

**NOTICE**

Notice is hereby given that the 63<sup>rd</sup> Annual General Meeting of the shareholders of **JAINEX AAMCOL LIMITED** will be held at Kilachand Conference Room, Indian Merchants Chamber, Indian Merchants Chamber Marg, Churchgate, Mumbai – 400 020 on Monday, the 26th day of, September, 2011 at 12.00 noon to transact the following business :

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Statements of Accounts of the company for the year ended 31<sup>st</sup> March 2011 and the reports of Directors and Auditors thereon.
2. **To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:**

"RESOLVED that Messrs. R. A. Singh & Associates, Chartered Accountants, Mumbai, FRN 110271W, be and are hereby re-appointed as Auditors of the company to hold office until the conclusion of the next Annual General Meeting of the company at a remuneration to be mutually agreed between the Directors of the company and the Auditors".

**AS SPECIAL BUSINESS:**

3. **To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolutions :**

"RESOLVED that pursuant to the provisions of section of 198, 269, 309,310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ("Act") approval be and is hereby granted to the re-appointment of Mr. R. Mazumdar as Managing Director of the company for a period of 3 years w.e.f. 01.01.2011"

"RESOLVED FURTHER THAT Mr. R. Mazumdar in his capacity as Managing Director, be paid remuneration as may be fixed by the Board, from time to time, within the limits approved by the members as per the details given in the explanatory statements."

**4. To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolutions :**

“RESOLVED that pursuant to the provisions of Section of 198, 269, 309,310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (“Act”), approval be and is hereby granted to the appointment of Mr. Bhagat S. Dugar as Executive Chairman of the Company for a period of 3 years w.e.f. 01.04.2011 at a salary of Rs. 25,000/-p.m. with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment and / or agreement in such manner as may be agreed to between the Board of Directors and Mr. Bhagat S.Dugar , within the limits approved by the members as per the details given in the explanatory statements.”

**5 To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolutions :**

“RESOLVED that the Resolutions u/s 293(1) (a) and 293 (1)(d) of the Companies Act, 1956, authorizing the Board of Directors of the company to borrow and create charge in favour of company’s bankers/institutions upto Rs.20 crores, passed by the members through Postal Ballot on 30<sup>th</sup> May,2011 be and are hereby ratified.”

**BY ORDER OF THE BOARD**

(R. MAZUMDAR)  
MANAGING DIRECTOR

REGISTERED OFFICE  
405/406,Sharda Chambers,  
15, Sir V.T. Marg,  
New Marine Lines  
Mumbai – 400 020.  
Maharashtra.

PLACE: Mumbai

DATED: 30<sup>th</sup> July, 2011

**NOTES:**

- 1. Register of Members will remain closed from 19<sup>th</sup> September 2011 to 26<sup>th</sup> September, 2011 (both days inclusive).**
- 2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll to vote instead of himself and proxy need not be a Member of the Company.**
- 3. Explanatory Statement under section 173(2) is annexed hereto.**
- 4. Members are requested to immediately intimate change of address, if any, to the Registrars & Share Transfer Agent of the Company, at M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai - 400 078.**
- 5. In accordance with the provisions of section 205A of the Companies Act, 1956, there are no unpaid dividends required to be deposited into the Investor Education and Protection Fund of the Central Government.**

**Explanatory Statement under section 173(2) of the Companies Act, 1956.**

**Item No. 2**

Section 224A of the Companies Act, 1956 provides that in case of the Companies in which not less than 25% of subscribed share capital is held by the Public Financial Institutions or any Government or Nationalised Banks or other Financial Institutions referred to therein, appointment or re-appointment of Auditors in such companies shall be made by special resolution. As more than 25% of the subscribed share capital of the company is held by the categories or bodies corporate mentioned in the section, the resolution for appointment of the said Auditors is proposed as a special resolution as set out in item No. 2.

**Item No. 3**

The Board has by resolution on 31st January 2011 re-appointed Mr. R. Mazumdar as Managing Director for a period of 3 years w.e.f 1<sup>st</sup> January 2011 subject to the approval of the members in the Annual General Meeting.

The Board is of the view that his re-appointment as Managing Director will be beneficial to the company at a gross annual salary of Rs. 3,00,000/-and reimbursement of vehicle and mobile telephone expenses. Provision for use of mobile phone for company's business would not be considered as perquisites. Taking into consideration the size of the company, the profile of Mr. R. Mazumdar, the responsibilities entrusted on him and the industry benchmark, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterparts in other companies.

The monetary value of the perquisites together with the salary will be within the limits specified in Schedule XIII of the Companies Act, 1956. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in absence of any such rules perquisites shall be evaluated at actual cost.

Terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Managing Director in accordance with Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in this regard.

Accordingly, the remuneration payable to Managing Director is recommended for approval of the members.

Mr. R. Mazumdar may be deemed to be interested in the resolution.

**Item No. 4**

The Board has by resolution on 30<sup>th</sup> April 2011 appointed Mr. Bhagat Singh Dugar, Chairman as Executive Chairman for a period of 3 years w.e.f 1<sup>st</sup> April 2011 subject to the approval of the members in the Annual General Meeting.

Mr. Bhagat Singh Dugar, the Chairman of the company devotes considerable time to overview the affairs of the company. In view of the same, the Board of the Directors are of the view that he should be appointed as the Executive Chairman of the company at a gross annual salary of Rs. 3,00,000/-. Taking into consideration the size of the company, the profile of Mr. Bhagat Singh Dugar, the responsibilities entrusted on him and the industry benchmark, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterparts in other companies.

The monetary value of the perquisites together with the salary will be within the limits specified in Schedule XIII of the Companies Act, 1956. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in absence of any such rules perquisites shall be evaluated at actual cost.

Terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Executive Chairman in accordance with Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in this regard.

Accordingly, the remuneration payable to the Executive Chairman is recommended for approval of the members.

Mr. Bhagat Singh Dugar and Mr. Rahul Dugar are concerned or interested in the Resolution.

**Item No. 5**

The Bankers of the Company, Bank of India, CP Tank Branch, Mumbai, have advised the Company vide their letter no. CPT:ADV:APL:133 dated 3rd June 2011 to ratify the Resolutions u/s 293(1) (a) and 293 (1)(d) of the Companies Act, 1956, authorizing the Board of Directors of the company to borrow and create charge in favour of company's bankers/institutions upto Rs.20 crores, passed by the members through Postal Ballot on 30th May,2011 at the next Annual General Meeting of the company. Accordingly the aforesaid Resolution are place for ratification. Copy of the said letter is available for inspection at the Registered Office of the company.

***BY ORDER OF THE BOARD***

*(R. MAZUMDAR)*  
*MANAGING DIRECTOR*

REGISTERED OFFICE  
405/406,Sharda Chambers,  
15, Sir V.T. Marg,  
New Marine Lines  
Mumbai – 400 020.  
Maharashtra.

PLACE: Mumbai  
DATED: 30<sup>th</sup> July, 2011

**JAINEX AAMCOL LIMITED**  
**DIRECTORS' REPORT**

**TO THE SHAREHOLDERS**

Your Directors present their Annual Report together with Audited Accounts of the company for the year ended 31<sup>st</sup> March, 2011

**1. FINANCE AND ACCOUNTS**

	<b>2011</b> <b>Rs in lacs</b>	<b>2010</b> <b>Rs in lacs</b>
a) Sales	<b>1190.33</b>	<b>767.51</b>
b) Other Income	<b>4.14</b>	<b>9.69</b>
	<b>1194.47</b>	<b>777.20</b>
<b>Operating Profit before Tax</b>	<b>32.48</b>	<b>(61.27)</b>
Less : Provision for Income Tax - MAT – (net)	<b>0.19</b>	<b>-</b>
Add/Less: Deferred Tax (credit)	<b>7.64</b>	<b>(27.64)</b>
<b>Profit for the year after tax</b>	<b>24.65</b>	<b>(33.63)</b>
Add : Profit b/f from previous year	<b>(13.82)</b>	<b>20.09</b>
Balance available for appropriations	<b>10.83</b>	<b>(13.54)</b>
Less : Interest of Dividend Distribution Tax for previous year	<b>-</b>	<b>0.28</b>
Balance carried to Balance Sheet	<b>10.83</b>	<b>(13.82)</b>

Your Directors are pleased to inform that consequent to the demand revival, the turn over of the company increased by 55% to Rs 1190.33 lacs resulting in EBITDA of Rs.242.39 lacs as against Rs.125.19 lacs in previous year. The net profit after tax has also increased to Rs 24.65 lacs as against a net loss of Rs.33.63 lacs in previous year. The order book is healthy and barring unforeseen circumstances, your company expects to achieve better sales and consequent profits in the current year.

Issue and Allotment of equity shares at premium

The Company has filed an application together with a scheme of arrangement with its specified creditors for settlement of unsecured loans amounting to Rs.3.20 Crores given by them by issue and allotment of 800000 equity shares of Rs.10/- each at a premium of Rs.30/- u/s 391 and 394 of the Companies Act 1956 with the Hon'ble Bombay High Court. The said application was filed after obtaining the NOC to the proposed scheme from the Bombay Stock Exchange as per the terms of the Listing Agreement. The Hon'ble Bombay High Court had vide its order dated 6-5-2011 directed the company to convene the meeting of its member on 13-6-2011 for approval of the said scheme. The meeting was held on the appointed date and the scheme was approved by the requisite majority of the members. The company has filed the Chairman's Report on the outcome of the meeting with the Hon'ble Bombay High Court. The Hon'ble Bombay High Court has admitted the petition on 29th July, 2011. Necessary steps will be taken by the company to give effect to the scheme as per the directions of the Hon'ble Bombay High Court.

**2. AUDITORS**

Messrs. R. A. Singh & Associates, Chartered Accountants, Mumbai, FRN 110271W the retiring auditors are eligible for re-appointment. The Board recommends their re-appointment.

**3. DIRECTORS**

Mr. R.Mazumdar, Managing Director has been re-appointed for a further period of 3 years w.e.f. 1 st January,2011 by the Board of Directors. The notice convening the Annual General Meeting includes the proposals for re-appointment and payment of remuneration to the Managing Director.

Mr. Bhagat Singh Dugar, Chairman has been appointed as Executive Chairman for a period of 3 years w.e.f. 1 st April 2011 by the Board of Directors. The notice convening the Annual General Meeting includes the proposals for appointment and payment of remuneration to the Executive Chairman.

Mr. Rahul Dugar resigned as a Whole Time Director on 31<sup>st</sup> March 2011 but continues as a Director on the Board of the Company. Your Directors place on record their appreciation of his services and look forward to the continued benefit of his advice.

**4. EMPLOYEE RELATIONS**

Your Directors are pleased to place on record their sincere appreciation of the sacrifice made voluntarily in the remuneration by all officers of the company to help the company tide over the global meltdown. Your Directors would also like to place on record their appreciation for the services rendered by all categories of the company's employees.

**5. BANKERS**

Your Directors would like to place on record their appreciation for the pro-active support and assistance given by the bankers, Bank of India and look forward to receive their continued support and assistance.

**6. DIRECTORS' RESPONSIBILITY STATEMENT**

The company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the year under review. Pursuant to Section 217 (2AA) of the Companies Act, 1956, and in respect of the annual accounts for the year under review, the Directors hereby confirm that:

- a) In preparation of annual accounts, the applicable accounting standards have been followed save and except those mentioned in the Notes to Accounts in Schedule 16.
- b) They have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss account of the company for that year.
- c) Proper and sufficient care for 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 frauds and others irregularities have been taken to the best of their knowledge and ability.
- d) The annual accounts have been prepared on a "going concern basis".

**7. CORPORATE GOVERNANCE**

The requirements of Corporate Governance are not applicable to the company in view of its paid-up capital being less than the limits specified for the purpose by the authorities.

**8. ADDITIONAL INFORMATION**

a) CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO.

The information required u/s 217(1)(e) of the Company's Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 with respect of these matters is appended hereto (Annexure 1) and form part of this report.

b) No information is to be furnished pursuant to provisions of section 217(2)(A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as there are no employees including Whole Time Directors drawing remuneration in excess of the limits prescribed in the said section/rules.

c) The company has obtained a Compliance Certificate from a Company Secretary in whole time practice as required under sub-section (1) of Section 383A of the Companies Act, 1956 which is enclosed herewith forming part of Directors' Report.

***By Order of the Board***

***(B. S. DUGAR)***  
***CHAIRMAN***

*(R. MAZUMDAR)*  
***MANAGING DIRECTOR***

PLACE: Mumbai

DATED: 30th July, 2011

**Information required u/s 217(1)(e) of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.**

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**I. Conservation of Energy.**

Wherever possible energy conservation measures have already been implemented and there are no major areas where further energy conservation measure can be taken. However, efforts to conserve and optimize the use of energy through improved operational methods and other means are being continued on an ongoing basis.

**II. Particulars as per Form B**

**A. Research & Development (R & D)**

1. Specific areas in which R & D is carried out by the Company - The R & D efforts of the Company are directed towards quality control, improvement of existing products and development of allied products.
2. Benefits derived as a result of the above R & D. Improvement in the product quality and import substitution.
3. The company has developed the manufacture of spline gauges and dry cutting hobs and are examining various measures for improvement of productivity and reduction of costs.
4. Expenditure on R & D  
The R & D efforts are totally integrated with the manufacturing activities including development of new products. As such R & D expenses cannot be segregated.

**B. Technology Absorption, Adaptation and Innovations.**

**1. Efforts**

The company had originally started manufacturing Hobs in collaboration with Messer. Klingelnberg Verzahntechnik, Gmbh of Germany and the collaboration ended in 1981. During the period of collaboration the company successfully absorbed the technology and since beginning, the company is continuing the manufacture of Gear Hobs and it is also keeping abreast with the latest technology development abroad.

**2. Benefits**

The company has been in a position to cater to the requirements of customers both Indian and Foreign.

**3. Particulars of Technology imported during the last 5 years.**

The company has not imported any technology during last 5 years. The earlier technical collaboration expired in 1981. There is no technical collaboration with any party at present.

**C. Foreign Exchange - Earnings and Outgo**

The information on foreign exchange earnings is contained in Schedule – 16 - Note No. 8(c), (d) and (e).

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## R. A. SINGH & ASSOCIATES

CHARTERED ACCOUNTANTS

FRN 110271W

25, Saibaba Shopping Centre,  
Keshavrao Kadam Marg,  
Mumbai Central,  
Mumbai – 400 008.

Phone: 2300 6009 / 2300 6011

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### AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of **JAINEX AAMCOL LIMITED** as at **31<sup>st</sup> March, 2011** and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i) 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;
- ii) 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.
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable and read with notes given in Schedule - 16 - Notes to Accounts.
- v) On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with **Accounting Policies and Notes** given in **Schedule 16**; give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011,
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for **R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**R. A. SINGH**  
**(PROPRIETOR)**

FRN 110271W

Place : Mumbai

Date : 30th July, 2011

**Statement on the Companies (Auditor's Report) Order, 2003**

**Annexure**

Re: **JAINEX AAMCOL LIMITED**

Referred to in paragraph 3 of our report of even date,

- (i)
  - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets other than furniture & fixtures and office equipments.
  - (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) The company has not disposed off substantial part of fixed assets during the year and therefore the question of affecting the status of going concern of the company does not arise.
- (ii)
  - (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii)
  - (a) The company has taken loans from body corporates, a firm, shareholders and directors covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 691.19 lacs and the year-end balance of loans taken from such parties was Rs. 691.19 lacs.
  - (b) In our opinion, the rate of interest (paid in some cases) and other terms and conditions on which loans have been taken from companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
  - (c) The company is regular in repaying the principal amounts as stipulated or as and when required.
  - (d) There is no overdue amount of loans taken from companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

- (v)
- (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) There are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5 lacs or more in respect of each party.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from public. The company has, however, taken loans from shareholders and body corporates which are under exempt category and also from a firm *whose two major partners are shareholders/directors* and therefore compliances under the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to such deposits are not considered for compliance by the company.
- (vii) In our opinion, internal audit system conducted by a professional firm is commensurate with the size of the company and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company. The company is not required to maintain any records pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
- (ix)
- (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, ESIC, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Investor Education and Protection Fund and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31.03.2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the dues set out herein below in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess have been deposited by the company with the appropriate authorities on account of disputes.

Name of Statute	Nature of Dues	Amount in Rs. lacs	Amount in Rs. lacs paid under protest	Period to which the amount relates	Forum were disputes is pending
Customs	Custom Duty	7.14	2.00	2008-2009	CESTAT

- (x) The company does not have any accumulated losses as at 31.03.2011 and has not incurred cash losses in the current financial period and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the company is not a chit fund or a *nidhi* mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes 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 report that funds raised on short-term basis have, prima facie, not been used during the year for long term investments.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies, Act, 1956 during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) The provisions of clause 4 (xix) of Companies (Auditors Report) Order, 2003 regarding security or charge in respect of Debentures issued are not applicable to the Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

for **R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**R. A. SINGH**  
**(PROPRIETOR)**

Place : Mumbai

Date : 30th July, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	PARTICULARS	SCH No.	As at 31.03.2011 (Rs)	As at 31.03.2010 (Rs)
I.	<b><u>SOURCES OF FUNDS</u></b>			
1	<b><u>Shareholders' Fund</u></b>			
a)	Share Capital	1	6993940	6993940
b)	Reserves & Surplus	2	13697471	14803925
			<b>20691411</b>	21797865
2	<b><u>Loan Funds</u></b>			
a)	Secured Loans	3	68798782	79583127
b)	Unsecured Loans	4	69162557	64862557
			<b>137961339</b>	144445684
3	<b><u>Deferred Tax Credit</u></b>		642417	-
			<b>159295167</b>	166243549
II.	<b><u>APPLICATION OF FUNDS</u></b>			
1	<b><u>Fixed Assets</u></b>			
a)	Gross Block	5	189447403	188507302
b)	Less : Depreciation		87360661	76623997
	<b>Net Block</b>		<b>102086742</b>	111883305
2	<b><u>Current Assets, Loans &amp; Advances</u></b>			
a)	Inventories	6	25360468	17503293
b)	Sundry Debtors	7	25898439	22435801
c)	Cash & Bank Balances	8	913022	2435991
d)	Loans & Advances	9	27877207	20374446
			<b>80049136</b>	62749531
	<b>Less : Current Liabilities &amp; Provisions</b>	10	<b>22964403</b>	10072659
	<b>Net Current Assets</b>		<b>57084733</b>	52676872
3	<b>Defferred Tax Assets</b>		-	<b>122044</b>
4	<b><u>Misc. Expenditure</u></b> (to the extent not written off / adjusted)			
a)	Preliminary Expenses		123692	179438
b)	Profit & Loss Account (Debit balance as per anenxed accounts)		-	1381890
			<b>123692</b>	1561328
			<b>159295167</b>	166243549
	<b>Notes on Accounts</b>	<b>16</b>		

Note : Schedules 1 to 10 and 16 form an integral part of the Balance Sheet.  
As per our report of even date attached.

for R. A. SINGH & ASSOCIATES  
CHARTERED ACCOUNTANTS

(B. S. DUGAR)  
(Chairman)

R. A. SINGH  
PROPRIETOR  
FRNo. 110271W  
PLACE : Mumbai  
DATED : 30/07/2011

(R. MAZUMDAR)  
(Managing Director)

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011**

	PARTICULARS	SCH No.	For the year ended on 31.03.2011 (Rs)	For the year ended on 31.03.2010 (Rs)
1	<b><u>INCOME</u></b>			
	Sales	11(A)	119033416	76751014
	Other Income	11(B)	414148	969017
			<b>119447564</b>	77720031
2	<b><u>EXPENDITURE</u></b>			
	Raw Materials Consumed	12(A)	31331643	20361681
	Stock Increase(-)/Decrease(+)	12(B)	(574153)	(634869)
	Excise Duty and Education Cess		9746578	5150671
	Service Tax and Education Cess		490615	388472
	Employees' Remuneration & Benefits	13	25934194	18791765
	Other Administrative & Selling Expenses	14	28279436	21147232
	Finance Charges	15	11058490	9003153
	Depreciation		11997580	
	Less:-Transfer from Revaluation Res.		2120816	
	Preliminary Expenses written off		55746	55746
			<b>116199313</b>	83847296
3	<b>Profit before tax (1 - 2)</b>		<b>3248251</b>	(6127265)
4	<b><u>Provision for Taxation</u></b>			
	Income Tax - Current Year(MAT)		621182	-
	MAT Credit		(602226)	-
	Deferred Tax		764461	(2764054)
			<b>783417</b>	(2764054)
5	<b>Net Profit for the year (3 - 4)</b>		<b>2464834</b>	(3363211)
6	Balance B/fd from previous year		(1381890)	2009363
			<b>1082944</b>	(1353848)
7	<b><u>Appropriation</u></b>			
	Interest of Dividend Distribution Tax of earlier year		-	28042
			-	28042
8	<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>1082944</b>	(1381890)
	<b>Notes on Accounts</b>	<b>16</b>		

Note :Schedules 11 to 16 form an integral part of the Profit & Loss Account.  
As per our report of even date attached.

for **R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**(B. S. DUGAR)**  
**(Chairman)**

**R. A. SINGH**  
**PROPRIETOR**  
**FRNo. 110271W**

**(R. MAZUMDAR)**  
**(Managing Director)**

PLACE : Mumbai  
DATED : 30/07/2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

(Rs. in Lacs)

Sr. No.	PARTICULARS	2010-2011	2009-2010
1	<b>Cash flow from Operating Activities</b>		
A)	Net Profit before tax, extraordinary item and Deferred Revenue Expense	33.04	(60.72)
	Adjustment for Depreciation	98.77	95.83
	Adjustment for profit on sale of fixed assets	(2.40)	-
	" " Interest	110.58	90.03
	Operating Profit before working capital changes	239.99	125.14
B)	<b>Adjustment for Working Capital Changes</b>		
	Increase in Trade / Other Receivables	109.65	53.62
	Increase in Inventories	78.57	(67.91)
	Deferred Tax Assets/Liabilities	7.64	(27.64)
		195.86	(41.93)
Less :	Increase in Trade / Other Liabilities	128.91	3.53
	Net Increase in Net Current Assets	66.95	(45.46)
C)	<b>Cash Generated from Operations (A - B)</b>	173.04	170.60
Less :	Interest Paid	110.58	90.03
Less :	Direct Tax	0.19	-
Less :	Dividend/Dividend Tax	-	0.28
	Cash flow before Extraordinary Items	62.27	80.29
Add:	Extraordinary Items - Deferred Tax Credit	7.64	(27.64)
	Net Cash from Operating Activities	69.91	52.65
2	<b>Cash flow from Investing Activities</b>		
	Purchase of Fixed Assets	22.98	23.89
	Preliminary Expenses	-	1.40
	Sale of Fixed Assets (incl. revaluation impact)	(2.68)	-
	Net Cash used in Investing Activities	20.30	25.29
3	<b>Cash flow from Financing Activities</b>		
	Decrease in secured loans	107.84	41.93
	Decrease in unsecured loans	-	-
		107.84	41.93
Less :	<b>Increase in Capital/Loans</b>		
	Increase in Capital	-	-
	Secured Loans	-	-
	Unsecured Loans	43.00	23.93
	Net Cash used in Financing Activities	64.84	18.00
4	<b>Net Increase in Cash and Cash Equivalent (1-2-3)</b>	(15.23)	9.36
5	<b>Cash and Cash Equivalent as at the opening (Opening Balance)</b>	24.36	15.00
6	<b>Cash and Cash Equivalent as at the closing (Closing Balance) (4 + 5)</b>	9.13	24.36

*As per our report of even date attached.*

0.00

(0.00)

**for R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**R. A. SINGH**  
**PROPRIETOR**

**FRNo. 110271W**

PLACE : Mumbai

DATED : 30/07/2011

**(B. S. DUGAR)**  
**(Chairman)**

**(R. MAZUMDAR)**  
**(Managing Director)**

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS		As at 31.03.2011 (Rs)	As at 31.03.2010 (Rs)
<b><u>SCHEDULE - 1 - SHARE CAPITAL</u></b>			
<b><u>Authorised</u></b>			
30,00,000 (30,00,000)- Equity Shares of Rs.10/- each		<b>30000000</b>	30000000
		<b>30000000</b>	30000000
<b><u>Issued, Subscribed &amp; Paid - up</u></b>			
	<b><u>No. of Shares</u></b>		
	<b><u>FY 11</u></b>	<b><u>FY 10</u></b>	
Equity Shares of Rs.10 each fully paid up.	<b>696338</b>	696338	<b>6963380</b>
	<b>696338</b>	696338	-
Less : Calls in arrears from others		<b>3595</b>	3595
Add : Forfeited Shares (On 13662 Shares @ Rs. 2.50 each)	<b>13662</b>	13662	<b>6959785</b>
			34155
			<b>6993940</b>
			<b>6993940</b>
<b><u>NOTES :</u></b>			
(i)	3000 Equity Shares of Rs. 10/- each issued as fully paid to vendors as purchase consideration without payment being received in cash.		
(ii)	50000 Equity Shares of Rs. 10/- each issued as fully paid Bonus Shares by capitalisation of reserves.		



**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	PARTICULARS	As at 31.03.2011 (Rs)	As at 31.03.2010 (Rs)
	<b><u>SCHEDULE - 2 - RESERVES &amp; SURPLUS</u></b>		
1	<b><u>Capital Reserve</u></b>	<b>1500000</b>	1500000
2	<b><u>Capital Redemption Reserve</u></b> As per last Balance Sheet	<b>3897400</b>	3897400
		<b>3897400</b>	3897400
3	<b><u>Revaluation Reserve</u></b> <b>Opening Balance</b> Less: Transferred to Profit & Loss Account Less: Effect on account of sale of revalued machinery <b>Closing Balance</b>	<b>9406525</b> <b>2120816</b> <b>68582</b> <b>7217127</b>	11570190 2163665  9406525
4	<b>Profit &amp; Loss Account (as per annexed account)</b>	<b>1082944</b>	-
		<b>13697471</b>	<b>14803925</b>
	<b><u>SCHEDULE - 3 - SECURED LOANS</u></b>		
1	<b><u>From Bank of India</u></b>		
A)	<b><u>Term Loans</u></b>		
i)	Term Loans	<b>49699348</b>	59520677
ii)	Interest Accrued and due thereon	-	537654
		<b>49699348</b>	60058331
B)	<b><u>Working Capital Limits</u></b> <b><u>Cash Credit Account</u></b> <b><u>Packing Credit Account</u></b> Interest Accrued and due thereon  (Secured against hypothecation of Raw Materials, Work in Process, Finished Goods and Receivables)  (The above limits are further secured by hypothecation of Plant & Machinery and collaterally secured by Equitable Mortgage of Land and Building situated at L/3,Chikhalthana, MIDC Indl Estate, Aurangabad)	<b>16609214</b> <b>2464721</b> <b>25499</b>	19500050  24746
		<b>19099434</b>	19524796
		<b>68798782</b>	<b>79583127</b>
	<b><u>SCHEDULE - 4 - UNSECURED LOANS</u></b>		
	<b><u>From</u></b>		
1	Body Corporates	<b>55108795</b>	51008795
2	Firm	<b>789605</b>	789605
3	Shareholders / Directors	<b>13220651</b>	13020651
4	Government of Maharashtra Sales Tax Loan	<b>43506</b>	43506
		<b>69162557</b>	64862557

## SCHEDULE - 5 - FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01.04.2010	Additions during the year.	Deductions during the year.	Total Cost as on 31.03.2011	Depreciation as on 01.04.2010	Depreciation for the year	Adjustment for the year	Depreciation upto 31.03.2011	Net Book Value as on 31.03.2011	Net Book Value as on 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 Leasehold Land	5338777	-	-	5338777	913072	76305	-	989377	4349400	4425705
2 Factory & Office Buildings	8732191	-	-	8732191	2916266	291655	-	3207921	5524270	5815925
3 Plant & Machinery	157364686	1459216	1334201	157489701	65341154	9603327	1243831	73700650	83789051	92023532
4 Computer and Computer Software	9719214	823623	14500	10528337	4912175	1573972	13602	6472545	4055792	4807039
5 Furniture, Fixtures & Office Equipments	6223523	15363	9400	6229486	1725729	371205	3483	2093451	4136035	4497794
6 Motor Vehicles	1128911	-	-	1128911	815601	81116	-	896717	232194	313310
<b>TOTAL</b>	<b>188507302</b>	<b>2298202</b>	<b>1358101</b>	<b>189447403</b>	<b>76623997</b>	<b>11997580</b>	<b>1260916</b>	<b>87360661</b>	<b>102086742</b>	<b>111883305</b>
Prev. Year	186118633	2388669	-	188507302	64876887	11747110	-	76623997	111883305	

## Notes:

- The Gross Block of Fixed Assets as at 31.03.2011 include Rs. 346.43 lacs (net of sale of half land at Aurangabad during the financial year FY 03 and machinery in FY 11) on account of revaluation of Fixed Assets of Aurangabad Unit comprising Land, Building and Plant & Machinery carried out on 01.04.98 by an approved valuer.
- Cummulative amount transferred on account of depreciation on revaluation Rs 274.27 lacs (net of adjustment /deduction on account of sale of land). (Ref. Note - 2 of Schedule 16)

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS		As at 31.03.2011 (Rs)	As at 31.03.2010 (Rs)
<b><u>SCHEDULE - 6 - INVENTORIES</u></b>			
(As certified by the Management)			
	Stores etc (at cost)	<b>1499287</b>	1255508
	Machinery Spares (at cost)	<b>1425549</b>	605151
	Tools etc	<b>214563</b>	102199
	Raw Materials (at cost)	<b>14008818</b>	7902337
	Work-in-Progress (at cost)	<b>4722218</b>	3442320
	Finished Goods (at cost or market or realisable value whichever is lower)	<b>3490033</b>	4195778
		<b>25360468</b>	17503293
<b><u>SCHEDULE - 7 - SUNDRY DEBTORS</u></b>			
<u>Unsecured (Considered Good)</u>			
	Debts outstanding for more than 6 months	<b>1285147</b>	1130716
	Other Debts	<b>24613292</b>	21305085
		<b>25898439</b>	22435801
<b><u>SCHEDULE - 8 - CASH &amp; BANK BALANCES</u></b>			
<u>Cash in hand</u>		<b>85073</b>	54881
<u>Balances with Scheduled Banks -</u>			
	in Current Accounts	<b>827949</b>	1757734
	in Fixed Deposits Account (held as margin against LCs and BGs opened for raw material and machinery)	-	623376
		<b>913022</b>	2435991
<b><u>SCHEDULE - 9 - LOANS AND ADVANCES</u></b>			
<u>Unsecured (Considered good)</u>			
Advances recoverable in cash or kind or for value to be received			
a)	Capital Items	<b>9304737</b>	12735033
b)	Others	<b>18193830</b>	7353483
c)	Deposits	<b>378640</b>	285930
		<b>27877207</b>	20374446

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	PARTICULARS	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
	<b><u>SCHEDULE - 10 - CURRENT LIABILITIES &amp; PROVISIONS</u></b>		
A.	<u>Current Liabilities</u>		
a)	<u>Sundry Creditors</u>		
	For Materials	<b>11740490</b>	3142406
	For Capital Items	<b>1177677</b>	33157
	For Expenses	<b>7496276</b>	5265556
	For Others Finance	<b>1059137</b>	1078279
b)	<u>Credit Balances of parties/customers</u>	<b>1451820</b>	553261
	TOTAL (I)	<b>22925400</b>	10072659
B.	Provision for Income Tax (Net of taxes paid)	<b>39004</b>	-
	TOTAL (I + II + III)	<b>22964403</b>	10072659
	NOTE : Sundry Creditors due to Micro and SMEs exceeding Rs. 1 lakh	<b>N. A.</b>	<b>N. A.</b>

**SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2011**

	PARTICULARS	For the year ended on 31.03.2011 (Rs)	For the year ended on 31.03.2010 (Rs)
	<b><u>SCHEDULE - 11 - INCOME</u></b>		
A	<u>Sales</u>	<b>119033416</b>	76751014
B	<u>Other Income</u> Misc. Receipts	<b>414148</b>	969017
		<b>414148</b>	969017
	Total (A + B)	<b>119447564</b>	77720031
	<b><u>SCHEDULE - 12(A) - RAW MATERIALS CONSUMED</u></b>		
	Opening Stock	<b>7902337</b>	13379387
	Add : Purchases (net of returns, cenvat + Freight & Octroi)	<b>37438124</b>	14884631
		<b>45340461</b>	28264018
	Less : Closing Stock	<b>14008818</b>	7902337
		<b>31331643</b>	20361681
	<b><u>SCHEDULE - 12 (B) - STOCK INCREASE (-)/ DECREASE (+)</u></b>		
	<b><u>Opening Stock</u></b>		
	Work-in-Progress	<b>3442320</b>	1970370
	Finished Goods	<b>4195778</b>	5032859
		<b>7638098</b>	7003229
	<b><u>Less :Closing Stock</u></b>		
	Work-in-Progress	<b>4722218</b>	3442320
	Finished Goods	<b>3490033</b>	4195778
		<b>8212251</b>	7638098
		<b>(574153)</b>	(634869)

**SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2011**

PARTICULARS		For the year ended on 31.03.2011 (Rs.)	For the year ended on 31.03.2010 (Rs.)
<b><u>SCHEDULE - 13 - EMPLOYEES' REMUNERATION &amp; BENEFITS</u></b>			
1	Salaries & Wages	<b>7167867</b>	6364140
2	Bonus	<b>835404</b>	776866
3	Other Allowances	<b>13637147</b>	8174984
4	Contribution to Provident Fund	<b>950723</b>	811735
5	Contribution to Retirement Benefit Funds	<b>300019</b>	258180
6	Workmen and Staff Welfare	<b>1557034</b>	1143860
7	Director's Remuneration	<b>1486000</b>	1262000
		<b>25934194</b>	18791765
<b><u>SCHEDULE - 14 - OTHER ADMINISTRATIVE &amp; SELLING EXPENSES</u></b>			
1	Stores and Tools & Spares consumed etc.	<b>2740013</b>	2323493
2	Labour Charges (Mfg.)	<b>3050999</b>	2095342
3	Power & Fuel	<b>3811830</b>	2935223
4	Rates & Taxes	<b>65969</b>	65969
5	Rent	<b>6000</b>	49000
6	Insurance Charges	<b>296087</b>	185992
7	<u>Repairs and Maintenance</u>		
	- Plant & Machinery	<b>2343431</b>	1376617
	- Building	<b>19714</b>	132639
	- Others	<b>364734</b>	204531
8	Legal, Professional and Retainer fees	<b>1620911</b>	1923310
9	Travelling & Conveyance	<b>3174048</b>	3353323
10	Commission	<b>4993859</b>	1651865
11	Consignment Expenses	<b>1090980</b>	895807
12	Sundries	<b>4700861</b>	3954121
		<b>28279436</b>	21147232
<b><u>SCHEDULE - 15 - FINANCE CHARGES</u></b>			
1	<u>Interest</u>		
	Term Loan	<b>7752025</b>	5704736
	Cash Credit	<b>2509126</b>	2885909
	Car Loan	-	5598
	Others	<b>455992</b>	-
		<b>10717144</b>	8596243
2	Bank Processing Charges	<b>41442</b>	156163
3	Bank Charges	<b>299904</b>	250747
		<b>11058490</b>	9003153

**SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

<b>A</b>	<b><u>Significant Accounting Policies</u></b>
<b>1</b>	<p><b><u>ACCOUNTING CONVENTION</u></b> The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with Generally Accepted Accounting Principles, Accounting Standards prescribed by ICAI and as per the provisions of the Companies Act, 1956.</p>
<b>2</b>	<p><b><u>REVENUE RECOGNITION</u></b> Turnover includes excise duty, education cess, job work receipts and sale of scraps and does not include VAT/CST.</p>
<b>3</b>	<p><b><u>MISCELLANEOUS EXPENDITURE</u></b> Expenses related to increase in authorized share capital and issue thereunder are amortized over a period of five years.</p>
<b>4</b>	<p><b><u>INVENTORIES VALUATION (AS - 2)</u></b> a) Raw materials are valued at cost. Cost is ascertained on FIFO basis. b) Work in Progress is valued at raw material cost + overheads. c) Finished Goods are carried at lower of cost or market value which ever is less. d) Stores are taken at cost. e) Tools and Spares are taken at net of 1/3rd for usage. f) Scrap is valued at net realisable value and is included under finished goods</p>
<b>5</b>	<p><b><u>CASH FLOW STATEMENT (AS - 3)</u></b> Cash Flow Statement is prepared under "Indirect Method".</p>
<b>6</b>	<p><b><u>CHANGE IN ACCOUNTING POLICIES (AS - 5)</u></b> There is no change in accounting policy during the year.</p>
<b>7</b>	<p><b><u>DEPRECIATION (AS - 6)</u></b> a) Depreciation is provided under straight line method on fixed assets except in some cases which are on WDV method as in the past in compliance with section 205 (2) (b) of the Companies, Act, 1956 at rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time. b) Depreciation on additions/deletions is provided on pro-rata basis from the date of such additions /deletions. c) No depreciation has been provided on fixed assets representing written down value below 5% of the original cost.</p>
<b>8</b>	<p><b><u>FIXED ASSETS (AS-10)</u></b> a) Fixed Assets are stated at cost (net of cenvat wherever availed) and includes an amount of Rs.346.43 lacs added on revaluation of Fixed Assets viz. Leasehold Land, Building and Plant &amp; Machinery of company's Unit at Aurangabad, carried out by an approved valuer during FY 99, less accumulated depreciation. The gross and net block of fixed assets are therefore more by Rs 346.43 lacs (Rs. 353.70 lacs) and Rs. 72.17 lacs (Rs. 94.06 lacs) respectively and the corresponding effect has been given in the Revaluation Reserve Account. Depreciation (cumulative as well as for the year) on the revalued amount added to fixed assets on account of revaluation is adjusted by transfer of equivalent amount from Revaluation Reserve Account created on revaluation of fixed assets to Profit &amp; Loss Account. b) Leasehold land is shown at cost, including lease premium paid.</p>

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)**

<b>9</b>	<p><b><u>TRANSACTION OF FOREIGN CURRENCY ITEMS (AS - 11)</u></b></p> <p>(a) Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.</p> <p>(b) Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year end are translated at exchange rates applicable on that date.</p> <p>(c) Non-monetary items denominated in foreign currency (such as fixed assets) are valued at forward contract exchange rate contracted for the such liability, wherever applicable.</p> <p>(d) Any gains or losses arising due to exchange differences arising on translation or settlement are accounted for in the profit &amp; loss account.</p> <p>(e) In the case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract as well as exchange difference on such contracts, i.e. difference between exchange rate at the reporting / settlement date and the exchange rate on the date of inception/ the last reporting date, is recognised as income / expense for the period.</p>
<b>10</b>	<p><b><u>EMPLOYEE BENEFITS (AS - 15 Revised)</u></b></p> <p>a) <b><u>Defined Contribution Plan</u></b> The state governed Provident Fund Scheme, Employees State Insurance Scheme and Employee Pension Scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related services.</p> <p>b) <b><u>Defined benefit plan/ Long Term Compensated Absences.</u></b> The company's Employees Gratuity Fund Scheme managed by the LIC of India is a defined plan. The present value of obligation based on actuarial valuation using the Projected Unit Credit Method is being determined and any effect thereof will be provided / accounted as and when finalized.</p> <p>c) <b><u>Compensated Absences</u></b> The company has provided for the leave encashment liability at the balance sheet date based on permissible accumulated leave balance of the employees at the last salary drawn. Liability as per actuarial valuation is being determined and and any effect thereof will be provided / accounted as and when finalized. The company has no defined benefit plan for this purpose as yet.</p>
<b>11</b>	<p><b><u>BORROWING COST (AS-16)</u></b></p> <p>Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of such assets till such time as the assets are ready for their intended use. Qualifying assets are assets that necessarily require a substantial period of time to get ready for their intended use. All the other borrowing cost is recognized as an expense.</p>
<b>12</b>	<p><b><u>LEASES (AS-19)</u></b></p> <p>Leasehold land is amortized over the period of lease.</p>
<b>13</b>	<p><b><u>TAXES ON INCOME (AS - 22)</u></b></p> <p>a) Current tax is determined as the amount of tax payable in respect of taxable income for the period, as per applicable tax rates and laws.</p> <p>b) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.</p>
<b>14</b>	<p><b><u>DISCONTINUING OPERATIONS (AS - 24)</u></b></p> <p>The Company has not discontinued any operations during the year.</p>
<b>15</b>	<p><b><u>IMPAIRMENT OF ASSETS (AS-28)</u></b></p> <p>a) Impairment of assets has been recognized and losses if any has been charged to Profit &amp; Loss account.</p> <p>b) As of each balance sheet date, the carrying amount of assets is tested for impairment so as to determine -</p> <p>(i) the provision for impairment loss, if any, required, or</p> <p>(ii) the reversal, if any, required or impairment has recognized in previous periods.</p>



**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)**

16	<p><b><u>PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (AS-29)</u></b></p> <p>a) The provisions are recognised and measured by using a substantial degree of estimation.</p> <p>b) Contingent liabilities and contingent assets are disclosed after a careful evaluation of the facts and legal aspects of the matter involved in issue.</p>															
17	<p><b><u>BUSINESS SEGMENT</u></b></p> <p>The company operates in a business segment viz. Gear Cutting, Special Cutting Tools and Spline Gauges and is considered single segment operations.</p>															
B.	<p><b><u>NOTES TO ACCOUNTS</u></b></p>															
1	<p>Sundries in Schedule 14 includes Auditors' Remuneration as under</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">Current year (Rs)</th> <th style="text-align: center;">Previous Year (Rs)</th> </tr> </thead> <tbody> <tr> <td>Audit Fees</td> <td style="text-align: right;">44120</td> <td style="text-align: right;">33090</td> </tr> <tr> <td>Tax Audit fees</td> <td style="text-align: right;">11030</td> <td style="text-align: right;">11030</td> </tr> <tr> <td>Taxation and other matters</td> <td style="text-align: right;">25525</td> <td style="text-align: right;">28072</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>80675</b></td> <td style="text-align: right;"><b>72192</b></td> </tr> </tbody> </table>		Current year (Rs)	Previous Year (Rs)	Audit Fees	44120	33090	Tax Audit fees	11030	11030	Taxation and other matters	25525	28072		<b>80675</b>	<b>72192</b>
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Tax Audit fees	11030	11030														
Taxation and other matters	25525	28072														
	<b>80675</b>	<b>72192</b>														
2	<p>The company is not required to have a Qualified Company Secretary in view of Section 383A of Companies Act, 1956.</p>															
3	<p>The balances of Sundry Debtors, Sundry Creditors and Loans &amp; Advances are subject to confirmation.</p>															
4	<p>Commitments pending on capital accounts is Rs. 617 lacs- net of advance (previous year Rs NIL).</p>															
5	<p><b><u>Provision for Contingencies (not provided)</u></b></p> <p>a) Import against DALC for Rs NIL for purchase of raw materials (previous year Rs NIL).</p> <p>b) On account of claims by two ex-employees amounting to Rs. 0.37 lacs and Rs. 2.97 lacs which the company is contesting before the appropriate authority and is of the view that the claim will not sustain.</p> <p>c) A charge sheet has been filed in the JMFC, XVth Court, Aurangabad by the MIDC CIDCO Police Station, Aurangabad against the erstwhile Technical Director, N. K. Chatterjee and two other ex-employees of the company for the misappropriation of funds carried out by them during their tenure of employment with the company. The company has also filed a suit in the City Civil Court at Aurangabad claiming an amount of Rs 72 lacs from N. K. Chatterjee for the amounts misappropriated. The amounts so misappropriated will be accounted for in the year of recovery. As a counterblast to the FIR, the said ex-employee N. K. Chatterjee has made a claim of Rs. 50 lacs for his alleged terminal dues in the City Civil Court, Aurangabad which is being contested by the company.</p> <p>d) On account of penalty of Rs 1.75 lacs imposed by SEBI which is represented by the company for remission/waiver.</p> <p>e) On account of additional custom duty demand of Rs. 713812 on account of a CNC machine imported in ealier years which had been contested in appeal before the Appellate Tribunal.</p>															

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)**

6	<b><u>Related party Disclosure</u></b>		
6	a	<b><u>Related Party and their Relationship.</u></b>	
		Subsidiaries :	NIL
		Associates :	Jainex Foods Private Limited Jainex Limited Jainex Imports & Exports Private Limited Dugar Brothers & Company
		Key Management Personnel :	Mr. B. S. Dugar (Chairman), Mr. R. Mazumdar (MD), Mr. M. Z. Kothari (Jt. MD), Mr. Rahul Dugar (WTD).
		Relatives of Key Management Personnel :	-
	b	<b><u>Transactions with Related Party.</u></b>	
		Nature	Amount (Rs.) <b>31.03.2011</b>
			Amount (Rs.) 31.03.2010
		Subsidiaries :	NIL
		Associates/Directors :	
		Sitting Fees to Directors	-
		Interest to Directors	140000
		Payments to Body Corporates	
		Interest	194375
		Purchases	52655
		Interest to Relatives of Directors	-
		Reimbursement of Exp. to a Director	-
		Payments to a Firm	
		Interest	10000
		Purchases	-
		Consultancy fees	-
		Key Management Personnel :	
		Directors	
		Salary,	2082968
		Allowances, Rent etc.	-
		Relatives of Key Management Personnel :	NIL
			1262000
			46000
			NIL
			NIL
7	<b><u>Disclosure as required by Clause 32 of listing Agreement.</u></b>		
	Amount of Loans/Advances in nature of loans outstanding from Subsidiaries and Associates during the year		
		Subsidiaries :	NIL
		Associates :	NIL
		Key Management Personnel :	NIL
		Relatives of Key Management Personnel :	NIL

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)**

**8** Additional Information pursuant to the provisions of paragraph 3,4Cand 4D of the part II of Schedule VI to the Companies Act, 1956.

		31.03.2011		31.03.2010	
		Qty (in tonnes)	Amount (Rs.)	Qty (in tonnes)	Amount (Rs.)
<b>a</b>	Raw Materials Consumed High Speed Steel/Rounds/Bars.	32.198	<b>31331643</b>	15.908	20361681
	Percentage of Consumption of Raw Materials				
	Direct Import	19%	<b>4267776</b>	67%	13622941
	Locally procured imports	68%	<b>26541428</b>		
	Indigenous	13%	<b>522440</b>	33%	6738740
		100%	<b>31331643</b>	100%	20361681
<b>b</b>	Stores and Tools & Spares consumed/written off  (all indigneous) :		<b>2740013</b>		2323493
			<b>2740013</b>		2323493
<b>c</b>	CIF Value of Imports of				
	(i) Raw Materials		<b>5724190</b>		4400607
	(ii) Machinery Spares (CIF)		<b>1882880</b>		-
	(ii) Plant & Machinery (Advance)		<b>9304737</b>		-
			<b>16911807</b>		4400607
<b>d</b>	Expenditure in Foreign Currency	(Travelling)	<b>275070</b>		532861
		(Legal Fees)	<b>3108247</b>		
<b>e</b>	Earnings in Foreign Currency F.O.B. value of Export		<b>7848328</b>		6623198

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)**

f

	Class of Goods	Unit	Capacities		Production Qty.	Opening Stock		Closing Stock		Sales	
			Licenced	Installed		Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
(a)	Gear Hobs Cutters & Gauges Category I	Nos.	12000 (12000)	3500 (3500)	4865 (3,343)	141 (221)	2444280 (4981716)	181 (141)	3342673 (2444280)		
	Category II (Impaired Stock)			-	(0)	208 (128)	151464 (51143)	167 (208)	147361 (151464)		
					4865 (3343)	349 (349)	2595744 (5032859)	348 (349)	3490034 (2595744)	4866 (3,343)	111021110 (72645052)
(b)	Job Work										5198593 (4105962)
(c)	Scraps (Qty. in Mt.)					- (0)	- (0)	- (15)	- (1600034)		2813714 (0)
										TOTAL	119033416 (76751014)
<p>NOTES : (1) Figures in the bracket denote figure for previous year. (2) Installed Capacity is as certified by the Management.</p>											
9	Basic & Diluted Earning Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earning Per Share": (In Rupees)										
	<b>Particulars</b>						<b>Current Year</b>		<b>Previous Year</b>		
							<b>Rs</b>		<b>Rs</b>		
	Basic & Diluted Profit after Tax/Deferred Tax					A	2464834		(3363211)		
	<b>Number of shares subscribed</b>					B	696338		696338		
	Basic & Diluted EPS					A/B	3.54		Negative		
10	As per Accounting Standard 22(AS-22) "Accounting for Taxes on Income" Major components of Deferred Tax Assets and Liabilities :										
	<b>Particulars</b>					<b>Upto 31/03/2010</b>	<b>For current year</b>	<b>As at 31/03/2011</b>			
						<b>Rs</b>	<b>Rs</b>	<b>Rs</b>			
	Depreciation on Fixed Assets	<i>Liability</i>				34500227	564307	35064534			
	Leave Encashment	<i>Assets</i>				-	(690536)	(690536)			
	Preliminary	<i>Assets</i>				-	(123692)	(123692)			
	Unabsorbed Depreciation	<i>Assets</i>				(34895191)	2723903	(32171288)			
	<b>Total</b>					(394964)	2473982	2079018			
	Deferred Tax Liability @	30.90%				(122044)	764460	642417			

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNTSCHEDULE - 16 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (CONTD)

11	The Disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules, 2006 are given below.												
a)	<p><u>Defined Contribution Plan</u> Contribution to Defined Contribution Plan, recognised are charged off for the year are as under.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">2010-2011</th> <th style="width: 20%; text-align: center;">2009-2010</th> </tr> </thead> <tbody> <tr> <td>Employers Contribution to state governed Provident Fund</td> <td style="text-align: right;">Rs. 345214</td> <td style="text-align: right;">Rs. 280150</td> </tr> <tr> <td>Employers Contribution to state governed Pension Schemes</td> <td style="text-align: right;">Rs. 493046</td> <td style="text-align: right;">Rs. 435568</td> </tr> <tr> <td>Employers Contribution to state governed Employees State Insurance</td> <td style="text-align: right;">Rs. 469119</td> <td style="text-align: right;">Rs. 310233</td> </tr> </tbody> </table>		2010-2011	2009-2010	Employers Contribution to state governed Provident Fund	Rs. 345214	Rs. 280150	Employers Contribution to state governed Pension Schemes	Rs. 493046	Rs. 435568	Employers Contribution to state governed Employees State Insurance	Rs. 469119	Rs. 310233
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b)	<p><u>Defined benefit plan/ Long Term Compensated Absences.</u> The company's Employees Gratuity Fund Scheme managed by the LIC of India is a defined plan. <b>The present value of obligation based on actuarial valuation using the Projected Unit Credit Method is being determined and any effect thereof will be provided / accounted as and when finalized.</b></p>												
c)	<p><u>Compensated Absences</u> The company has provided for the leave encashment liability at the balance sheet date based on permissible accumulated leave balance of the employees at the last salary drawn. Liability as per actuarial valuation is being determined and any effect thereof will be provided / accounted as and when finalized. <b>The company has no defined benefit plan for this purpose as yet.</b></p>												
12	Information pursuant to Part IV of Schedule VI to the Companies Act, 1956. Balance Sheet abstract and general business profile and cash flow statement pursuant to clause 32 of listing agreement are annexed hereto												
13	Figures for previous year have been rearranged/regrouped wherever necessary.												

Signature to Schedules 1 to 16

**for R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**(B. S. DUGAR)**  
**(Chairman)**

**R. A. SINGH**  
**PROPRIETOR**

**(R. MAZUMDAR)**  
**(Managing Director)**

FRNo. 110271W

PLACE : Mumbai

DATED : 30/07/2011

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

14 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE			
I.	<u>Registration Details</u> State Code : Registration No. : Balance Sheet Date :		11 5695 31.03.2011
II.	<u>Capital Raised during the year (Amount in Rs.)</u> Public Issue Bonus Issue Right Issue Private Placement		NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE
III.	<u>Position of Mobilisation and Deployment of Fund (Amount Rs. in Thousands)</u> Total Liabilities :  Sources of Funds  Paid-up Capital Share Application Money : Reserve & Surplus Secured Loans Unsecured Loans Deferred Tax Credit	159295    6994 0 13697 68799 69163 642  159295	Total Assets  Application of Funds :  Net Fixed Assets Investments Misc. Expenditure Net Current Assets Deferred Tax Assets Accumulated Losses  159295
IV.	<u>Performance of the Company (Amount Rs. in Thousands)</u> Turnover including : Other Incomes  Profit Before Tax :  Earning Per share in Rs. : (after deferred tax)	119448   3248  3.54	Total Expenditure  Profit After Tax - after def. tax credit :  Dividend per share :  NIL
V.	<u>Generic Names of Three Principal Services of Company</u> Item Code No. :  Service Description :	8207 9017	Hob and Cutter Spline Gauges MANUFACTURE OF GEAR CUTTING TOOLS, SPECIAL CUTTING TOOLS, SPLINE GAUGES, LABOUR JOBS, ETC.

As per our report of even date attached

**for R. A. SINGH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**(B. S. DUGAR)**  
**Chairman**

**R. A. SINGH**  
**(PROPRIETOR)**

**(R. MAZUMDAR)**  
**(Managing Director)**

**FRNo. 110271W**

PLACE : MUMBAI  
DATED : 30/07/2011