.
- (iv) in our opinion there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, no major weakness in internal control, has been noticed
- (v) (a) in our opinion, 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) in our opinion and according to information and explanation given to us, there were no transactions made in pursuance of the contracts or arrangements entered in the register required to be maintained under section 301 of the Act, exceeding the value of ₹ 500000.00 in respect of any party during the year.
- (vi) as explained to us, the Company has not accepted any deposit from public.
- (vii) in our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company, as also certified by the Cost Accountants, has maintained the cost accounting records pursuant to rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Act. We have broadly reviewed such records and are of the opinion that prima facie such accounts and records have been made and maintained. However we have not carried out detailed examination of the same.
- (ix) (a) on the basis of books and records examined by us, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance (ESI), Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a delay in few cases*. There are no arrears of undisputed statutory dues as at the last day of financial year concerned, outstanding for a period of more than six months from the date they became payable except Interest on Excise ₹ 12183.00 and Central Sales Tax ₹ 26201.00; and

(b) on the basis of books and records examined by us, the statutory dues outstanding on account of any dispute are as follows:

Name of Statute	Nature of Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act	Non Credit of TDS	47,308/-	2006-07*	Rectification Application with the Assessing Officer
The Income Tax Act	Interest on Fringe Benefit Tax	13,430/-	2007-08*	Rectification Application with the Assessing Officer
The Income Tax Act	Non Credit of TDS	154019/-	2008-09*	Rectification Application with the Assessing Officer
The Income Tax Act	Non Credit of TDS	149710/-	2009-10*	Rectification Application with the Assessing Officer

\*Assessment Year

- (x) the Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both in the financial year under report and in the immediately preceding financial year.
- (xi) on the basis of selective checks carried out during the course of audit, we are of the opinion that the Company has not defaulted in the repayment of dues to banks. There are no dues payable to the financial institutions and debenture holders.
- (xii) the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore provisions of clause 4 (xii) of the Order are not applicable to the Company.
- (xiii) in our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xiv) in our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xv) the Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore provisions of clause 4 (xv) of the Order are not applicable to the Company.
- (xvi) in our opinion, the term loans were applied for the purpose for which they were obtained.
- (xvii) *according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that due to investment in factory building premises and other fixed assets during the year, the funds raised on short-term basis have been used for long-term investment to the extent of ₹ 963909.15 at the end of the year.*
- (xviii) 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, during the year. Therefore provisions of clause 4 (xviii) of the Order are not applicable to the Company.
- (xix) the Company did not have any outstanding debenture during the year. Therefore provisions of clause 4 (xix) of the Order are not applicable to the Company.
- (xx) the Company has not raised any money through a public issue during the year. Therefore provisions of clause 4 (xx) of the Order are not applicable to the Company.
- (xxi) based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For and on behalf of  
**R. S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 100156W

**O. P. Agrawal**  
Partner  
M. No. 045862

Place : Mumbai.  
Dated : 1<sup>st</sup> September 2012





## BALANCE SHEET AS AT 31ST MARCH 2012

(Amount in ₹)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	64803000.00	64803000.00
Reserves and surplus	3	<u>25760756.44</u>	<u>17647066.54</u>
		90563756.44	82450066.54
<b>Non-current liabilities</b>			
Long-term borrowings	4	38227195.58	14740438.69
Deferred tax liabilities (Net)	5	4724051.00	2383993.00
Long-term provisions	6	<u>619433.00</u>	<u>664226.00</u>
		43570679.58	17788657.69
<b>Current liabilities</b>			
Short-term borrowings	7	42073284.00	51357412.23
Trade payables	8	41136981.14	41447559.27
Other current liabilities	9	25520296.97	15624989.34
Short-term provisions	10	<u>497154.51</u>	<u>1246523.71</u>
		109227716.62	109676484.55
<b>TOTAL</b>		<b><u><u>243362152.64</u></u></b>	<b><u><u>209915208.78</u></u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	11	137942933.83	46339718.76
Intangible assets	11	52320.00	92598.00
Capital work in progress	11	<u>0.00</u>	<u>31307625.66</u>
		137995253.83	77739942.42
Non-current investments	12	0.00	105380.00
Long-term loans and advances	13	2403802.00	2881312.80
Other non-current assets	14	<u>3682856.51</u>	<u>29915.24</u>
		144081912.34	80756550.46
<b>Current assets</b>			
Inventories	15	41002290.06	49146822.26
Trade receivables	16	40847632.91	45063330.90
Cash and bank balances	17	9608316.35	22353378.40
Short-term loans and advances	18	7578321.46	11728698.34
Other current assets	19	<u>243679.52</u>	<u>866428.42</u>
		99280240.30	129158658.32
<b>TOTAL</b>		<b><u><u>243362152.64</u></u></b>	<b><u><u>209915208.78</u></u></b>
Contingent Liabilities and Commitments (To the extent not provided for)	28		
Significant accounting policies	1		
The accompanying notes form part of the financial statements			

As per our attached report of even date

For and on behalf of

**R. S. Agrawal & Associates**

Chartered Accountants

Firm registration No. 100156W

**O. P. Agrawal**

Partner

Membership no.045862

Place: Mumbai

Dated: 1<sup>st</sup> September 2012

For and on behalf of the board of directors

**Kishore Chand Talwar**

Chairman & Managing Director

**Ayyaswami Sundram**

Director

Place: Mumbai

Dated: 1<sup>st</sup> September 2012

**Nainy K. Tanna**

Wholetime Director

**Mahendra K. Shah**

Company Secretary



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	Note No.	For the year ended 31.03.2012		For the year ended 31.03.2011	
Revenue from operations (gross)	20	294616206.00		298299675.00	
Less: Excise duty		<u>23816076.00</u>		<u>24301344.00</u>	
Revenue from operations (net)			270800130.00		273998331.00
Other income	21		<u>1861842.80</u>		<u>2356435.80</u>
<b>Total Revenue</b>			<u>272661972.80</u>		<u>276354766.80</u>
<b>Expenses:</b>					
Cost of materials consumed	22	144768649.82		174980858.28	
Changes in inventories of finished goods and work in progress	23	10109723.62		(4777478.19)	
Employee benefits expense	24	12008033.38		12715142.55	
Finance costs	25	12412618.10		7293758.02	
Depreciation and amortisation expense	11	6095271.39		5537336.62	
Other expenses	26	<u>74597140.30</u>		<u>70553072.39</u>	
<b>Total expenses</b>			<u>259991436.61</u>		<u>266302689.67</u>
Profit before tax			12670536.19		10052077.13
Tax expense:					
Current tax		2311300.00		3695466.00	
Less: MAT credit entitlement		<u>151519.00</u>		<u>0.00</u>	
Net Current Tax			2159781.00		3695466.00
Deferred tax			2340058.00		(385511.00)
Tax adjustment for earlier years			<u>57007.29</u>		<u>(61193.17)</u>
			<u>4556846.29</u>		<u>3248761.83</u>
Profit after tax for the year			8113689.90		6803315.30
Earning per equity share	27				
Basic			1.25		1.05
Diluted			1.25		1.05

Significant accounting policies

1

The accompanying notes form part of the financial statements

As per our attached report of even date

For and on behalf of

**R. S. Agrawal & Associates**

Chartered Accountants

Firm registration No. 100156W

For and on behalf of the board of directors

**O. P. Agrawal**

Partner

Membership no.045862

**Kishore Chand Talwar**

Chairman & Managing Director

**Nainy K. Tanna**

Wholetime Director

**Ayyaswami Sundram**

Director

**Mahendra K. Shah**

Company Secretary

Place: Mumbai

Dated: 1<sup>st</sup> September 2012

Place: Mumbai

Dated: 1<sup>st</sup> September 2012



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary items	12670536.19	10052077.13
Adjustments for		
Depreciation and amortization	6095271.39	5537336.62
Provision for doubtful debts and advances	0.00	1129515.00
(Profit)/loss on sale/discarding of fixed assets (net)	(377898.00)	(113644.25)
Unrealised exchange (gain)/ loss	1283589.25	15262.80
Provision for doubtful debts no longer required	(434226.00)	0.00
Interest Income	(697999.65)	(1133701.70)
Dividend Income	(15120.00)	(18006.00)
Interest and other borrowing costs	7644110.73	7431172.25
Operating profit before working capital changes	26168263.91	22900011.85
Adjustments for :		
Trade and other receivables	5231318.77	(8630612.82)
Inventories	8144532.20	(5078562.53)
Trade and other payables	3065221.22	(9697249.78)
Cash generated from operations	42609336.10	(506413.28)
Direct taxes paid	(3212956.49)	(3885470.34)
Cash flow before extraordinary items	39396379.61	(4391883.62)
Extraordinary items	0.00	0.00
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>39396379.61</b>	<b>(4391883.62)</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) / sale of fixed assets (net)	(65972684.80)	(30039490.66)
(Purchase)/ sale of investments	105380.00	10000.00
(Increase)/ decrease in deposits	4677870.80	(542987.55)
(Increase)/ decrease in bank fixed deposits	3718428.75	1891423.64
Interest income	668989.56	1153145.68
Dividend income	15120.00	18006.00
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(56786895.69)</b>	<b>(27509902.89)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	0.00	0.00
Proceeds from long term borrowings	34032628.00	16725610.00
Repayment of long term borrowings	(5105835.36)	(1521221.88)
Proceeds from short term borrowings	79474732.00	38402999.00
Repayment of short term borrowings	(83324820.76)	(23663860.51)
Change in working capital borrowings from banks	(6071413.23)	1261133.59
Interest and other borrowing costs paid	(7190654.99)	(7188359.87)
Dividend paid	0.00	0.00
<b>NET CASH FROM/ (USED IN) FINANCING ACTIVITIES</b>	<b>11814635.66</b>	<b>24016300.33</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(5575880.42)</b>	<b>(7885486.18)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>9997284.77</b>	<b>17882770.95</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>4421404.35</b>	<b>9997284.77</b>

### Notes :

- The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement" prescribed in the Companies (Accounting Standards) Rules, 2006.
- Refer Note no. 17 for details of cash and cash equivalents.
- All figures in brackets reflects cash outflow.
- Figures of the previous year have been regrouped wherever necessary.

As per our attached report of even date

For and on behalf of

**R. S. Agrawal & Associates**

Chartered Accountants

Firm registration No. 100156W

**O. P. Agrawal**

Partner

M. No.045862

Place: Mumbai

Dated: 1<sup>st</sup> September 2012

For and on behalf of the board of directors

**Kishore Chand Talwar**

Chairman & Managing Director

**Ayyaswami Sundram**

Director

Place: Mumbai

Dated: 1<sup>st</sup> September 2012

**Nainy K. Tanna**

Wholetime Director

**Mahendra K. Shah**

Company Secretary



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

### Note 1 : Significant Accounting Policies

#### A) Basis of Preparation

The financial statements are prepared and presented under historical cost convention, on an accrual basis of accounting and in accordance with the provisions of the Companies Act 1956 ('the Act') and accounting principles generally accepted in India and adjusted by revaluation of certain plants & machineries, moulds & dies, office equipments and leasehold land. The financial statements comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules 2006, to the extent applicable.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956.

Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

#### B) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amount of revenue and expenses during the reported period. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future period.

#### C) Fixed Assets

##### Tangible Assets

Tangible fixed assets are stated at cost of acquisition (except in cases of revalued asset which is stated at revalued amount) less accumulated depreciation and impairment adjustment if any. The cost of acquisition includes subsequent improvement thereto inclusive of taxes, duties (net of cenvat), freight and other incidental expenses relating to acquisition, improvement and installation.

##### Intangible Assets

Intangible assets are stated at their cost of acquisition less accumulated amortization and impairment losses if any. An intangible asset is recognized, where it is probable that the future economic benefit attributable to the assets will flow to the Company and where its cost can be reliably measured.

##### Capital Work in Progress

The cost incurred for fixed assets, the construction of which is not completed, are included under "capital work-in-progress" and the same are classified and added to the respective assets on the completion.

#### D) Depreciation and Amortization

Depreciation on all the tangible assets is provided for on straight line method at the rates & manner specified in Schedule XIV of the Act.

Intangible assets (Software) are amortized over the period of three years from the month in which such assets has been put to use by the Company.

Depreciation in respect of addition to fixed assets is provided on pro-rata basis from the month in which such assets are acquired/ installed.

Depreciation on fixed assets sold, discarded or demolished during the year is provided at their respective rates up to the month in which such assets are sold, discarded or demolished.

#### E) Impairment

In accordance with AS 28 'Impairment of Assets' the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognized in the statement profit and loss or against revaluation surplus where applicable.

#### F) Investments

Non-current (long term) investments are valued and stated at cost. Provision for diminution in the value of investments is made only when, in the opinion of management, there is decline, other than temporary, in the carrying value of such investments.

Current investments are valued at cost or fair value whichever is lower.

#### G) Inventories

a) Inventories are valued at lower of cost and net realizable value.

b) Cost of inventories is assigned by using the FIFO formula.

c) Goods in transit, if any are stated at actual cost incurred upto the date of the balance sheet.

#### H) Revenue Recognition

Sales are inclusive of excise duty and charges received from the customers except the export sales, which is accounted without the excise duty. In conformity with the requirements of Accounting Standard 9 "Recognition of Revenue" the sales are presented in the financial statements as Sales less Excise Duty.

Dividend income is recognized when right to receive the dividend is established.

Interest income is recognized using the time proportion method, based on underlying interest rates.

#### I) Employee Benefits

a) Employees' benefits under defined contribution plan such as contribution to provident fund and employees' benefits under defined benefit plan for cost of compensated absences are charged off at the undiscounted amount in the year in which the related services are provided.

b) Post employment benefits under defined benefit plan such as gratuity are charged off in the year in which the employee has rendered services at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and/or losses in respect of post employment benefits are charged to statement of profit and loss.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

### Note 1 : Significant Accounting Policies (Contd.....)

#### J) Foreign Currency Transactions

- a) All the transactions including transactions of acquiring fixed assets, in foreign currency are recorded by applying the exchange rates at the date of the transactions.
- b) Monetary items denominated in foreign currency remaining unsettled at the end of the year, are reported using the closing rates. The exchange difference arising as a result of the above is recognised in the statement profit and loss.
- c) In case the monetary items are covered by the foreign exchange contracts, the difference between the year end rate and the exchange rate at the date of the inception of the forward exchange contract is recognised as exchange difference.
- d) In respect of hedging transactions, the premium/discount represented by difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract is amortised as expense or income over the life of the contract.

#### K) Borrowing Costs

The Company capitalises interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset or a new unit, the Company uses the interest rates applicable to that specific borrowing as the capitalisation rate. Capitalisation of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to statement of profit and loss.

#### L) Segment Reporting

Segments are identified in accordance with the Accounting Standard 17 "Segment Reporting" taking into account the organizational structure as well as differing risks and returns. The business segment is disclosed as primary segment.

#### M) Taxation

Income tax expense comprises Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the assessable income at the rate applicable to the relevant assessment year. The deferred Tax Assets and Deferred Tax Liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of unabsorbed depreciation and deferment of allowances under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax assets on account of other timing differences are recognized, only to the extent there is a reasonable certainty of its realization. At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

#### N) Leases

Lease rentals payable under operating leases are recognized in the statement of profit and loss on a straight line basis over the term of the lease.

#### O) Earning per Share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share

comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

#### P) Customs & Excise Duties

The custom duty payable, on imported materials lying at the custom bonded warehouses at the end of the year and excise duty payable, in respect of goods manufactured but not cleared from the factory premises at the end of the year, are neither included in expenses nor included in the valuation of the inventories of such materials / goods. Such duties are accounted for on actual payment on clearance of such materials/goods. This practice has no impact on the profits of the Company.

#### Q) Cenvat Credit

Cenvat credit available on raw materials and packing materials, as per the provisions of Cenvat Credit Rules, has been accounted for by reducing the cost of respective material accounts. Cenvat credit available on capital goods, as per the provisions of Cenvat Credit Rules, has been accounted for by reducing the cost of such capital goods. Cenvat credit available on the input services as per the provisions of Cenvat Credit Rules has been accounted for by reducing the cost of such input services.

#### R) Export Incentive

The benefits, on account of entitlement to import duty free raw material under the Advance License Scheme in respect of goods already exported, are not valued and brought into the books in the year of export. The raw materials are recorded at cost at which they are procured in the year of import.

The benefits under DEPB Scheme and Duty Drawback Scheme are recognized when the exports are made and against which the credit has been granted.

#### S) Provisions and Contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is so longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Numbers	Amount	Numbers	Amount
<b>Note 2: Share Capital</b>				
<b>Authorised</b>				
Equity shares of ₹ 10/- each	10000000	100000000.00	10000000	100000000.00
Total		<u>100000000.00</u>		<u>100000000.00</u>
<b>Issued, subscribed and paid-up</b>				
Equity shares of ₹ 10/- each fully paid up	6481200	64812000.00	6481200	64812000.00
Less: calls in arrears by others		9000.00		9000.00
Total		<u>64803000.00</u>		<u>64803000.00</u>

2.a Reconciliation of number of equity shares outstanding at the beginning and at the end of the year :

Particulars	Numbers	Amount	Numbers	Amount
At the beginning and at the end of the year	6481200	64812000.00	6481200	64812000.00

2.b The company has issued only one class of equity shares having a par value of ₹ 10/- per share. Each shareholder is entitled to one vote per share. The dividend proposed by the board of directors is subject to the approval of shareholders, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company, after distribution of preferential amounts, in proportion of their shareholding.

2.c Shareholders holding more than 5% of share capital at the end of the year :

Name of shareholders	Numbers	% of Holding	Numbers	% of Holding
1 Shri. Kishore Chand Talwar	1852000	28.57	1852000	28.57
2 Smt. Sharda Talwar	617600	9.53	617600	9.53

### Note 3: Reserves and surplus

Revaluation reserve				
At the beginning and at the end of the year		701.78		701.78
Surplus in Statement of Profit and Loss :				
Balance at the beginning of the year	17646364.76		10843049.46	
Add (less): Profit (loss) after tax for the year	<u>8113689.90</u>		<u>6803315.30</u>	
		25760054.66		17646364.76
Total		<u>25760756.44</u>		<u>17647066.54</u>

### Note 4: Long-term borrowings

Secured loans:				
Term loans				
From banks		36146728.18		11375833.21
From other parties		2080467.40		3364605.48
Total		<u>38227195.58</u>		<u>14740438.69</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	As at 31.03.2012		As at 31.03.2011	
<b>Note 4: Long-term borrowings (continued)</b>				
Secured Loans:				
A Terms of repayment of loans				
Name of the banks / other parties	HDFC Bank Limited	HDFC Bank Limited	Axis Bank Limited	Kotak Mahindra Prime Limited
Type of loan	Term Loan	Term Loan	Vehicle Loan	Vehicle Loan
Loan account no.	3350311	3416348	AU004010055017	CF-5273060
Amount sanctioned (₹)	37400000.00	10000000.00	1050000.00	835191.00
Sanction date	24/06/2010	30/01/2012	06/07/2009	25/06/2009
Interest rate	Base Rate +4.45%	Base Rate +4.45%	10.15%	10.715%
Total No. of EMIs	67	60	60	59
No. of EMIs paid	14	0	33	32
No. of balance EMIs to be paid	53	60	27	27
Current EMI amount (Principal and interest)	853599.00	232683.00	22200.00	18309.00
Maturity profile (Principal):				
2012-13	5979353.28	1497724.81	222351.00	181567.00
2013-14	6779727.29	1725304.88	246003.00	202008.00
2014-15	7811503.27	1979048.75	65540.00	53969.00
2015-16	9000300.54	2270111.25	0.00	0.00
2016-17	3741378.89	2527810.31	0.00	0.00
Name of the banks / other parties	Kotak Mahindra Prime Limited	Kotak Mahindra Prime Limited	Mahindra & Mahindra Financial Services Limited	Reliance Capital Limited
Type of loan	Vehicle Loan	Vehicle Loan	Vehicle Loan	Vehicle Loan
Loan Account No.	CF-6056364	CF-5966637	1038694	RLNCMUM102590
Amount sanctioned (₹)	1758238.00	1600000.00	391000.00	1485000.00
Sanction Date	31/05/2010	30/04/2010	14/10/2009	02/07/2008
Interest rate	8.723%	8.521%	Flat Rate 9.6%	13.75%
Total No. of EMIS	59	60	59	60
No. of EMIS paid	21	24	30	45
No. of balance EMIS to be paid	38	36	29	15
Current EMI amount	36762.00	32400.00	9891.00	32398.00
Maturity profile:				
2012-13	348725.00	313426.00	85318.44	355101.64
2013-14	380390.00	341200.00	101046.66	95349.63
2014-15	414933.00	371425.00	47417.11	0.00
2015-16	72729.00	0.00	0.00	0.00
B Nature of security:				
(I) Term loans from HDFC Bank Limited are :				
(a) primarily secured by hypothecation of stocks, book debts and plant & machineries of the company ;				
(b) further secured by way of equitable mortgage of land and building at Plot No. 92-D Government Industrial Estate, Charkop, Kandivili (W), Mumbai 400067; and				
(c) also personally guaranteed by the chairman & managing director, wholetime director and three relatives of chairman and managing director of the Company.				
(II) All the vehicle loans are secured by hypothecation of specific vehicles acquired from the loans.				
<b>Note 5: Deferred tax liabilities (net)</b>				
Deferred tax liabilities:				
Depreciation		4958034.00		2953343.00
Deferred tax assets:				
Deferment of allowances as per the Income Tax Act 1961		233983.00		569350.00
Total		<u>4724051.00</u>		<u>2383993.00</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Note 6: Long-term provisions</b>		
Provision for employee benefits (Refer note no.30)	619433.00	664226.00
Total	619433.00	664226.00
<b>Note 7: Short-term borrowings</b>		
Secured loans:		
Working capital loans		
From a bank	11033000.00	17104413.23
Unsecured loans:		
Buyers credit in foreign currency		
From banks	30540284.00	30082999.00
Inter-corporate loans		
From other parties	0.00	4170000.00
Demand Loan from a related party (Refer note no. 32)	500000.00	0.00
Total	42073284.00	51357412.23
Secured Loans:		
Nature of security:		
Working capital loans from HDFC Bank Limited are :		
(a) primarily secured by hypothecation of stocks, book debts and plant & machineries of the company ;		
(b) further secured by way of equitable mortgage of land and building at Plot No. 92-D Government Industrial Estate, Charkop, Kandivli (W), Mumbai 400067; and		
(c) also personally guaranteed by chairman & managing director, whotetime director and three relatives of chairman & managing director of the Company.		
<b>Note 8: Trade payables</b>		
Micro and small enterprises (Refer note no.34)	185976.00	39647.00
Others trade payable *	40951005.14	41407912.27
Total	41136981.14	41447559.27
* Other trade payables include acceptances	10323474.00	16888547.00
<b>Note 9: Other Current Liabilities</b>		
Current maturities of long term debts (Refer note no. 4)	8983567.17	3543531.42
Interest accrued but not due on borrowings	815809.17	362353.43
Creditors for capital expenditure	11625648.39	5440808.51
Advances from customers	367020.16	205943.16
Other payables		
Statutory dues	2102664.00	1870666.00
Forward contracts payable (net)	0.00	1036060.27
Accrued expenses	1625588.08	3165626.55
Total	25520296.97	15624989.34
<b>Note 10: Short-term provisions</b>		
Provision for employees benefits (Refer note no. 30)	153915.00	57075.00
Provision for taxation	6184649.34	5375700.00
less: taxes paid	5841409.83	4186251.29
Total	497154.51	1246523.71



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

### Note 11: Fixed assets

(Amount in ₹)

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2011	Additions during the year	Sold/ discarded during the year	Total as at 31.03.2012	Provided upto 31.03.2011	Provided for the year	Written back during the year	Total upto 31.03.2012	Total as at 31.03.2012	Total as at 31.03.2011
<b>Tangible assets</b>										
Leasehold land	4579200.00	0.00	0.00	4579200.00	0.00	0.00	0.00	0.00	4579200.00	4579200.00
Factory buildings	7364454.82	80927934.56	639060.00	87653329.38	2509501.61	688974.00	204556.00	2993919.61	84659409.77	4854953.21
Residential flats	1964381.00	0.00	0.00	1964381.00	114525.00	65610.00	0.00	180135.00	1784246.00	1849856.00
Plant & machineries	65294339.07	9506996.69	0.00	74801335.76	49949725.18	1888063.16	0.00	51837788.34	22963547.42	15344613.89
Moulds and dies	33094740.95	3525501.09	0.00	36620242.04	26736544.81	1861856.00	0.00	28598400.81	8021841.23	6358196.14
Furniture & fixtures	3272551.85	1175848.00	0.00	4448399.85	1940359.69	134291.23	0.00	2074650.92	2373748.93	1332192.16
Office equipments	3442549.51	735060.12	56700.00	4120909.63	1694170.31	185729.00	3911.00	1875988.31	2244921.32	1748379.20
Vehicles	9292721.51	935398.00	0.00	10228119.51	1424227.00	897374.00	0.00	2321601.00	7906518.51	7868494.51
Computers	2399365.00	460658.00	0.00	2860023.00	1881156.20	192370.00	0.00	2073526.20	786496.80	518208.80
Factory equipments	2797932.89	878105.00	0.00	3676037.89	912308.04	140726.00	0.00	1053034.04	2623003.85	1885624.85
<b>Total tangible assets</b>	<b>133502236.60</b>	<b>98145501.46</b>	<b>695760.00</b>	<b>230951978.06</b>	<b>87162517.84</b>	<b>6054993.39</b>	<b>208467.00</b>	<b>93009044.23</b>	<b>137942933.83</b>	<b>46339718.76</b>
<b>Intangible Assets</b>										
Computer software acquired	124583.00	0.00	0.00	124583.00	31985.00	40278.00	0.00	72263.00	52320.00	92598.00
<b>Total Intangible Assets</b>	<b>124583.00</b>	<b>0.00</b>	<b>0.00</b>	<b>124583.00</b>	<b>31985.00</b>	<b>40278.00</b>	<b>0.00</b>	<b>72263.00</b>	<b>52320.00</b>	<b>92598.00</b>
<b>Total as at 31.03.2012</b>	<b>133626819.60</b>	<b>98145501.46</b>	<b>695760.00</b>	<b>231076561.06</b>	<b>87194502.84</b>	<b>6095271.39</b>	<b>208467.00</b>	<b>93081307.23</b>	<b>137995253.83</b>	<b>46432316.76</b>
<b>Total as at 31.03.2011</b>	<b>126909485.85</b>	<b>8363579.50</b>	<b>1646245.75</b>	<b>133626819.60</b>	<b>82535778.22</b>	<b>5537336.62</b>	<b>878612.00</b>	<b>87194502.84</b>	<b>46432316.76</b>	
Capital work in progress (Site development and factory building)									0.00	31307625.66

- (i) Addition to factory buildings include ₹ 2567031.66 (previous year ₹ 320675.76 in capital work in process) borrowing costs as per Accounting Standard -16 "Borrowing cost".
- (ii) Cost of factory building include ₹ 1000.00 (previous year ₹ 1000.00) being cost of shares in the Kandivli Co-operative Industrial Estate Limited.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	As at 31.03.2012		As at 31.03.2011		
	Face Value per equity share ₹	Numbers	Amount	Numbers	Amount
<b>Note 12: Non-current investments</b>					
Long term Investments					
Other than trade (at cost):					
Investments in fully paid equity instruments					
Unquoted					
Saraswat Co-operative Bank Ltd.	10.00	0	0.00	438	4380.00
NKGSB Co-operative Bank Ltd.	10.00	0	0.00	10000	100000.00
Punjab & Maharashtra Co-operative Bank Ltd.	25.00	0	0.00	40	1000.00
<b>Total</b>			<b>0.00</b>		<b>105380.00</b>
Particulars		Book Value	Market Value	Book Value	Market Value
Aggregate amount of:					
Quoted investments		0.00	0.00	0.00	0.00
Unquoted investments		0.00	N.A.	105380.00	N.A.
<b>Note 13: Long-term loans and advances</b>					
Unsecured, considered good					
Capital advances			860209.00		1567185.00
Security deposits			1520183.00		1290717.80
Sales tax refund receivable			23410.00		23410.00
<b>Total</b>			<b>2403802.00</b>		<b>2881312.80</b>
<b>Note 14: Other non-current assets</b>					
Fixed deposit with bank with maturity period more than 12 months ( lien for margin money ₹ 2997720.00 (previous year ₹ N. A. )			3480668.12		29915.24
Interest accrued on fixed deposits			50669.39		0.00
Minimum alternate tax credit entitlement			151519.00		0.00
<b>Total</b>			<b>3682856.51</b>		<b>29915.24</b>
<b>Note 15: Inventories</b>					
<b>(Refer note no. 1 (G) )</b>					
Raw materials and components including packing materials*			19266885.11		17188524.69
Work in progress (Refer note no. 38)			19232170.73		24895851.73
Finished goods			2503234.22		6949276.84
Stores and spares			0.00		113169.00
<b>Total</b>			<b>41002290.06</b>		<b>49146822.26</b>
* Includes stock in transit			0.00		3173078.00





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Note 16: Trade receivables</b>		
Unsecured		
Debts outstanding for a period exceeding six months from the date they are due for payments		
Considered good	167448.42	185940.56
Considered doubtful	0.00	681225.00
Less : provision for doubtful debts	<u>0.00</u>	<u>681225.00</u>
Other debts		185940.56
Considered good	40680184.49	44877390.34
Total	<u>40847632.91</u>	<u>45063330.90</u>
<b>Note 17: Cash and bank balances</b>		
Cash and cash equivalents:		
Balances with banks		
In cash credit account	1432537.69	7161438.64
In current accounts	1743590.66	2036388.13
Cheques on hand	859157.00	0.00
Cash on hand	<u>386119.00</u>	<u>799458.00</u>
	4421404.35	9997284.77
Other bank balances:		
In fixed deposit accounts with maturity less than 12 months		
	0.00	4290942.23
Fixed deposits with banks held as margin money for letter of credit and bank guarantees issued		
With maturity period less than 12 months (lien for margin money ₹ 3855999.00 (previous year ₹ 5939136.00))	5186912.00	8065151.40
With maturity period more than 12 months	3480668.12	29915.24
Less : Amount disclosed under other non current assets (Refer note no. 14)	<u>3480668.12</u>	<u>29915.24</u>
	0.00	0.00
Total	<u>5186912.00</u>	<u>12356093.63</u>
	<u>9608316.35</u>	<u>22353378.40</u>
<b>Note 18: Short-term loans and advances</b>		
Unsecured, considered good		
Security deposit to related parties (Refer note no. 32)	0.00	3650000.00
Security deposits to others	678903.00	1936239.00
Advances to suppliers	257359.60	1293580.65
Cenvat credit receivable	5989445.60	3568732.00
Balance with excise department	35410.00	791294.00
Export benefit receivable	181867.00	0.00
Prepaid expenses	370402.26	353926.21
Other receivables	64934.00	134926.48
Unsecured, considered doubtful		
Advances to suppliers	0.00	448290.00
Less : provision for doubtful advances	<u>0.00</u>	<u>448290.00</u>
Total	<u>7578321.46</u>	<u>11728698.34</u>
<b>Note 19: Other current assets</b>		
Interest accrued on fixed deposits	85535.79	107195.09
D.E.P.B entitlements	158143.73	759233.33
Total	<u>243679.52</u>	<u>866428.42</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012		For the year ended 31.03.2011	
<b>Note 20: Revenue from operations</b>				
Sale of products*		291999991.00		295231689.00
Sale of services				
Job work charges		17350.00		0.00
Other operating revenue				
Scrap sales	1182298.00		1124005.00	
Export incentives	1416567.00		1943981.00	
		<u>2598865.00</u>	<u>1943981.00</u>	<u>3067986.00</u>
<b>Total</b>		<u><u>294616206.00</u></u>		<u><u>298299675.00</u></u>
<b>*Sales of Products</b>				
Instrument cooling fans		184419760.71		175334896.64
Shaded pole motors		98772598.56		109889607.42
Components		8807631.73		10007184.94
<b>Note 21: Other income</b>				
Interest Income				
On fixed deposits with banks	683862.65		1130251.70	
On delayed payments from customers	14137.00		0.00	
On staff loans	0.00	697999.65	3450.00	1133701.70
Dividend Income on non current investments		15120.00		18006.00
Net gain on exchange rate fluctuations		0.00		846477.03
Profit on sale of fixed assets (net)		377898.00		113644.25
Provision for doubtful advances no longer required		434226.00		0.00
Sundry balances written back/off (net)		224332.15		145497.82
Discount on purchase of DEPB entitlements		112267.00		99109.00
<b>Total</b>		<u><u>1861842.80</u></u>		<u><u>2356435.80</u></u>
<b>Note 22: Cost of materials consumed*</b> <b>(Raw materials and component including packing materials)</b>				
Opening stock		17188524.69		16918089.52
Add : Cost of purchases		146847010.24		175251293.45
Less: Closing stock		<u>19266885.11</u>		<u>17188524.69</u>
<b>Total</b>		<u><u>144768649.82</u></u>		<u><u>174980858.28</u></u>
<b>*Cost of materials consumed</b>				
Aluminium ingots		22439284.00		25548399.00
Ball bearings		4264103.08		3843459.00
Copper wires		34674610.11		44458976.80
Plastic powders		6008909.82		6908779.00
Rotor lamination		8842339.27		12560123.14
Stator lamination		18475705.46		29888084.47
Others		50063698.08		51773036.87
<b>Note 23: Changes in inventories of finished goods and work in progress</b>				
Opening stocks:				
Finished goods	6949276.84		5316425.00	
Work in progress	<u>24895851.73</u>	31845128.57	<u>21751225.38</u>	27067650.38
Less: Closing stocks:				
Finished goods	2503234.22		6949276.84	
Work in progress	<u>19232170.73</u>		<u>24895851.73</u>	
<b>Total</b>		<u><u>21735404.95</u></u>		<u><u>31845128.57</u></u>
		<u><u>10109723.62</u></u>		<u><u>(4777478.19)</u></u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
<b>Note 24: Employee benefits expense</b>		
Salaries and wages	10469087.00	10650348.00
Contribution to provident and other funds	268119.00	263228.00
Staff welfare expenses	1270827.38	1801566.55
Total	12008033.38	12715142.55
<b>Note 25: Finance costs</b>		
Interest expense on:		
Borrowings	3847568.79	2276280.94
Others	1301107.91	1595901.43
Other Borrowing Costs	2495434.03	3558989.88
Net loss (gain) on foreign currency transactions	4768507.37	(137414.23)
Total	12412618.10	7293758.02
<b>Note 26: Other expenses</b>		
Manufacturing expenses		
Consumption of stores and spares	1904168.90	1730818.23
Processing and labour charges	36707372.00	34666262.00
Power and fuel	6633486.00	5794558.00
Rent	3105622.00	3026754.00
Repairs to :		
factory buildings	2167365.00	1226461.00
machineries	1025441.00	1421909.50
mould & dies	718601.00	548142.00
others	469401.00	705835.00
Inward transportation and freight	565243.00	742284.00
Selling and distribution expenses		
Advertisement and business promotion	2839545.67	2389828.70
Commission and brokerage	1911848.00	1670691.00
Outward transportation and freight	1496582.00	1597852.00
Administrative and other expenses		
Auditors' remuneration (Refer note no. 29)	551796.00	429870.00
Bad debts/advances (net of provision for doubtful debts/advances ₹ 695289.00 )	126170.00	0.00
Communication expenses	859800.68	1202221.92
Directors' sitting fees	80000.00	120000.00
Electricity expenses	274883.80	287540.90
Net loss on exchange rate fluctuations	466455.40	0.00
Insurance	421182.00	430713.49
Professional charges	1168681.00	1082854.00
Provision for doubtful debts / advances	0.00	1129515.00
Repairs and maintenance	1713828.13	1732507.00
Rates and taxes	694502.00	222461.00
Travelling and conveyance	5553259.35	5143589.50
Miscellaneous expenses	3141906.37	3250404.15
Total	74597140.30	70553072.39



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

<b>Note 27: Earning per equity share</b>		2011-2012	2010-2011
Net profit / (loss) after tax	₹	8113689.90	6803315.30
Weighted average number of shares used in computing basic and diluted earnings per share	Numbers	6481200	6481200
Face value of each equity share	₹	10.00	10.00
Basic earning per share	₹	1.25	1.05
Diluted earning per share	₹	1.25	1.05

<b>Note 28: Contingent liabilities and commitments (to the extent not provided for)</b>		As at 31.03.2012	(Amount in ₹) As at 31.03.2011
(i) Contingent liabilities:			
(a) Guarantees given by the banks on behalf of the company		5372.00	5372.00
(b) Letter of credit issued by the bankers of the company		6177413.37	3710200.32
(c) Disputed demand in the matters of Income tax		364467.00	60738.00
(d) Disputed demand in the matters of excise		0.00	31000.00
(ii) Contingent commitments			
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).		0.00	5437061.00

<b>Note 29: Payment to auditors *</b>		2011-2012	(Amount in ₹) 2010-2011
Statutory audit fees		185000.00	165000.00
Tax audit fees		65000.00	55000.00
Sales tax audit fees		30000.00	25000.00
Certification work		151074.00	91500.00
Taxation matters		65605.00	75000.00
Other services		31917.00	0.00
Out of pocket expenses		23200.00	18370.00
		551796.00	429870.00

\* excluding service tax wherever cenvat credit taken

### **Note 30: Employee benefits expense**

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the companies (Accounting Standards)

Rules 2006, are given below:

#### (a) Defined contribution plan

Contribution to defined contribution plan recognised, charged off for the year, are as under:		2011-12	(Amount in ₹) 2010-11
Employer's contribution to provident fund		217240.00	194274.00

#### (b) Defined benefit plan:

##### Compensated absences:

₹ 52182.00 (previous year ₹ 43301.00) is charged off to the statement of profit and loss for the cost of compensated absences for the year.

##### Gratuity :

The employee's gratuity scheme is non -fund based. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

I) Reconciliation of defined benefit obligation		2011-12	(Amount in ₹) 2010-11
Present value of defined benefit obligation at start of year		678000.00	354000.00
Current service cost		75753.00	72000.00
Interest cost		56074.00	28000.00
Benefits paid		(13774.00)	0.00
Actuarial loss /(gain)		(74887.00)	224000.00
Past service cost		0.00	0.00
Present value of defined benefit obligation at end of the year		619433.00	664226.00
Of which short term defined benefit obligation at end of the year		101733.00	13774.00



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

II) Net liability / (asset) recognised in the balance sheet	(Amount in ₹)	
	2011-12	2010-11
Present value of defined benefit obligation	721166.00	678000.00
Fair value of plan assets	0.00	0.00
Net liability / (asset)	721166.00	678000.00
Less: Unrecognised past service cost	0.00	0.00
Liability / (asset) recognised in the balance sheet	721166.00	678000.00
III) Expenses recognized during the year	(Amount in ₹)	
	2011-12	2010-11
Current service cost	75753.00	72000.00
Interest cost	56074.00	28000.00
Actuarial loss / (gain)	(74887.00)	224000.00
Employer expense	56940.00	324000.00
IV) Experience Adjustments	(Amount in ₹)	
	2011-12	2010-11
Defined benefit obligation	721166.00	678000.00
Fair value of plan assets	-	-
Surplus/ (deficit)	(721166.00)	(678000.00)
Experience adjustment on plan liabilities: (Gain)/ Loss	(84454.00)	188000.00
Experience adjustment on plan assets: (Gain)/ Loss	NA	NA
V) Actuarial assumptions		
	2011-12	2010-11
Salary growth rate	7.00%	7.00%
Discount rate	8.50%	8.30%
Withdrawal / attrition rate	15.00%	15.00%
Mortality Rate	LIC 1994-96 (Ult.)	LIC 1994-96 (Ult.)
Expected average remaining working life (years)	18 years	23 years

The estimates of future salary growth considered in the actuarial valuation taken into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

### Note 31: Segment reporting

The segment reporting as required under Accounting Standard 17 "Segment Reporting" is not applicable to the company as the company's operations are predominantly comprises of only one business segment - Instrument cooling fans/ motors.

### Note 32: Related Party Disclosures:

- I) Names of related parties and description of relationships
- (a) Individuals owning directly or indirectly, an interest in the voting power of the company that gives him significant influence over the company  
Shri. Kishore Chand Talwar
  - (b) Key management personnel:  
Shri. Kishore Chand Talwar (Chairman & Managing Director)  
Smt. Nainy K. Tanna (Wholetime Director)
  - (c) Relatives of persons referred in a) and b) above  
Smt. Sharda Talwar (Wife of Chairman & Managing Director of the company)  
Shri. Kundan Talwar (Son of Chairman & Managing Director of the company)  
Shri. Kunal Tanna (Spouse of Smt. Nainy K. Tanna, Wholetime Director of the company)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

II) Transactions during the year and balances outstanding as at year end with the related parties are as follows:

Particulars	Volume of Transactions		Balances as on	
	2011-12	2010-11	31-03-2012	31-03-2011
			Debit/(Credit)	
<b>Expenses:</b>				
Director's Remuneration				
Shri Kishore Chand Talwar	1500000.00	1500000.00	0.00	0.00
Smt. Nainy K. Tanna	1500000.00	1500000.00	0.00	(19000.00)
Salary				
Shri Kundan Talwar	899010.00	540000.00	0.00	(24260.00)
Shri Kunal Tanna	1227000.00	621250.00	0.00	(33336.00)
Smt. Sharda Talwar	486000.00	360000.00	0.00	0.00
Rent				
Shri Kishore Chand Talwar	32000.00	192000.00	0.00	(395844.00)
Smt. Sharda Talwar	18000.00	108000.00	0.00	(405000.00)
Shri Kundan Talwar	120000.00	120000.00	(126190.00)	(6190.00)
<b>Short term loans and advances:</b>				
Deposits given / (Repayment)				
Shri Kishore Chand Talwar	(1825000.00)	0.00	0.00	1825000.00
Smt. Sharda Talwar	(1825000.00)	0.00	0.00	1825000.00
<b>Short term borrowings:</b>				
Unsecured loan taken / (Repayment)				
Shri Kishore Chand Talwar	2000000.00	0.00	(500000.00)	0.00
	(1500000.00)			

### Note 33: Leases

a) The company has taken various residential premises / industrial galas under operating lease or on leave and license basis. These are generally not non-cancellable and for a period ranging between 11 months and above and are renewable at mutual consent on mutually agreeable terms. The company has given refundable interest free security deposits in accordance with the agreed terms. The rent paid in accordance with these agreements is debited to the statement of profit and loss for the year.

b) The operating lease which are non cancellable, the maximum obligations for lease rentals as per the said agreements are as follows :

	(Amount in ₹)	
	2011-2012	2010-2011
Lease rentals		
Not later than one year	0.00	507904.00
Later than one year and not later than 5 years	0.00	76453.00
Later than five years	0.00	0.00





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

### Note 34: Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Based on the information available, there are certain vendors who have confirmed that they are registered under the Micro, Small and Medium Enterprises Development Act, 2006 as micro and small enterprises. Disclosures as required by section 22 of The Micro, Small and Medium Enterprises Development Act, 2006, are given below:

Sl. No.	Particulars	(Amount in ₹)	
		As at 31.03.2012	As at 31.03.2011
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year		
	- principal amount	185976.00	39647.00
	- interest thereon	1625.00	0.00
2	The amount of interest paid in terms of section 16, along with the amount of the payment made to the suppliers beyond the appointed day:		
	- principal amount	2431532.00	1982825.00
	- interest thereon	0.00	0.00
3	The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the act	52110.00	32946.00
4	The amount of interest accrued and remaining unpaid.	86681.00	32946.00
5	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues about are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of this act.	53735.00	32946.00

### Note 35: Taxation Matters:

a) The sales tax assessments of the company have been completed upto financial year 2006-2007 for its Daman unit and upto financial year 2004-05 for its Kandivali unit.

b) The income tax assessments of the company have been completed upto assessment Year 2010-2011.

### Note 36: C. I. F. value of imports:

	(Amount in ₹)	
	2011-2012	2010-2011
Raw Materials and components including packing materials	77484615.49	86063857.00
Stores & Spares	141546.49	124065.00
Capital goods	6832292.94	1577775.00

### Note 37: Expenditure in foreign currency

	(Amount in ₹)	
	2011-2012	2010-2011
Interest	1071968.43	1714982.93
Exhibition charges	823570.07	484765.00
Foreign travelling	2116074.60	2152690.86

### Note 38: Closing work in progress

	(Amount in ₹)	
	As at 31.03.2012	As at 31.03.2011
Aluminium Ingot	2722960.73	3049032.13
Copper wire	3317369.94	2318115.17
Motor	418148.73	1739055.00
Plastic powder	433884.58	1455285.76
Rotor	3182757.29	3158629.00
Stator	6220210.42	7111048.00
Others	2936839.04	6064686.67
	<u>19232170.73</u>	<u>24895851.73</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

### Note 39: Total value of imported and indigenous raw material, spare parts, components consumed and % of each to total consumption

	31.03.2012		31.03.2011	
	Consumption in ₹	% to total consumption	Consumption in ₹	% to total consumption
(a) Raw materials:				
Indigenous	62610226.07	43.25%	82740756.20	47.29%
Imported	82158423.75	56.75%	92240102.07	52.71%
Total consumption and %	144768649.82	100.00%	174980858.28	100.00%
(b) Spare parts and components:				
Indigenous	1745616.24	91.67%	1588731.48	91.79%
Imported	158552.66	8.33%	142086.75	8.21%
Total consumption and %	1904168.90	100.00%	1730818.23	100.00%

### Note 40: Earning in foreign currency

	(Amount in ₹)	
	2011-2012	2010-2011
FOB value of exports realised	42901153.82	37271953.24

### Note 41: Financial and derivatives contracts

The forward exchange contract (the "FEC") entered into by the company and outstanding at end of the reporting period is as under :

Particulars	2011-2012			2010-2011		
	No. of Contracts	US \$	Amount in ₹	No. of Contracts	US \$	Amount in ₹
Forward contract (Buy)	0	0.00	0.00	1	376749.19	17104413.23

(i) Premium (difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract), paid to hedge the risk associated with foreign currency fluctuations relating to existing liabilities, of FEC amortized over the life of the contract, pertaining to the year under review has been accounted for under the head other borrowing costs;

(ii) A sum of current year ₹ nil (previous year ₹ 85396.48) lacs representing deferred premium on the FEC, adjustable against the statement of profit and loss of subsequent year, has been clubbed under short-term loans and advances; and

(iii) Net of, Forward contracts receivable amounting to current year ₹ nil (previous year ₹ 17104413.23) and forward contracts payable amounting to current year ₹ nil (previous year ₹ 18140473.50) lacs, has been clubbed under other current liabilities.

### Note 42: Unhedged foreign currency exposure

Particulars	2011-2012		2010-2011	
	Foreign Currency	Amount in ₹	Foreign Currency	Amount in ₹
Receivables - US Dollars	24425.00	1225158.60	80277.00	3528174.15
Payables - US Dollars	701367.87	36520228.00	852010.04	38681257.85
Payable - Singapore Dollars	0.00	0.00	16506.00	597682.26

**Note 43:** (i) As per the consistent practice followed by the company in earlier years, the excise duty payable in respect of goods manufactured during the year but not cleared from factory premises at the end of year, are neither included in expenses nor considered in valuation of the inventories of such goods which is contrary to the guidance note "Accounting Treatment for Excise Duty" issued by the Institute of Chartered Accountant Of India . However the same does not have any impact on the profit of the year.

(ii) As per the consistent practice followed by the company in earlier years, the custom duty payable in respect of imported materials lying at custom bonded warehouse at the end of year, are neither included in expenses nor considered in valuation of the inventories of such materials. However this practice does not have any impact on the profit of the year.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

**Note 44 :** Till the year ended 31st March 2011, the company was using pre-revised Schedule VI to the companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the companies Act, 1956, has become applicable to the company. The company has accordingly reclassified previous period figures to conform to this year's classification.

As per our attached report of even date

For and on behalf of

**R. S. Agrawal & Associates**

Chartered Accountants

Firm registration No. 100156W

For and on behalf of the board of directors

**O. P. Agrawal**

Partner

Membership no.045862

**Kishore Chand Talwar**

Chairman & Managing Director

**Ayyaswami Sundram**

Director

**Nainy K. Tanna**

Wholetime Director

**Mahendra K. Shah**

Company Secretary

Place: Mumbai

Dated: 1st September 2012

Place: Mumbai

Dated: 1st September 2012