



## NOTICE TO THE MEMBERS

NOTICE is hereby given that the 25<sup>th</sup> Annual General Meeting of the members of **REXNORD ELECTRONICS AND CONTROLS LIMITED** will be held on Thursday, July 18, 2013 at 10.00 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 31st March 2013 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 Mrs. Nainy K. Tanna, who retires from office by rotation, and being eligible offers herself 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 authorize the Board to fix their remuneration.

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

**M.K. SHAH**  
Company Secretary

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

### 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 16/07/2013 to 18/07/2013 (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 and Delhi Stock Exchanges. The shares of the Company got delisted from Bangalore Stock Exchange during the year and process for delisting from Ahmedabad & Delhi Stock Exchanges is on.
- 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 dematerialized 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. **Important Communication to Members: (Green Initiative)**

The Ministry of Corporate Affairs (MCA) under "Green Initiative in the Corporate Governance" allowed paperless compliances by the companies. MCA had issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the Form and hand over the same along with Attendance Form at the Registration Counter of venue of Annual General Meeting for registration of Email address for receiving notice/ documents including Annual Report.

### LISTING REQUIREMENTS:

As required under Clause 49 (IV) [G] (i) of the Listing Agreement, given below are the details of the Director who is seeking re-appointment (Resolution at Item Nos. 2):

### DIRECTOR RETIRING BY ROTATION & SEEKING RE-APPOINTMENT:

Name : Mrs. Nainy K. Tanna  
Age : 32 [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 12 years to her credit. She looks after Finance, Import and Export related activities of the Company.

Other Directorships : NIL  
Memberships  
Audit Committee Member : Rexnord Electronics and Controls Limited  
Shareholders Grievance Committee Member : Rexnord Electronics and Controls Limited  
Remuneration Committee : Rexnord Electronics and Controls Limited Member  
No. of shares held in the Company : 332,200  
Relationship with other directors  
Mr. Kishore Chand Talwar : Father  
Mr. Ayyaswami Sundaram : None  
Mr. Ram Sanehi : None

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

**M.K. SHAH**  
Company Secretary

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

## DIRECTORS' REPORT

To,

THE SHAREHOLDERS

Your Directors have great pleasure in presenting their 25<sup>th</sup> Annual Report together with the audited accounts for the year ended March 31, 2013.

### FINANCIAL PERFORMANCE:

(Amount in ₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Total revenue	306617650.88	272661972.80
Profit before depreciation and amortization	30016249.97	18765807.58
Depreciation and amortization	9039871.65	6095271.39
Profit before tax	20976378.32	12670536.19
Tax expense	6892460.00	4556846.29
Net profit after tax	14083918.32	8113689.90
Balance brought forward	25760054.66	17646364.76
Balance carried forward	39843972.98	25760054.66

### OPERATIONS:

Total revenue of your Company, during the year under review, increased at ₹ 306617650.88 as against the total revenue of ₹ 272661972.80 in the previous year. Your Company has been able to earn net profit after tax of ₹ 14083918.32 for the year as against the net profit after tax of ₹ 8113689.90 in the previous year.

Financial 2012-13 proved to be a challenging year amidst global economic uncertainties and disturbances in many parts of the world. Factors like unmanageable inflation, higher cost of commodities, unprecedented depreciation of Indian rupee against US dollar, reined in liquidity and inflated cost of borrowing tested the much talked about strong fundamentals of Indian economy. Despite these constraints and challenging environment, your Company based on its core strengths and sincere efforts of all the Rexnord team members, performed well. 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, 2013.

### 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 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, Mrs. Nainy K. Tanna retires by rotation and being eligible offer herself for reappointment.

### 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(s). 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 judgements 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, 2013 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, 2014 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.

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.

### COST AUDITORS:

The Company has appointed M/s. Krishna S. & Associates, Cost Accountants, as cost auditors of the Company for conducting cost audit of the Company for the financial year 2012-13.

### 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 (l) (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. The steps taken during the year for conservation of energy are as under:

1. Due consideration has been given to energy consumption while procuring equipments.
2. As a responsible Corporate Citizen and in adherence to our climate change strategy, Company is continuously taking effective steps to conserve energy.
3. Except the emergency lights, all lights and electrical gadgets are turned off after working hours and on holidays at office premises of the Company to help in minimizing the energy consumption.

Form for disclosure of particulars with respect of Consumption of Energy is enclosed herewith.

	Units	Current Year	Previous Year
a. Power & Fuel Consumption Electricity – Purchased			
Unit (KWH)	Units	1007790	822545
Total Amount	In ₹	8288541.01	6633486*
Average Rate	₹ per unit	8.22	8.06
b. Consumption per unit of production Electricity (KWH)			
Instrument Cooling Fans/Motors AC	Units/Thousand	890	788
Instrument Cooling Fans DC	Units/Thousand	223	197

##### 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.
- Upgradation 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. 35, 36 and 39 in the notes to the financial statements.

##### PARTICULARS OF EMPLOYEES:

None of the employees of the Company come 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, Ahmedabad and Delhi. The shares of the Company got delisted from Bangalore Stock Exchange during the year. The company has not paid the listing fees for Ahmedabad and Delhi Stock Exchanges as the process for delisting from Ahmedabad and Delhi Stock Exchanges is on.

##### SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION:

The Company is committed to:

- Maintain an organizational culture of Health, Safety & Environmental excellence by conducting its business in a manner that will promote consistent development.
- Safe work, resource conservation, waste management and emergency response measures for continual improvement in performance.
- Design, construct, operate & maintain its facilities while assuring the best material and service quality and operate in a way that mitigates and minimizes risks and hazards.
- Prevention of ill-health, injuries and pollution by adopting best practices, carrying out periodic risk assessments, reviews, inspections and providing awareness to employees and concerned stakeholders.

##### 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 : 30<sup>th</sup> May, 2013

## 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:

The global economic environment though coming out of the worst possible times, is still faced with the crisis in certain European Countries and the uncertainty continues to remain.

The Indian economy has been more sluggish, but we are hopeful that the new initiatives by the Government of India, to bolster growth and attract investment will have encouraging results. The roller coaster ride of Indian economy turned on downward slope in FY 2012-13. Factors like unmanageable inflation, higher cost of commodities, unprecedented depreciation of Indian rupee against US dollar, reined in liquidity and inflated cost of borrowing tested the much talked about strong fundamentals of Indian economy.

For the Indian economy, this was a year of unfulfilled expectations owing to both domestic and external factors. India's Gross Domestic Product (GDP) is estimated to grow by 6-7% in FY 2013-14.

With agriculture and services continuing to perform well, the slowdown can be attributed mostly to weak industrial growth. Rising cost of credit prompted by an activist monetary policy to check inflation added to the decline in the investment climate arising out of governance issues.

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 pricing across our business is under risk due to competition from international players. We have been providing good quality products to the customers to retain them. 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, power cost, processing charges etc. These are risks and matter of concern and may affect the profitability of the Company.

The Company is regularly investing in modernization and upgradation of its production facilities which poised the Company to take maximum advantage of demand of its products.

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 our product range. The Company will continue its focus on better cost management, reducing inefficiency, improving supply chain and improving productivity so that it can continue to improve its operating performance.

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

### EXPORTS:

The Company is holding 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 13.58% of total sales as against the export turnover of around 16.02% 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 ₹ 306617650.88 as against total revenue of ₹ 272661972.80 in the previous year. The Company has earned profit before tax of ₹ 20976378.32 during the year as against the profit before tax of ₹ 12670536.19 in the previous year.

The challenges described above could not affect the Company much and your Company was able to register net profit of ₹ 14083918.32 as against net profit of last year ₹ 8113689.90 in spite of global recessionary trends. During the current financial year, the Company is working for increasing its 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 including executive directors.

### The Focus of the Company for the next financial year is:

#### ✓ Market Leadership

To provide quality, reliability and good value in the products we sell. To be sensitive and responsive to changing customer needs right from product development stage to after-sales-service. To aim to become market leaders in whatever we take up.

#### ✓ Price Competitiveness

To improve our competitiveness by constantly enhancing the performance of our manufacturing, development, marketing and administrative functions. We would like to improve our profits by higher market share rather than by higher margin.

#### ✓ Customer Satisfaction

To develop the right relationship between the Company and all its customers so that customer's needs are met simply and effectively.

### 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 about commitment to values and ethical business conduct. It is about how an organization is managed. The Company firmly believes in and has consistently practiced good Corporate Governance for the past several years for the efficient conduct of its business and in meeting its obligations towards all its stakeholders including amongst others, shareholders, customers, employees and the community in which the Company operates.

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.

#### Roles of various constituents of Corporate Governance in the Company

##### a) Board of Directors (Board):

The Directors of the Company are in a fiduciary position, empowered to oversee the management functions with a view to ensure its effectiveness and enhancement of stakeholder value. The Board reviews and approves management's strategic business plan & business objectives and monitors the Company's strategic direction.

##### b) Chairman & Managing Director (CMD):

The CMD is the Chairman of the Board and also the Chief Executive Officer of the Company. His primary role is to provide leadership to the Board and the Corporate Management Committee for realizing the approved strategic business plan and business objectives. He presides over the meetings of the Board and the Shareholders.

##### c) Non-Executive Directors (NED):

The Non-Executive Directors play a vital role in improving the Board effectiveness with their independent judgment on issues of strategy, performance, resources, standards of conduct etc., besides providing the Board with valuable inputs.

#### 2. BOARD OF DIRECTORS:

The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that the long-term interests of the shareholders are being served. The Chairman & Managing Director is assisted by the executive and non-executive directors.

The Board has constituted three standing Committees, namely Audit Committee, Remuneration Committee and Shareholders' Grievance Committee. The Board is authorized to constitute additional functional committees, from time to time, depending on the business needs.

As on March 31, 2013, the composition of Board of the Company is an optimum mix of executive and non executive & independent directors and ensures the desired level of independence, functioning and decision making. The Board's current strength is four members, who are eminent personalities from various walks of life having rich experience in the field of production, marketing, finance, corporate management and administration.

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 Wholtime 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.

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	12	YES	-	-	-	-
Mrs. Nainy K. Tanna	WTD	Executive	12	YES	-	-	-	-
Mr. Ram Sanehi	Director	Non Executive and Independent	12	NO	-	-	-	-
Mr. Ayyaswami Sundaram	Director	Non Executive and Independent	12	YES	-	1	-	-

CMD stands for Chairman & Managing Director. WTD stands for Wholtime Director

During the financial year ended March 31, 2013, 12 [Twelve] board meetings were held on:

Sr. No	Date of the Board Meeting
1.	15/05/2012
2.	31/05/2012
3.	21/06/2012
4.	14/08/2012
5.	01/09/2012
6.	26/09/2012
7.	09/11/2012
8.	26/11/2012
9.	31/12/2012
10.	22/01/2013
11.	13/02/2013
12.	25/03/2013

#### INFORMATION SUPPLIED TO BOARD:

Among others, this includes:

- General notices of interest of directors.
- Appointment, remuneration and resignation of directors.
- Formation/Reconstitution of board committees.
- Terms of reference of board committees.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- Declaration of independent directors at the time of appointment/ annually.
- Review of Annual operating plans of businesses, capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Annual Financial results of the Company, Auditors' Report and the Report of the Board of Directors.
- Quarterly Secretarial Audit reports submitted by the Secretarial Auditors.
- Dividend declaration.
- Information on recruitment and remuneration of senior officers just below the board level.

- Appointment of and fixing of remuneration of the Auditors as recommended by the Audit Committee.
- Show cause, demand, prosecution and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front.
- Details of any joint venture of collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Sale of material nature of investments and assets which is not in the normal course of business.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature.
- 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; and
- are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

#### **RECORDING MINUTES OF PROCEEDINGS AT BOARD AND COMMITTEE MEETINGS:**

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board/ Board Committee for their comments. The minutes are entered in the Minutes Book within 30 days from conclusion of the meeting.

#### **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 all the Committees of the Board are placed before the Board for discussions / noting.

Details of the Committees 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 terms of reference of the Audit Committee, include review of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment and removal of statutory auditors, fixation of audit fees and approval for payment of any other services; review of periodical and annual financial statements before submission to the Board; review of related party transactions; risk assessment and minimization procedure; review of adequacy of internal control systems; review of performance of statutory and internal auditors and review of adequacy of internal audit system and structure of internal audit department; discussing with internal auditors any significant findings and follow-up on such issues; looking into the reasons for substantial default in payments to depositors, shareholders, creditors etc., and review of the appointment, removal and remuneration of Internal Auditor.

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

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:

<b>Name of the Members</b>	<b>Status</b>	<b>No. of Meetings attended</b>
Mr. Ayyaswami Sundaram	Chairman	5
Mr. Ram Sanehi	Member	5
Mrs. Nainy K. Tanna	Member	5

### 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 Director 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 Sundaram	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 2012-13 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
Total (₹)	15,00,000/-	15,00,000/-

The details of remuneration paid to non executive directors during the financial year 2012-2013 are given below:

Particulars	Mr. Ram Sanehi	Mr. Ayyaswami Sundaram
Sitting Fees (₹)	60,000/-	60,000/-
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, 2013.

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 Sundaram	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, 2013.

Details of Investors Complaints received during the year:

Sr. No.	Nature of Complaints	Received	Disposed Off	Pending
1.	Non Receipt of Share Certificates after transfer	0	0	Nil
2.	Non Receipt of Demat Rejected S/C's	0	0	Nil
3.	Non Receipt of Annual Report	1	1	Nil
4.	Others	0	0	Nil
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>Nil</b>

There were no shares pending for transfer as on 31st March 2013.

### 4. GENERAL BODY MEETINGS:

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
31.03.2012	28.09.2012	11.00 A.M.	Registered Office
31.03.2011	30.09.2011	11:00 A.M.	Registered Office
31.03.2010	30.09.2010	11.00 A.M.	Registered Office

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:

- 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 no. 31 of note to the financial statements.
- 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.
- 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.
- 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.
- Though there is no formal Whistle Blower Policy, the Company takes cognizance of the complaints 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.
- 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.
- 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.
- 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 2013 was placed before the Board of Directors of the Company in its meeting held on 30<sup>th</sup> May, 2013.

## 6. MEANS OF COMMUNICATION

- Quarterly results are submitted to the Bombay Stock Exchange.
- All items required to be covered in the Management Discussion and Analysis have been included in the Annexure to the Directors' Report.
- No formal presentations were made to the institutional investors and analysts during the year under review.
- The Company has its own website i.e. [www.rexnordindia.com](http://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 : 25th Annual General Meeting.

DAY & DATE	: Thursday, July 18, 2013.
TIME	: 10.00 A.M.
VENUE	: Registered Office.

### 7.2. FINANCIAL CALENDAR:

* Financial reporting for the quarter ended June 30, 2013	: Mid of Aug., 2013
* Financial reporting for the quarter ended Sept.30, 2013	: Mid of Nov., 2013
* Financial reporting for the quarter ended Dec. 31, 2013	: Mid of Feb., 2014
* Financial reporting for the year ended March 31, 2014	: End of May, 2014
* Annual General Meeting for the year ended March 31, 2014	: End of Sep., 2014

### 7.3. DATE OF BOOK CLOSURE: 16/07/2013 TO 18/07/2013 [Both days inclusive].

### 7.4. LISTING:

The shares of the Company are listed on Mumbai, Ahmedabad and Delhi Stock Exchanges. The shares of the Company got delisted from Bangalore Stock Exchange during the year and process for delisting from Ahmedabad and Delhi Stock Exchanges is on.

### 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 (₹)	Low (₹)	High	Low
April, 2012	8.29	7.27	17664.10	17010.16
May, 2012	8.17	6.00	17432.33	15809.71
June, 2012	7.68	6.33	17448.48	15748.98
July, 2012	7.27	6.36	17631.19	16598.48
August, 2012	6.99	5.84	17972.54	17026.97
September, 2012	7.39	6.07	18869.94	17250.80
October, 2012	9.50	7.62	19137.29	18393.42
November, 2012	7.70	6.19	19372.70	18255.69
December, 2012	8.85	6.40	19612.18	19149.03
January, 2013	9.81	8.16	20203.66	19508.93
February, 2013	9.81	7.61	19966.69	18793.97
March, 2013	9.39	7.42	19754.66	18568.43

### 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  
Tel: 022-28473747 / 3474  
Email: [info@bigshareonline.com](mailto:info@bigshareonline.com)

## 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 the 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 15 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, 2013:

Category	No. of shares held	% of shareholding
Promoters & Promoter Group	30,70,771	47.38
Mutual Funds /UTI	NIL	NIL
Financial Institutions / Banks	2,000	0.03
Bodies Corporate	1,71,397	2.64
Indian Public	29,25,032	45.13
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, 2013:

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Equity Capital
Upto 500	3794	6,17,113	9.52
501-1000	330	2,85,374	4.40
1001-2000	139	2,20,150	3.40
2001-3000	66	1,70,666	2.63
3001-4000	24	87,937	1.36
4001-5000	19	91,367	1.41
5001-10000	30	2,06,982	3.19
10001 & above	41	48,01,611	74.09
<b>Total</b>	<b>4443</b>	<b>64,81,200</b>	<b>100.00</b>

## 7.14. DEMATERIALISATION OF SHARES:

As on March 31, 2013, 54,21,580 shares representing 83.65% 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:

- Plot Survey No. 62, 74 & 75  
Village – Devadal, Kaman  
Taluka Vasai, Thane
- 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  
Email : info@rexnordindia.com

**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 INSIDER TRADING**

In compliance of the SEBI (Prevention of insider Trading) Regulations as amended in 2002, the Company has issued a comprehensive guideline advising and cautioning the 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 : 30<sup>th</sup> May, 2013

## 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, 2013.

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai

Dated : 30<sup>th</sup> May, 2013

### 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, 2013 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 proposed 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 : 30<sup>th</sup> May, 2013

## 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, 2013 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 R. S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
(Firm's Registration No. 100156W)

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

Place : Mumbai

Dated : 30<sup>th</sup> May, 2013

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
REXNORD ELECTRONICS AND CONTROLS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **REXNORD ELECTRONICS AND CONTROLS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. *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 Act.*
3. As required by section 227(3) of the Act, 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act; and
  - e. on the basis of written representations received from the directors as at March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **R. S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
(Firm's Registration No. 100156W)

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

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

## ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date

In terms of information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, 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 inventories 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 Order are not applicable to the Company;
- (c) the Company has taken interest free unsecured loans from two parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 6670000.00 and balance of loan taken from such parties at the end of the year was ₹ 6670000.00;
- (d) the terms and conditions of the aforesaid interest free unsecured loans taken were prima facie not prejudicial to the interest of the Company; and
- (e) since the aforesaid loans have not become due for payment, 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. 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 Auditors, 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 with a view to determine whether they are accurate or complete.
- (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 ₹ 41340.00; 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) 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) 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 loan was 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 no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) the Company has, during the year, not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. 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 **R. S. AGRAWAL & ASSOCIATES**  
Chartered Accountants  
(Firm's Registration No. 100156W)

**O.P. Agrawal**

Partner

Membership No. 045862

Place : Mumbai.  
Dated : 30<sup>th</sup> May, 2013

## BALANCE SHEET AS AT 31ST MARCH 2013

(Amount in ₹)

Particulars	Note No.	As at 31.03.2013		As at 31.03.2012
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	2	64803000.00	64803000.00	
Reserves and surplus	3	39844674.76	25760756.44	
		<b>104647674.76</b>		90563756.44
<b>Non-current liabilities</b>				
Long-term borrowings	4	41950029.53	38227195.58	
Deferred tax liabilities (net)	5	6523611.00	4724051.00	
Long-term provisions	6	724881.00	619433.00	
		<b>49198521.53</b>		43570679.58
<b>Current liabilities</b>				
Short-term borrowings	7	38254711.67	42073284.00	
Trade payables	8	56841516.00	41136981.14	
Other current liabilities	9	25904917.42	25520296.97	
Short-term provisions	10	1266448.50	497154.51	
		<b>122267593.59</b>		109227716.62
<b>TOTAL</b>		<b>276113789.88</b>		<b>243362152.64</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets				
Tangible assets	11	137679231.57	137942933.83	
Intangible assets	11	74351.00	52320.00	
Capital work in progress	11	413181.00	0.00	
		<b>138166763.57</b>	137995253.83	
Long-term loans and advances	12	1600673.00	2403802.00	
Other non-current assets	13	0.00	3682856.51	
			<b>139767436.57</b>	144081912.34
<b>Current assets</b>				
Inventories	14	71084974.55	41002290.06	
Trade receivables	15	49474977.80	40847632.91	
Cash and bank balances	16	10449623.08	9608316.35	
Short-term loans and advances	17	4931573.44	7578321.46	
Other current assets	18	405204.44	243679.52	
		<b>136346353.31</b>		99280240.30
<b>TOTAL</b>		<b>276113789.88</b>		<b>243362152.64</b>
Contingent liabilities and commitments (To the extent not provided for)	27			
Significant accounting policies	1			
The accompanying notes form part of the financial statements				

As per our attached report of even date

**For R. S. Agrawal & Associates**  
Chartered Accountants  
(Firm's registration No. 100156W)

**O. P. Agrawal**  
Partner  
Membership no.045862

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

For and on behalf of the Board of Directors

**Kishore Chand Talwar**  
Chairman & Managing Director

**Ayyaswami Sundaram**  
Director

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

**Nainy K. Tanna**  
Wholetime Director

**Mahendra K. Shah**  
Company Secretary



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

Particulars	Note No.	For the year ended 31.03.2013	For the year ended 31.03.2012
Revenue from operations (gross)	19	338526106.00	294616206.00
Less: Excise duty		33281555.00	23816076.00
Revenue from operations (net)		305244551.00	270800130.00
Other income	20	1373099.88	1861842.80
<b>Total Revenue</b>		<b>306617650.88</b>	<b>272661972.80</b>
<b>Expenses:</b>			
Cost of materials consumed	21	176109815.95	149020666.67
Changes in inventories of finished goods and work in progress	22	(12939801.00)	5857706.77
Employee benefits expense	23	12543214.50	12008033.38
Finance costs	24	13335278.14	12412618.10
Depreciation and amortisation expense	11	9039871.65	6095271.39
Other expenses	25	87552893.32	74597140.30
<b>Total expenses</b>		<b>285641272.56</b>	<b>259991436.61</b>
Profit before tax		20976378.32	12670536.19
Tax expense:			
Current tax		5222756.00	2311300.00
Less: MAT credit entitlement		0.00	151519.00
Net current tax		5222756.00	2159781.00
Deferred tax		1799560.00	2340058.00
Tax adjustment for earlier years		(129856.00)	57007.29
		6892460.00	4556846.29
Profit after tax for the year		14083918.32	8113689.90
Earning per equity share	26		
Basic		2.17	1.25
Diluted		2.17	1.25
Significant accounting policies	1		

The accompanying notes form part of the financial statements

As per our attached report of even date

**For R. S. Agrawal & Associates**  
Chartered Accountants  
(Firm's registration No. 100156W)

**O. P. Agrawal**  
Partner  
Membership no.045862

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

For and on behalf of the Board of Directors

**Kishore Chand Talwar**  
Chairman & Managing Director

**Ayyaswami Sundaram**  
Director

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

**Nainy K. Tanna**  
Wholetime Director

**Mahendra K. Shah**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary items	20976378.32	12670536.19
Adjustments for		
Depreciation and amortization	9039871.65	6095271.39
Provision for doubtful debts and advances	0.00	0.00
(Profit)/loss on sale/discarding of fixed assets (net)	609468.00	(377898.00)
Unrealised exchange (Gain) / Loss	365150.07	1283589.25
Provision for doubtful debts no longer required	0.00	(434226.00)
Interest income	(843998.89)	(697999.65)
Dividend income	(2172.00)	(15120.00)
Interest and other borrowing costs	12700242.85	7644110.73
Operating profit before working capital changes	42844940.00	26168263.91
Adjustments for :		
Trade and other receivables	(5940920.79)	5231318.77
Inventories	(30082684.49)	8144532.20
Trade and other payables	10974003.38	3065221.22
Cash generated from operations	17795338.10	42609336.10
Direct taxes paid	(4427840.01)	(3212956.49)
Cash flow before extraordinary items	13367498.09	39396379.61
Extraordinary items	0.00	0.00
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>13367498.09</b>	<b>39396379.61</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) / sale of fixed assets (net)	(9820849.39)	(65972684.80)
(Purchase)/ sale of investments	0.00	105380.00
(Increase)/ decrease in deposits	803061.00	4677870.80
(Increase)/ decrease in bank fixed deposits	(720550.35)	3718428.75
Interest income	856348.63	668989.56
Dividend income	2172.00	15120.00
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(8879818.11)</b>	<b>(56786895.69)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	0.00	0.00
Proceeds from long term borrowings	19170000.00	34032628.00
Repayment of long term borrowings	(10377757.52)	(5105835.36)
Proceeds from short term borrowings	83646305.00	79474732.00
Repayment of short term borrowings	(80027118.00)	(83324820.76)
Change in working capital borrowings from banks	(7289789.33)	(6071413.23)
Interest and other borrowing costs	(12969231.87)	(7190654.99)
Dividend paid	0.00	0.00
<b>NET CASH FROM/ (USED IN) FINANCING ACTIVITIES</b>	<b>(7847591.72)</b>	<b>11814635.66</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(3359911.74)</b>	<b>(5575880.42)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>4421404.35</b>	<b>9997284.77</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>1061492.61</b>	<b>4421404.35</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. 16 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 R. S. Agrawal & Associates**  
Chartered Accountants  
(Firm's registration No. 100156W)

**O. P. Agrawal**  
Partner  
Membership no.045862

For and on behalf of the Board of Directors

**Kishore Chand Talwar**  
Chairman & Managing Director

**Ayyaswami Sundaram**  
Director

**Nainy K. Tanna**  
Wholesale Director

**Mahendra K. Shah**  
Company Secretary

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

### 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/installation 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 market value whichever is lower.

#### G) Inventories

- Inventories are valued at lower of cost and net realizable value.
- Cost of inventories is assigned by using the FIFO formula.
- 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

- 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 in the year in which the related services are provided.
- 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.

#### J) Foreign Currency Transactions

- 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.
- 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.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- 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 deferral 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 2013

(Amount in ₹)

Particulars	As at 31.03.2013		As at 31.03.2012	
	Numbers	Amount(₹)	Numbers	Amount(₹)
<b>NOTE 2: SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of ₹ 10/- each	10000000	100000000.00	10000000	100000000.00
<b>Total</b>		<b>100000000.00</b>		<b>100000000.00</b>
<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
<b>Total</b>		<b>64803000.00</b>		<b>64803000.00</b>

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	25760054.66		17646364.76	
Add: Profit (loss) after tax for the year	14083918.32		8113689.90	
<b>Total</b>		<b>39843972.98</b>		<b>25760054.66</b>
		<b>39844674.76</b>		<b>25760756.44</b>

### NOTE 4: LONG-TERM BORROWINGS

Secured loans:				
Term loans				
From banks		34319558.18		36146728.18
From other parties		960471.35		2080467.40
Unsecured loans				
Loans from related parties (Refer note no. 31)		6670000.00		0.00
<b>Total</b>		<b>41950029.53</b>		<b>38227195.58</b>

Secured Loans:

A Terms of repayment of secured loans

Name of the banks / other parties	HDFC Bank Limited	HDFC Bank Limited	HDFC Bank Limited	Kotak Mahindra Prime Limited
Type of loan	Term Loan	Term Loan	Term Loan	Vehicle Loan
Loan account no.	3350311	3416348	80495653	CF-5273060
Amount sanctioned (₹)	37400000.00	10000000.00	12500000.00	835191.00
Sanction date	24/06/2010	30/01/2012	28/11/2012	25/06/2009
Interest rate	Base Rate +2.75%	Base Rate +2.75%	Base Rate +2.75%	10.715%
Total No. of EMIs	65	58	36	59
No. of EMIs paid	26	12	3	44
No. of balance EMIs to be paid	39	46	33	15
Current EMI amount (Principal and interest)	853599.00	232683.00	418470.00	18309.00
Maturity profile (Principal):				
2013-14	7289573.72	1848527.23	3794880.46	202008.00
2014-15	8245119.73	2090986.31	4292093.82	53969.00
2015-16	9323058.04	2364354.61	3538722.39	0.00
2016-17	2305658.41	2159564.87	0.00	0.00

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

### NOTE 4: LONG-TERM BORROWINGS (continued)

A Terms of repayment of secured loans (continued)					(Amount in ₹)
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	33	36	42	57	
No. of balance EMIs to be paid	26	24	17	3	
Current EMI amount (Principal and interest)	36762.00	32400.00	9891.00	32398.00	
Maturity profile (Principal):					
2013-14	380390.00	341200.00	101046.66	95349.63	
2014-15	414933.00	371425.00	47416.35	0.00	
2015-16	72728.00	0.00	0.00	0.00	

### B Terms of repayment of unsecured loans

Unsecured loans have been brought by Shri Kishore Chand Talwar, Chairman & Managing Director and Smt. Nainy K. Tanna, Wholetime Director. These unsecured loans are free of interest and to be repaid on 30th June 2014.

### C Nature of security:

#### (I) Term loans from HDFC Bank Limited are :

- primarily secured by hypothecation of stocks, book debts and plant & machineries of the company ;
- further secured by way of equitable mortgage of land and building at Plot No. 92-D Government Industrial Estate, Charkop, Kandivli (W), Mumbai 400067;
- further collaterally secured by way of equitable mortgage of Residential Flats at 802A and 802B, Beach Classic, J.P. Road, Versova, Andheri (W) Mumbai 400061 belonging to Shri Kishore Chand Talwar, Smt. Sharda Talwar and Shri Kundan Talwar and a plot of land at Survey No. 62, 74, 75, 20 Village Devdal (Nagpada), Kaman, Vasai (E) Thane 401202 belonging to Shri Kundan Talwar; and
- also personally guaranteed by Chairman & Managing Director, Wholetime Director and two relatives of the Chairman & Managing Director of the Company.

#### (II) All the vehicle loans are secured by hypothecation of specific vehicles acquired from the loans.

**As at 31.03.2013**

As at 31.03.2012

### NOTE 5: DEFERRED TAX LIABILITIES (NET)

Deferred tax liabilities:		
Depreciation	<b>6799926.00</b>	4958034.00
Deferred tax assets:		
Deferment of allowances as per the Income Tax Act 1961	<b>276315.00</b>	233983.00
<b>Total</b>	<b>6523611.00</b>	4724051.00

### NOTE 6: LONG-TERM PROVISIONS

Provision for employee benefits (Refer note no. 29)	<b>724881.00</b>	619433.00
<b>Total</b>	<b>724881.00</b>	619433.00

### NOTE 7: SHORT-TERM BORROWINGS

Secured loans:		
Working capital loans		
From a bank	<b>3743210.67</b>	11033000.00
Unsecured loans:		
Buyers credit in foreign currency		
From banks	<b>34511501.00</b>	30540284.00
Demand loan from a related party (Refer note no. 31)	<b>0.00</b>	500000.00
<b>Total</b>	<b>38254711.67</b>	42073284.00

#### Secured Loans:

##### Nature of security:

Working capital loans from HDFC Bank Limited are :

- primarily secured by hypothecation of stocks, book debts and plant & machineries of the company ;
- further secured by way of equitable mortgage of land and building at Plot No. 92-D Government Industrial Estate, Charkop, Kandivli (W), Mumbai 400067;
- further collaterally secured by way of equitable mortgage of Residential Flats at 802A and 802B, Beach Classic, J.P. Road, Versova, Andheri (W) Mumbai 400061 belonging to Shri Kishore Chand Talwar, Smt. Sharda Talwar and Shri Kundan Talwar and a plot of land at Survey No. 62, 74, 75, 20 Village Devdal (Nagpada), Kaman, Vasai (E) Thane 401202 belonging to Shri Kundan Talwar; and
- also personally guaranteed by Chairman & Managing Director, Wholetime Director and two relatives of the Chairman & Managing Director of the Company.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

Particulars As at 31.03.2013 As at 31.03.2012

### NOTE 8: TRADE PAYABLES

Micro and small enterprises (Refer note no. 33)	2029762.00	185976.00
Others*	54811754.00	40951005.14
<b>Total</b>	<b>56841516.00</b>	<b>41136981.14</b>
* Other trade payables include acceptances	16997335.00	10323474.00

### NOTE 9: OTHER CURRENT LIABILITIES

Current maturities of long term debts (Refer note no. 4)	14052975.70	8983567.17
Interest accrued but not due on borrowings	546820.15	815809.17
Creditors for capital expenditure	6764135.75	11625648.39
Advances from customers	336399.00	367020.16
Other payables		
Statutory dues	1383967.00	2102664.00
Accrued expenses	2820619.82	1625588.08
<b>Total</b>	<b>25904917.42</b>	<b>25520296.97</b>

### NOTE 10: SHORT-TERM PROVISIONS

Provision for employees benefits (Refer note no. 29)	126759.00	153915.00
Provision for taxation (net of taxes paid)	1139689.50	343239.51
<b>Total</b>	<b>1266448.50</b>	<b>497154.51</b>

### NOTE 11: FIXED ASSETS

(Amount in ₹)

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2012	Additions during the year	Sold/discarded during the year	Total as at 31.03.2013	Provided upto 31.03.2012	Provided for the year	Written back during the year	Total upto 31.03.2013	Total as at 31.03.2013	Total as at 31.03.2012
<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	87653329.38	4112094.00	0.00	91765423.38	2993919.61	3031913.00	0.00	6025832.61	85739590.77	84659409.77
Residential flats	1964381.00	0.00	0.00	1964381.00	180135.00	65610.00	0.00	245745.00	1718636.00	1784246.00
Plant and machineries	74801335.76	1542005.37	0.00	76343341.13	51837788.34	2355557.65	0.00	54193345.99	22149995.14	22963547.42
Moulds and dies	36620242.04	2330049.01	0.00	38950291.05	28598400.81	1732607.00	0.00	30331007.81	8619283.24	8021841.23
Furniture and fixtures	4448399.85	641330.00	0.00	5089729.85	2074650.92	292689.00	0.00	2367339.92	2722389.93	2373748.93
Office equipments	4120909.63	643518.00	138200.00	4626227.63	1875988.31	213653.00	9541.00	2080100.31	2546127.32	2244921.32
Vehicles	10228119.51	0.00	1392964.00	8835155.51	2321601.00	861150.00	385969.00	2796782.00	6038373.51	7906518.51
Computers	2860023.00	568671.01	0.00	3428694.01	2073526.20	263236.00	0.00	2336762.20	1091931.81	786496.80
Factory equipments	3676037.89	17736.00	0.00	3693773.89	1053034.04	167036.00	0.00	1220070.04	2473703.85	2623003.85
<b>Total tangible assets</b>	<b>230951978.06</b>	<b>9855403.39</b>	<b>1531164.00</b>	<b>239276217.45</b>	<b>93009044.23</b>	<b>8983451.65</b>	<b>395510.00</b>	<b>101596985.88</b>	<b>137679231.57</b>	<b>137942933.83</b>
<b>INTANGIBLE ASSETS</b>										
Computer software – acquired	124583.00	78451.00	0.00	203034.00	72263.00	56420.00	0.00	128683.00	74351.00	52320.00
<b>Total intangible assets</b>	<b>124583.00</b>	<b>78451.00</b>	<b>0.00</b>	<b>203034.00</b>	<b>72263.00</b>	<b>56420.00</b>	<b>0.00</b>	<b>128683.00</b>	<b>74351.00</b>	<b>52320.00</b>
<b>Total as at 31.03.2013</b>	<b>231076561.06</b>	<b>9933854.39</b>	<b>1531164.00</b>	<b>239479251.45</b>	<b>93081307.23</b>	<b>9039871.65</b>	<b>395510.00</b>	<b>101725668.88</b>	<b>137753582.57</b>	<b>137995253.83</b>
Total as at 31.03.2012	133626819.60	98145501.46	695760.00	231076561.06	87194502.84	6095271.39	208467.00	93081307.23	137995253.83	46432316.76
Capital work in progress (Softwares under implementation)									413181.00	0.00

(i) Addition to factory buildings include ₹ Nil (previous year ₹ 2567031.66) 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 2013

(Amount in ₹)

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE 12: LONG-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Capital advances	223500.00	860209.00
Security deposits	1353763.00	1520183.00
Sales tax refund receivable	23410.00	23410.00
<b>Total</b>	<b>1600673.00</b>	<b>2403802.00</b>
<b>NOTE 13: OTHER NON-CURRENT ASSETS</b>		
Fixed deposit with bank with maturity period more than 12 months (lien for margin money ₹ N.A. (previous year ₹ 2997720.00))	0.00	3480668.12
Interest accrued on fixed deposits	0.00	50669.39
Minimum alternate tax credit entitlement	0.00	151519.00
<b>Total</b>	<b>0.00</b>	<b>3682856.51</b>
<b>NOTE 14: INVENTORIES</b> (Refer note no. 1 (G))		
Raw Materials and components including packing materials*	51860565.19	34791608.47
Work in progress (Refer note no. 37)	12636094.57	3707447.37
Finished goods	6514388.02	2503234.22
Stores and spares	73926.77	0.00
<b>Total</b>	<b>71084974.55</b>	<b>41002290.06</b>
* Includes stock in transit	1131754.00	0.00
<b>NOTE 15: TRADE RECEIVABLES</b>		
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they are due for payments	11884.00	167448.42
Other debts	49463093.80	40680184.49
<b>Total</b>	<b>49474977.80</b>	<b>40847632.91</b>
<b>NOTE 16: CASH AND BANK BALANCES</b>		
Cash and cash equivalents:		
Balances with banks		
In cash credit account	0.00	1432537.69
In current accounts	413400.61	1743590.66
Cheques on hand	0.00	859157.00
Cash on hand	648092.00	386119.00
	<b>1061492.61</b>	<b>4421404.35</b>
Other bank balances:		
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 ₹ 8014439.00 (previous year ₹ 3855999.00))	9388130.47	5186912.00
With maturity period more than 12 months	0.00	3480668.12
Less : Amount disclosed under other non current assets (Refer note no. 13)	0.00	3480668.12
	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>9388130.47</b>	<b>5186912.00</b>
<b>Total</b>	<b>10449623.08</b>	<b>9608316.35</b>
<b>NOTE 17: SHORT-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Security deposits to others	42262.00	678903.00
Advances to suppliers	3443811.03	257359.60
Loan to employee	10000.00	0.00
Cenvat credit receivable	738739.00	5989445.60
Balance with excise department	0.00	35410.00
Export benefit receivable	9523.00	181867.00
Prepaid expenses	660995.41	370402.26
Other receivables	26243.00	64934.00
<b>Total</b>	<b>4931573.44</b>	<b>7578321.46</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

Particulars	As at 31.03.2013	As at 31.03.2012
<b>NOTE 18: OTHER CURRENT ASSETS</b>		
Interest accrued on fixed deposits	123855.44	85535.79
Minimum alternate tax credit entitlement	281349.00	0.00
D.E.P.B entitlements	0.00	158143.73
<b>Total</b>	<b>405204.44</b>	<b>243679.52</b>
	<b>For the year ended 31.03.2013</b>	<b>For the year ended 31.03.2012</b>
<b>NOTE 19: REVENUE FROM OPERATIONS</b>		
Sale of products*	337716204.00	291999991.00
Sale of services		
Job work charges	0.00	17350.00
Other operating revenue		
Scrap sales	800379.00	1182298.00
Export incentives	9523.00	1416567.00
<b>Total</b>	<b>338526106.00</b>	<b>294616206.00</b>
*Sales of Products		
Instrument cooling fans	219424695.75	184419760.71
Shaded pole motors	109382534.93	98772598.56
Components	8908973.32	8807631.73
<b>NOTE 20: OTHER INCOME</b>		
Interest Income :		
On fixed deposits with banks	841098.89	683862.65
On delayed payments from customers	0.00	14137.00
On staff loans	2900.00	0.00
	<b>843998.89</b>	<b>697999.65</b>
Dividend Income on non current investments	2172.00	15120.00
Profit on sale of fixed assets (net)	0.00	377898.00
Provision for doubtful advances no longer required	0.00	434226.00
Sundry balances written back/off (net)	526928.99	224332.15
Discount on purchase of DEPB entitlements	0.00	112267.00
<b>Total</b>	<b>1373099.88</b>	<b>1861842.80</b>
<b>NOTE 21: COST OF MATERIALS CONSUMED*</b> (Raw materials and components including packing materials)		
Opening stock	34791608.47	36965264.90
Add : Cost of purchases	193178772.67	146847010.24
Less: Closing stock	51860565.19	34791608.47
<b>Total</b>	<b>176109815.95</b>	<b>149020666.67</b>
*Cost of materials consumed		
Aluminium ingots	34858034.63	22765355.40
Ball bearings	5246180.51	4377617.35
Copper wires	38019194.77	33675355.34
Plastic powders	10436023.97	7030311.00
Rotor lamination	11010617.63	8803212.68
Stator lamination	24038844.87	20448722.23
Others	52500919.57	51920092.67
<b>NOTE 22: CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS</b>		
Opening stocks:		
Finished goods	2503234.22	6949276.84
Work in progress	3707447.37	5119111.52
	<b>6210681.59</b>	<b>12068388.36</b>
Less: Closing stocks:		
Finished goods	6514388.02	2503234.22
Work in progress	12636094.57	3707447.37
<b>Total</b>	<b>(12939801.00)</b>	<b>5857706.77</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
<b>NOTE 23: EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	10008951.00	10469087.00
Contribution to provident and other funds	260967.00	268119.00
Staff welfare expenses	2273296.50	1270827.38
<b>Total</b>	<b>12543214.50</b>	<b>12008033.38</b>
<b>NOTE 24: FINANCE COSTS</b>		
Interest expense on:		
Borrowings	8241401.83	3847568.79
Others	1594406.41	1301107.91
Other Borrowing Costs	2864434.61	2495434.03
Net loss(gain) on foreign currency transactions	635035.29	4768507.37
<b>Total</b>	<b>13335278.14</b>	<b>12412618.10</b>
<b>NOTE 25: OTHER EXPENSES</b>		
Manufacturing expenses		
Consumption of stores and spares	1453875.23	1904168.90
Processing and labour charges	42726009.50	36707372.00
Power and fuel	8288541.01	6633486.00
Rent	504949.00	3105622.00
Repairs to :		
Factory buildings	4531146.00	2167365.00
Machineries	1156503.32	1025441.00
Mould & dies	693932.28	718601.00
Others	1232118.40	469401.00
	<b>7613700.00</b>	<b>4380808.00</b>
Inward transportation and freight	884246.00	565243.00
Administrative and other expenses		
Auditors' remuneration (Refer note no. 28)	694500.00	551796.00
Bad debts/advances (net of provision for doubtful debts/advances ₹ nil Previous Year ₹ 695289.00)	0.00	126170.00
Communication expenses	1707699.73	859800.68
Directors' sitting fees	120000.00	80000.00
Electricity expenses	299190.00	274883.80
Net loss on exchange rate fluctuations	1244047.52	466455.40
Insurance	415130.93	421182.00
Loss on sale of fixed assets	609468.00	0.00
Professional charges	1584597.00	1168681.00
Repairs and maintenance	2044347.57	1713828.13
Rates and taxes	555153.00	694502.00
Travelling and conveyance	9107268.62	5553259.35
Miscellaneous expenses	3906959.26	3141906.37
Selling and distribution expenses		
Advertisement and business promotion	2431082.95	2839545.67
Commission and brokerage	207126.00	1911848.00
Outward transportation and freight	1155002.00	1496582.00
<b>Total</b>	<b>87552893.32</b>	<b>74597140.30</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

### NOTE 26: EARNING PER EQUITY SHARE

(Amount in ₹)

		2012-2013	2011-2012
Net profit / (loss) after tax	₹	14083918.32	8113689.90
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 and diluted earnings per share	₹	2.17	1.25

### NOTE 27: CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

As at 31.03.2013 As at 31.03.2012

(i) Contingent liabilities:			
(a) Guarantees given by the banks on behalf of the company		0.00	5372.00
(b) Letter of credit issued by the bankers of the company		9216224.52	6177413.37
(c) Disputed demand in the matters of Income tax		364467.00	364467.00
(d) Bonds/Undetakings given under duty exemption under advance licence scheme pending fulfilment of export obligation		28473000.00	0.00
(ii) Contingent commitments			
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		361800.00	0.00

### NOTE 28: PAYMENT TO AUDITORS\*

(Amount in ₹)

		2012-2013	2011-2012
Statutory audit fees		210000.00	185000.00
Tax audit fees		75000.00	65000.00
Cost audit fees		60000.00	0.00
Sales tax audit fees		35000.00	30000.00
Certification work		160000.00	151074.00
Taxation matters		107700.00	65605.00
Other services		25000.00	31917.00
Out of pocket expenses		21800.00	23200.00
		<b>694500.00</b>	<b>551796.00</b>

\* excluding service tax wherever cervat credit taken

### NOTE 29: EMPLOYEE BENEFITS EXPENSE

(Amount in ₹)

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:			
(a) Defined contribution plan		2012-2013	2011-2012
Contribution to defined contribution plan recognised, charged off for the year, are as under:			
Employer's contribution to provident fund		206157.00	217240.00

#### (b) Defined benefit plan:

##### Compensated absences:

₹ 50300.00 (previous year ₹ 52182.00) 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		2012-2013	2011-2012
Present value of defined benefit obligation at start of year		721166.00	678000.00
Current service cost		67425.00	75753.00
Interest cost		61299.00	56074.00
Benefits paid		0.00	(13774.00)
Actuarial loss /(gain)		(48550.00)	(74887.00)
Past service cost		0.00	0.00
Present value of defined benefit obligation at end of the year		801340.00	721166.00

(Amount in ₹)

II) Net liability / (asset) recognised in the balance sheet		2012-2013	2011-2012
Present value of defined benefit obligation		801340.00	721166.00
Fair value of plan assets		0.00	0.00
Net liability / (asset)		801340.00	721166.00
Less: Unrecognised past service cost		0.00	0.00
Liability / (asset) recognised in the balance sheet		801340.00	721166.00
Of which short term defined benefit obligation at end of the year		118709.00	101733.00

(Amount in ₹)

III) Expenses recognized during the year		2012-2013	2011-2012
Current service cost		67425.00	75753.00
Interest cost		61299.00	56074.00
Actuarial loss / (gain)		(48550.00)	(74887.00)
Employer expense		80174.00	56940.00

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

(Amount in ₹)

IV) Actuarial assumptions		<b>2012-2013</b>	2011-2012
Salary growth rate		<b>7.00%</b>	7.00%
Discount rate		<b>7.90%</b>	8.50%
Withdrawal / attrition rate		<b>15.00%</b>	15.00%
Mortality Rate		<b>IALM 2006-08 (Ult.)</b>	LIC 1994-96 (Ult.)
Expected average remaining working life (years)		<b>5 years</b>	5 years
V) Experience Adjustments			(Amount in ₹)
		<b>2012-13</b>	2011-12
Defined benefit obligation		<b>801340.00</b>	721166.00
Fair value of plan assets		-	-
Surplus/ (deficit)		<b>(801340.00)</b>	(677800.00)
Experience adjustment on plan liabilities: (Gain) / Loss		<b>(64872.00)</b>	(84454.00)
Experience adjustment on plan assets: (Gain) / Loss		<b>NA</b>	NA

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 30: 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 31: 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)
- II) Transactions during the year and balances outstanding as at year end with the related parties are as follows:

(Amount in ₹)

	Volume of Transactions		Balances as on	
	2012-13	2011-12	31.03.2013	31.03.2012
			Debit / (Credit)	
<b>Expenses:</b>				
Director's Remuneration				
Shri Kishore Chand Talwar	<b>1500000.00</b>	1500000.00	<b>(121800.00)</b>	0.00
Smt. Nainy K. Tanna	<b>1500000.00</b>	1500000.00	<b>(114200.00)</b>	0.00
<b>Salary</b>				
Shri Kundan Talwar	<b>930250.00</b>	899010.00	<b>(62200.00)</b>	0.00
Shri Kunal Tanna	<b>1448100.00</b>	1227000.00	<b>(113600.00)</b>	0.00
Smt. Sharda Talwar	<b>421534.00</b>	486000.00	<b>(12120.00)</b>	0.00
<b>Rent</b>				
Shri Kishore Chand Talwar	<b>0.00</b>	32000.00	<b>0.00</b>	0.00
Smt. Sharda Talwar	<b>0.00</b>	18000.00	<b>0.00</b>	0.00
Shri Kundan Talwar	<b>120000.00</b>	120000.00	<b>(246190.00)</b>	(126190.00)
<b>Long term borrowings:</b>				
Unsecured loan taken / (Repayment)				
Shri Kishore Chand Talwar	<b>3640000.00</b>	0.00	<b>(3640000.00)</b>	0.00
Smt. Nainy K Tanna	<b>3030000.00</b>	0.00	<b>(3030000.00)</b>	0.00
<b>Short term borrowings:</b>				
Unsecured loan taken / (Repayment)				
Shri Kishore Chand Talwar	<b>500000.00</b>	2000000.00	<b>0.00</b>	(500000.00)
	<b>(1000000.00)</b>	(1500000.00)		
<b>Short term loans and advances:</b>				
Deposits given / (Repayment)				
Shri Kishore Chand Talwar	<b>0.00</b>	(1825000.00)	<b>0.00</b>	0.00
Smt. Sharda Talwar	<b>0.00</b>	(1825000.00)	<b>0.00</b>	0.00

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

### NOTE 32: LEASES

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.

### NOTE 33: 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 31.03.2013	As at 31.03.2012
1.	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year		
	– principal amount	2029762.00	185976.00
	– interest thereon	3410.00	1625.00
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	4077637.50	2431532.00
	– 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	35562.00	52110.00
4.	The amount of interest accrued and remaining unpaid.	125653.00	86681.00
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.	38972.00	53735.00

### NOTE 34: TAXATION MATTERS:

- 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.
- The income tax assessments of the company have been completed upto assessment Year 2011-2012.

### NOTE 35: C. I. F. VALUE OF IMPORTS:

	(Amount in ₹)	
	2012-2013	2011-2012
Raw Materials and components including packing materials	100634743.00	77484615.49
Stores & Spares	117755.00	141546.49
Capital goods	2949005.20	6832292.94

### NOTE 36: EXPENDITURE IN FOREIGN CURRENCY

	(Amount in ₹)	
	2012-2013	2011-2012
Interest	784573.41	1071968.43
Exhibition charges	259306.88	823570.07
Foreign travelling	4293324.04	2116074.60

### NOTE 37: CLOSING WORK IN PROGRESS

	(Amount in ₹)	
	As at 31.03.2013	As at 31.03.2012
Alluminium brackets	362496.00	145998.36
Alluminium housing	6211880.00	800978.74
Alluminium Impeller	464671.10	190508.36
Copper clip & springs	649611.48	50755.15
Motors	1200834.80	418148.73
Mounting brackets	237644.50	44300.18
Plastic Impeller	770710.00	14512.95
Rotor diecast	1699607.10	474190.70
Shafts	318243.46	224943.81
Stator processed	0.00	1089769.19
Others	720396.13	253341.20
	<b>12636094.57</b>	<b>3707447.37</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

**NOTE 38: TOTAL VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL, SPARE PARTS, COMPONENTS CONSUMED AND % OF EACH TO TOTAL CONSUMPTION**

	2012-2013		2011-2012	
	Consumption in ₹	% to total consumption	Consumption in ₹	% to total consumption
(a) Raw materials:				
Indigenous	82592300.90	46.90%	63782386.25	42.80%
Imported	93517515.05	53.10%	85238280.42	57.20%
<b>Total consumption and %</b>	<b>176109815.95</b>	<b>100.00%</b>	<b>149020666.67</b>	<b>100.00%</b>
(b) Spare parts and components:				
Indigenous	1320466.23	90.82%	1745616.24	91.67%
Imported	133409.00	9.18%	158552.66	8.33%
<b>Total consumption and %</b>	<b>1453875.23</b>	<b>100.00%</b>	<b>1904168.90</b>	<b>100.00%</b>

**NOTE 39: EARNING IN FOREIGN CURRENCY**

	2012-2013	2011-2012
FOB value of exports realised	41519592.33	42901153.82

**NOTE 40: UNHEDGED FOREIGN CURRENCY EXPOSURE**

	As at 31.03.2013		As at 31.03.2012	
	US \$	Amount in ₹	US \$	Amount in ₹
Receivables	150112.10	8037001.83	24425.00	1225158.60
Payables	825129.23	45588390.75	701367.87	36520228.00

- NOTE 41:** (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.

**NOTE 42:** Previous year figures have been regrouped, rearranged and recasted to make them comparable with the current year figures in view of change of classification of items.

As per our attached report of even date

**For R. S. Agrawal & Associates**  
Chartered Accountants  
(Firm's registration No. 100156W)

**O. P. Agrawal**  
Partner  
Membership no.045862

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

For and on behalf of the Board of Directors

**Kishore Chand Talwar**  
Chairman & Managing Director

**Ayyaswami Sundaram**  
Director

Place : Mumbai  
Dated : 30<sup>th</sup> May, 2013

**Nainy K. Tanna**  
Wholetime Director

**Mahendra K. Shah**  
Company Secretary