



NOTICE TO THE MEMBERS

NOTICE is hereby given that the 23rd Annual General Meeting of the members of REXNORD ELECTRONICS AND CONTROLS LIMITED will be held on Friday, September 30, 2011 at 11.00 A. M. at the registered office of the Company at 92-D, Govt. Industrial Estate, Charkop, Kandivli [West], Mumbai - 400 067 to transact, with or without modification(s) the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2011 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Ram Sanahi, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. Ayyaswami Sundram, who retires from office by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

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

5. AS A SPECIAL RESOLUTION:

“**RESOLVED THAT** in supersession of all earlier resolutions passed in this regards, the Company do hereby accord its consent under the provisions of Section 314 of the Companies Act, 1956 and other applicable provisions of Law to the appointment of Mr. Kundan K. Talwar relative of Directors of the Company as Vice President [Production] of the Company w.e.f. April 1, 2011 at a consolidated Salary not exceeding ₹ 2,50,000/- p.m, together with usual allowances, commission, benefits and perquisites.

RESOLVED FURTHER THAT the board is authorized to finalise his remuneration within the consolidated Salary upto ₹ 2,50,000/- p.m. from time to time.”

6. AS A SPECIAL RESOLUTION:

“**RESOLVED THAT** in supersession of all earlier resolutions passed in this regards, the Company do hereby accord its consent under the provisions of Section 314 of the Companies Act, 1956 and other applicable provisions of Law to the appointment of Mr. Kunal Dilip Tanna relative of Directors of the Company as Vice President [International Business] of the Company w.e.f. April 1, 2011 at a consolidated Salary not exceeding ₹ 2,50,000/- p.m. together with usual allowances, commission, benefits and perquisites.

RESOLVED FURTHER THAT the board is authorized to finalise his remuneration within the consolidated Salary upto ₹ 2,50,000/- p.m. from time to time.”

7. AS A SPECIAL RESOLUTION:

“**RESOLVED THAT** in supersession of all earlier resolutions passed in this regards, the Company do hereby accord its consent under the provisions of Section 314 of the Companies Act, 1956 and other applicable provisions of Law to the appointment of Mrs. Sharda K. Talwar a relative of Directors of the Company as Vice President [Facilities] of the Company w.e.f. April 1, 2011 at a consolidated Salary not exceeding ₹ 2,50,000/- p.m. together with usual allowances, benefits and perquisites.

RESOLVED FURTHER THAT the board is authorized to finalise her remuneration within the consolidated Salary upto ₹ 2,50,000/- p.m. from time to time.”

By order of the Board
REXNORD ELECTRONICS AND CONTROLS LIMITED

Kishore Chand Talwar
Chairman & Managing Director

Place: Mumbai
Dated: 31st August, 2011

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 28/09/2011 to 30/09/2011 (both days inclusive).
3. Members desirous of seeking any information concerning the Accounts of the Company are requested to address their queries in writing to the Company at least seven days before the date of the meeting so that the requested information can be made available at the time of the meeting.
4. Members / Proxies are requested to please bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.
5. The shares of the Company are listed on Mumbai, Ahmedabad, Bangalore and Delhi Stock Exchanges.
- 6a. In view of Circular issued by the SEBI for appointing common agency for both the modes of transfers i.e. physical as well as Demat, the Company has already appointed M/s. BIG SHARE SERVICES PRIVATE LIMITED as Registrar & Transfer Agent for both the modes of transfer i.e. physical as well as Demat. Members are therefore requested to send their grievances to them for early disposal at the address given below.
- 6b. Members holding Shares in physical form are requested to notify immediately any change in their address with PIN CODE to the Registrar and Transfer Agent of the Company at the address given below AND in case their shares are held in Demat, this information should be passed on directly to their respective Depository Participants and not to the Company.

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

7. All documents referred to in the Notice are open for inspection at the registered office of the Company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
8. Members/Proxies holding their Shares in physical mode are requested to fill the enclosed attendance slip and handover the same at the entrance with signature. In the absence thereof, they may not be admitted to the meeting venue.
9. Members who are holding shares in 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. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items No. 5 -7 is annexed hereto.

LISTING REQUIREMENTS:

As required under Clause 49 (IV) (G) (i) of the Listing Agreement, given below are the details of the Director(s) who are seeking appointment/re-appointment as directors (Resolutions at Item Nos. 2 & 3):

A. Name : Mr. Ram Sanehi
Age : 73 [14.02.1938]
Qualifications : MA Sociology.

Mr. Ram Sanehi is associated with the Company since 03/03/2010. He is Ex Director Ministry of Commerce, Government of India and has an experience of over 40 years. He provides guidance to the Company from time to time for increasing the presence of the Company in the international market.

Other Directorships : Nil

Committee Memberships

Audit Committee Member : Rexnord Electronics and Controls Ltd.

Shareholders Grievance Committee Member : Rexnord Electronics and Controls Ltd.

Remuneration Committee Member : Rexnord Electronics and Controls Ltd.

No. of shares held in the Company : Nil

Relationship with other directors

Kishore Chand Talwar : None

Ayyaswami Sundram : None

Nainy K. Tanna : None

B. Name : Mr. Ayyaswami Sundram
Age : 50 [18.01.1961]
Qualifications : MSC in Physics

Mr. Ayyaswami Sundram is associated with the Company since 03/03/2010. He has an experience of over 20 years as Business Innovation Consultant. He provides guidance to the Company from time to time in the field of overall Product Quality management.

Other Directorships : Nil

Committee Memberships

Audit Committee Member : Rexnord Electronics and Controls Ltd.

Shareholders Grievance Committee Member : Rexnord Electronics and Controls Ltd.

Remuneration Committee Member : Rexnord Electronics and Controls Ltd.

No. of shares held in the Company : Nil

Relationship with other directors

Kishore Chand Talwar : None

Ram Sanehi : None

Nainy K. Tanna : None

By order of the Board
REXNORD ELECTRONICS AND CONTROLS LIMITED

Kishore Chand Talwar
Chairman & Managing Director

Place : Mumbai
Dated : 31st August, 2011

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item Nos. 5

Mr. Kundan K. Talwar was appointed as a Manager [Production] of the Company w.e.f. April 1, 2009.

Mr. Kundan K. Talwar is based at Mumbai and look after overall productions of the Company at Vasai Factory.

Mr. Kundan K. Talwar is a B. Com., Diploma in Electronics and considering his experience of over 6 years and looking on his performance, the Board has decided to increase his remuneration as per amended provisions of the Companies Act, 1956 upto a consolidated Salary not exceeding ₹ 2,50,000/- p.m. together with usual allowances, commission, benefits and perquisites.

The Selection Committee has also recommended the same.

As Mr. Kundan K. Talwar is relative of Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors of the Company, approval of members is sought under Section 314 of the Companies Act, 1956.

In the interest of the Company, the Board recommends the resolution.

Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors may be deemed to be concerned or interested in this resolution being related to Mr. Kundan K. Talwar. None of the other Directors of the Company are concerned or interested in the resolution.

Item Nos. 6

Mr. Kunal Dilip Tanna was appointed as a Vice President [International Business] of the Company w.e.f. January 1, 2010.

Mr. Kunal Dilip Tanna is based at Mumbai and look after overall International Business of the Company.

Mr. Kunal Dilip Tanna is a M. Com., MBA in HR and Mphil and currently pursuing his PHD and considering his experience of over 11 years, the Board has decided to increase his remuneration as per amended provisions of the Companies Act, 1956 upto a consolidated Salary not exceeding ₹ 2,50,000/- p.m. together with usual allowances, commission, benefits and perquisites.

The Selection Committee has also recommended the same.

As Mr. Kunal Dilip Tanna is relative of Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors of the Company, approval of members is sought under Section 314 of the Companies Act, 1956.

In the interest of the Company, the Board recommends the resolution.

Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors may be deemed to be concerned or interested in this resolution being related to Mr. Kunal D. Tanna. None of the other Directors of the Company are concerned or interested in the resolution.

Item Nos. 7

Mrs. Sharda K. Talwar was appointed as a Vice President [Facilities] of the Company w.e.f. March 3, 2010.

Mrs. Sharda K. Talwar is based at Mumbai. Mrs. Sharda K. Talwar has considerable experience of over 30 years, the Board has decided to increase her remuneration as per amended provisions of the Companies Act, 1956 upto a consolidated Salary not exceeding ₹ 2,50,000/- p.m. together with usual allowances, commission, benefits and perquisites.

The Selection Committee has also recommended the same.

As Mrs. Sharda K. Talwar is relative of Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors of the Company, approval of members is sought under Section 314 of the Companies Act, 1956.

In the interest of the Company, the Board recommends the resolution.

Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna, Directors may be deemed to be concerned or interested in this resolution being related to Mrs. Sharda K. Talwar. None of the other Directors of the Company are concerned or interested in the resolution.

By order of the Board
REXNORD ELECTRONICS AND CONTROLS LIMITED

Kishore Chand Talwar
Chairman & Managing Director

Place : Mumbai

Dated : 31st August, 2011

DIRECTORS' REPORT

To, THE SHAREHOLDERS

Your Directors have great pleasure in presenting their 23rd Annual Report together with the Audited accounts for the year ended March 31, 2011.

(₹ in lacs)

| Particulars | Year ended 31.03.2011 | Year ended 31.03.2010 |
|--|--------------------------|--------------------------|
| Sales & Other Income (Net of Excise duty and Sales Tax) | 2759.00 | 2105.70 |
| Profit before depreciation | 160.25 | 99.40 |
| Depreciation | 55.37 | 53.55 |
| Net Profit before tax | 104.87 | 45.85 |
| Net Profit after tax | 68.03 | 31.20 |
| Balance Brought Forward | 108.43 | 77.23 |
| Balance Carried Forward | 176.46 | 108.43 |

OPERATIONS:

The year under review remained better than previous year inspite of tough competition. The sales and other income of your Company, during the year under review, remained at ₹ 2759.00 lacs as against sales and other income of ₹ 2105.70 lacs in the previous year. Your Company has been able to earn net profit before tax of ₹ 104.87 lacs for the year as against the net profit before tax of ₹ 45.85 lacs in the previous year. 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, 2011.

RESEARCH & DEVELOPMENT:

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

ISO CERTIFICATION:

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

FIXED DEPOSITS:

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

BOARD OF DIRECTORS:

As per the provisions of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Mr. Ram Sanahi and Mr. Ayyaswami Sundram retire by rotation and being eligible offer themselves 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. A separate report on Corporate Governance together with Auditor's Certificate on its compliance is included in this Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
- Appropriate policies have been selected and applied consistently and judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 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.
- 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, 2012 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.
- Regarding the appointment of whole-time Company secretary, the Company is in process of appointing a whole time Company Secretary. In the mean time the Company is availing services of a practicing Company Secretary and has obtained a certificate from him to the effect that the Company is complying with the applicable provisions of the Companies Act, 1956.
- The statutory dues including excise duty and income tax are not paid on account of disputes pending with respective authorities.

d. The Company has already appointed a firm of chartered accountants for internal audit of the transactions of the Company. The Company is also planning to enlarge the scope of work of the internal auditors of the Company for the current year.

Other observations of the auditors contained in their report have been adequately dealt with in the notes to accounts given in Schedule 20 which are self-explanatory and, therefore, do not call for any further comments.

AUDIT COMMITTEE:

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

DEPOSITORY SERVICES:

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

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

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

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

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

A. CONSERVATION OF ENERGY:

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

| | Units | Current Year | Previous Year |
|---|----------------|--------------|---------------|
| a. Power & Fuel Consumption | | | |
| Electricity - Purchased | | | |
| Unit (KWH) | Units | 817659 | 817575 |
| Total Amount | In ₹ | 5794558* | 4879458* |
| Average Rate | ₹ per unit | 7.09 | 5.97 |
| *includes power charges ₹ 57,94,558/- (₹ 32,63,575/-) for 8,17,659 Units (5,49,109 Units) for processing of goods directly paid by the Company. | | | |
| b. Consumption per unit of production Electricity (KWH) | | | |
| Instrument Cooling Fans AC | Units/Thousand | 752 | 1003 |
| Instrument Cooling Fans DC | Units/Thousand | 188 | 251 |

B. TECHNOLOGY ABSORPTION:

a) Research & Development

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

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

b) Technology absorption, adaptation and innovation.

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

C. FOREIGN EXCHANGE EARNED AND USED:

The particulars regarding foreign exchange earning and expenditure appear at item nos. 23(II), 24 and 25 of the Schedule 20 to the accounts.

PARTICULARS OF EMPLOYEES:

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

LISTING:

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

SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION:

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

ACKNOWLEDGMENT:

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

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

Kishore Chand Talwar
Chairman & Managing Director

Place : Mumbai
Dated : 31st August 2011



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, exhaust fans and motors used in industrial and domestic purposes. The industry is directly related to the growth of the user industry in which the products find applications. The instrument cooling fans /motors are mainly used in the computer hardware equipments, power supply equipments, textile machines, refrigeration industry, injection molding machines, photocopying machines etc.

OPPORTUNITIES, THREATS, OUTLOOK, RISKS AND CONCERNS:

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

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

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

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

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

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

EXPORTS:

The Company is holding DIN EN ISO 9001:2008 Certificate by TUV NORD CERT GmbH for its quality systems which reflects your Company's continuous commitment towards quality & standards. During the year under review your Company achieved export turnover of around 13.84% of total sales as against the export turnover of around 8.09% 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 need to strengthen the same. The management has appointed a firm of chartered accountants to carry out the internal audit of the transactions of the Company and planning to enlarge the scope of work of the internal auditors.

FINANCIAL AND OPERATIONAL PERFORMANCE:

During the year under review, the Company has achieved the sales and other income of ₹ 2759.00 lacs as against the sales and other income of ₹ 2105.70 lacs in the previous year. The Company has earned net profit before tax of ₹ 104.87 lacs during the year as against the net profit before tax of ₹ 45.85 lacs in the previous year.

The challenges described above could not affect the Company much and your Company could be able to register net profit of ₹ 68.03 lacs as against net profit of ₹ 31.20 lacs last year in spite of global recessionary trends. During the current financial year, the Company is working towards further improvement in its profitability.

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 24 officers and other staff.

CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations, estimates or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. 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:

REXNORD ELECTRONICS AND CONTROLS LIMITED ("the Company") is committed to adhere to the corporate governance code as prescribed by the SEBI and Stock Exchange and has accordingly implemented various aspects of the code.

To implement the Corporate Governance practice, Rexnord Electronics And

Controls Limited has a well defined policy which:

- Ensures that the Quality and frequency of Financial and Managerial Information's, which the Management shares with the Board, fully placed before the Board Members in control of the Company's affairs.
- Ensures that the Board exercises its Fiduciary responsibilities towards Shareowners and Creditors, thereby ensuring high accountability.

- Ensures that the extent to which the information is disclosed to present and potential investors is maximized.
- Ensures that the decision-making is transparent and documentary evidence is traceable through the minutes of the meetings of the Board/Committees thereof.
- Ensures that the Board, the Management, the Employees and all the other stakeholders are fully committed to maximizing long-term value to the shareowners and to the Company.
- Ensures that the core values of the Company are protected.
- Ensures that the Company positions itself from time to time to be at par with any other world-class Company in operating practices.

2. BOARD OF DIRECTORS:

The Company presently has four directors. Two of the directors are executive directors and the other two are non executive directors. The Executive directors are comprised of the Chairman and Managing Director and a whole time 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 consist of non executive directors and half of the Board shall comprise of independent directors. In case of Rexnord Electronics and Controls Limited, One half of the directors are non executive. Two out of the four directors are independent and non executive directors, which is very much in compliance of the Listing Agreement.

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

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

| Name of Director | Designation | Category | No. of Board Meeting attended | Attendance at last AGM | No. of other companies in which directorships is held | | No. of outside committee position held | |
|------------------------|-------------|-------------------------------|-------------------------------|------------------------|---|---------|--|------|
| | | | | | Public | Private | Mem. | Chmn |
| Mr. K. C. Talwar | CMD | Executive | 12 | YES | — | — | — | — |
| Mrs. Nainy K. Tanna | WTD | Executive | 12 | YES | — | — | — | — |
| Mr. Ram Sanahi | Director | Non Executive and Independent | 12 | NO | — | — | — | — |
| Mr. Ayyaswami Sundaram | Director | Non Executive and Independent | 12 | YES | — | — | — | — |

CMD stands for Chairman & Managing Director.

WTD stands for Wholetime Director

During the financial year ended March 31, 2011, 12 [twelve] board meetings were held on 19/04/2010, 14/05/2010, 15/05/2010, 4/6/2010, 29/6/2010, 31/7/2010, 14/8/2010, 30/8/2010, 3/11/2010, 18/12/2010, 31/12/2010, 11/2/2011.

INFORMATION SUPPLIED TO BOARD:

Among others, this includes:

- Review of annual operating plans of business, capital budgets and updates.
- Quarterly results of the Company and its operating units
- Minutes of meeting of audit committee and other committees.
- Information on recruitment and remuneration of senior officers just below the board level.
- General notices of interests.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.

- Any materially significant effluent or pollution problem.
- Any material default in financial obligations to and by the Company. Any issue which involves possible public or product liability claims of a substantial nature.
- Details of any joint venture of collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant development in the human resource and industrial relations fronts.
- Sale of material nature of investments and assets which is not in the normal course of business.
- Foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

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

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

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

3. COMMITTEES OF BOARD:

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

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

3.1 AUDIT COMMITTEE:

The Company has a qualified and independent Audit Committee comprising of three Directors. Two members of the committee are independent and non executive directors and one member is executive director. All the members have financial and accounting knowledge and have related financial management expertise. The broad terms of reference of the Audit Committee are in consonance with the

provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

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

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

The role of Audit Committee includes the following:

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

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

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

The Company is in process of appointing a whole time Company Secretary to act as Secretary to the Committee.

3.2. REMUNERATION & REMUNERATION COMMITTEE:

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

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

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

| Name of the Members | Status | No. of meetings Attended |
|-----------------------|----------|--------------------------|
| Mr. Ayyaswami Sundram | Chairman | 1 |
| Mr. Ram Sanehi | Member | 1 |
| Mrs. Nainy K. Tanna | Member | 1 |

The details of remuneration paid to executive directors during the financial year 2010-11 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 2010-2011 are given below:

| Particulars | Mr. Ram Sanehi | Mr. Ayyaswami Sundram |
|-----------------------------|----------------|-----------------------|
| 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, 2011.

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

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

Mr. Anand Patkar, Senior Manager – Finance is the compliance officer and attended all the meetings of the Shareholders’ Grievances Committee held during the year ended March 31, 2011.

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 | 4 | 4 | Nil |
| 2. | Non Receipt of Demat Rejected S/C’s | 1 | 1 | Nil |
| 3. | Others | 2 | 2 | Nil |
| | Total | 7 | 7 | |

There were no shares pending for transfer as on 31st March 2011.

4. GENERAL BODY MEETINGS:

The last three Annual General Meetings were held as under:

| Financial Year | Date | Time | Venue |
|----------------|------------|------------|-------------------|
| 31.03.2010 | 30.09.2010 | 11.00 A.M. | Registered Office |
| 31.03.2009 | 26.09.2009 | 1.00 P.M. | — As above — |
| 31.03.2008 | 29.09.2008 | 11.00 A.M. | — As above — |

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

5. DISCLOSURES:

- (i) During the year, the Company did not enter into any materially significant related party transactions with its promoters, directors, management or their relatives etc. that may have a potential conflict with the interests of the Company at large. However the related party transactions are disclosed in note nos. 14 of Schedule 20 to the accounts.
- (ii) No funds have been raised through issue of equity or debt in the form of public or rights or preferential issues during the year under review.
- (iii) A brief resume, nature of expertise in specific functional areas, names of companies in which the person already hold directorship and membership of committees of the Board and his shareholding in the Company forms part of the notice of the Annual General Meeting, annexed to this Annual Report for the directors seeking appointment/ reappointment.
- (iv) The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authority on all matters relating to capital markets during the last three years. No penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any other statutory authority on any matter related to capital market during last three years.
- (v) Though there is no formal Whistle Blower Policy, the Company takes cognizance of complainants made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employees of the Company have been denied access to the Audit Committee of the Board of Directors of the Company.

- (vi) The financial statements of the Company are qualified. It is always the companies endeavor to present unqualified financial statements and Company is moving towards a regime of unqualified financial statements.
- (vii) The Company has a periodic review and reporting to the Board of Directors of the Company of risk assessment by senior executives with a view to minimize risk.
- (viii) Certificate from Mr. Kishore Chand Talwar, Managing Director in terms of clause 49 (V) of the listing agreements with the stock exchanges for the financial year ended 31st March 2011 was placed before the board of directors of the Company in its meeting held on 31st August, 2011.

6. MEANS OF COMMUNICATION

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

7. GENERAL SHAREHOLDERS INFORMATION:

7.1. ANNUAL GENERAL MEETING : 23rd Annual General Meeting.
DAY & DATE : Friday, September 30, 2011.
TIME : 11.00 A.M.
VENUE : Registered Office.

7.2. FINANCIAL CALENDAR:

- * Financial reporting for the quarter ended June 30, 2011 : Mid of Aug., 2011
- * Financial reporting for the quarter ended Sept.30, 2011 : Mid of Nov., 2011
- * Financial reporting for the quarter ended Dec. 31, 2011 : Mid of Feb., 2012
- * Financial reporting for the year ended March 31, 2012 : Mid of May, 2012
- * Annual General Meeting for the year ended Mar 31, 2012 : End of Sep., 2012

7.3. DATE OF BOOK CLOSURE: 28/09/2011 TO 30/09/2011 [Both days inclusive].

7.4. LISTING:

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

7.5. STOCK CODE OF THE COMPANY : The Stock Exchange, Mumbai
Scrip Name : Rexnord Electronics and Controls Ltd.
Scrip Code : 531888
Electronic Mode : INE687C01012

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

| Month | Company's Share | | BSE SENSEX | |
|----------------|-----------------|---------|------------|-----------|
| | High (₹) | Low (₹) | High | Low |
| April, 2010 | 9.24 | 7.61 | 18,047.86 | 17,276.80 |
| May, 2010 | 9.35 | 7.33 | 17,536.86 | 15,960.15 |
| June, 2010 | 10.30 | 8.12 | 17,919.62 | 16,318.39 |
| July, 2010 | 9.40 | 8.00 | 18,237.56 | 17,395.58 |
| August, 2010 | 11.30 | 8.37 | 18,475.27 | 17,819.99 |
| Sept., 2010 | 12.90 | 10.00 | 20,267.98 | 18,027.12 |
| October, 2010 | 16.50 | 9.56 | 20,854.55 | 19,768.96 |
| November, 2010 | 14.25 | 10.54 | 21,108.64 | 18,954.82 |
| December, 2010 | 12.55 | 8.51 | 20,552.03 | 19,074.57 |
| January, 2011 | 10.95 | 8.08 | 20,664.80 | 18,038.48 |
| February, 2011 | 10.68 | 8.00 | 18,690.97 | 17,295.62 |
| March, 2011 | 10.29 | 7.16 | 19,575.16 | 17,792.17 |

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

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

7.8. SHARE TRANSFER SYSTEM:

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

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

7.9. COMPLIANCE OFFICER:

Mr. Anand Patkar, Senior Manager - Finance

7.10. DEPOSITORY CONNECTIVITY: NSDL and CDSL.

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

7.12 SHAREHOLDING PATTERN AS ON 31ST MARCH, 2011:

| Category | No. of shares held | % of shareholding |
|--------------------------------|--------------------|-------------------|
| Promoters & Promoter Group | 28,25,771 | 43.60 |
| Mutual Funds /UTI | NIL | NIL |
| Financial Institutions / Banks | 2,000 | 0.03 |
| Bodies Corporate | 1,60,462 | 2.48 |
| Indian Public | 31,80,867 | 49.08 |
| NRI / OCBs | 3,12,100 | 4.81 |
| Total | 64,81,200 | 100.00 |

7.13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2011:

| No. of Equity Shares held | No. of Shareholders | No. of Shares held | % of Equity Capital |
|---------------------------|---------------------|--------------------|---------------------|
| Upto 500 | 3980 | 657124 | 10.1389 |
| 501-1000 | 373 | 321841 | 4.9658 |
| 1001-2000 | 154 | 244826 | 3.7775 |
| 2001-3000 | 71 | 185106 | 2.8560 |
| 3001-4000 | 29 | 106911 | 1.6496 |
| 4001-5000 | 24 | 114500 | 1.7666 |
| 5001-10000 | 27 | 180759 | 2.7890 |
| 10001 & above | 42 | 4670133 | 72.0566 |
| Total | 4700 | 64,81,200 | 100.00 |

7.14. DEMATERIALISATION OF SHARES:

As on March 31, 2011, 53,96,280 shares representing 83.26% of total equity shares were held in dematerialized 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:

Unit No. 12-15, Sarswati Building,
Tungareshwar Industrial Estate,
Sativali, Vasai (East), Thane

7.17. ADDRESS FOR CORRESPONDENCE:

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

7.18. COMPLIANCE:

A certificate has been obtained from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance and is attached to this report. The Company is in process of complying with the some of the conditions of corporate governance.

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

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

9. STEPS FOR PREVENTION OF INSIDE TRADING

In compliance of the SEBI (Prevention of inside Trading) Regulations as amended in 2002, the Company has issued a comprehensive guidelines advising and

cautioning management staff and other relevant business associates on the procedure to be followed while dealing in equity shares of Company and disclosure requirements in this regard. Company believes that “The Code of Internal Procedure and Conduct” and “The Code of Corporate Disclosures Policies” framed by it in this regard will help in ensuring compliance of the amended SEBI regulations.

B) NON-MANDATORY REQUIREMENTS

1. CHAIRMAN OF THE BOARD:

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

2. REMUNERATION COMMITTEE:

Please refer item no. 3.2 under Mandatory Requirements.

3. SHAREHOLDERS RIGHTS:

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

4. POSTAL BALLOT:

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

5. TRAINING OF BOARD MEMBERS:

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

For and on Behalf of the Board
REXNORD ELECTRONICS AND CONTROLS LIMITED

Kishore Chand Talwar
Chairman & Managing Director

Place : Mumbai.
Dated : 31st August, 2011

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 31st March 2011.

Kishore Chand Talwar
Chairman & Managing Director

Place : Mumbai
Dated : 31st August, 2011

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, 2011 and that to the best of my knowledge and belief :
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - (ii) these statements present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company’s code of conduct.

- c. I accept the responsibility for establishing and maintaining internal controls and I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps taken or propose to take to rectify these deficiencies.
- d. I have indicated, based on my most recent evaluation, wherever applicable, to the Auditors and the Audit committee
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company’s internal control system over financial reporting.

Kishore Chand Talwar
Managing Director

Place : Mumbai.
Dated : 31st August, 2011



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 31st March, 2011 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 subject to

followings:

- a. *The Company does not have the whole time company secretary to act as secretary to the Audit Committee;*
- b. *The code of conduct has not been posted on the website of the Company.*

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 Registration No. 100156W

O. P. Agrawal
Partner
M. No. 045862

Place : Mumbai
Dated : 31st August, 2011

AUDITORS' REPORT

To
The Members
REXNORD ELECTRONICS AND CONTROLS LIMITED

- 1) We have audited the attached Balance Sheet of REXNORD ELECTRONICS AND CONTROLS LIMITED ('the Company') as at 31st March 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we give in the Annexure a statement on the matters specified in the paragraph 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Act;
- e) based on the representations made by the directors of the Company and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as at 31st March 2011 from being appointed as director in terms of clause (g) of sub section (1) of Section 274 of the Act;
- f) *Attention of the members is invited that the composition of the remuneration committee, is not in conformity with the requirements of Schedule XIII to the Companies Act, 1956;*
- g) *Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **R.S. AGRAWAL & ASSOCIATES**
Chartered Accountants
Firm Registration No. 100156W

O. P. Agrawal
Partner
M. No. 045862

Place : Mumbai
Dated : 31st August, 2011

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED IN PARAGRAPH (3) OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF REXNORD ELECTRONICS AND CONTROLS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2011 ON THE BASIS OF SUCH CHECKS/TEST CHECKS AS WE CONSIDER APPROPRIATE AND IN TERMS OF THE INFORMATION AND EXPLANATIONS GIVEN TO US, WE STATE THAT: -

1. (i) the Company has maintained records, showing particulars including quantitative details and situation of its fixed assets;
 - (ii) 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
 - (iii) there was no substantial disposal of fixed assets during the year.
2. (i) as certified by the management, physical verification was conducted by the management at the close of the year in respect of finished goods, stores, spare parts and raw materials;
 - (ii) the procedures of physical verification of stocks followed by the management are, in our opinion, *need to be strengthened* in relation to the size of the Company and the nature of its business; and
 - (iii) the Company is maintaining records of inventory. As certified by the management, there were no material discrepancies noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of account.
3. the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly the provisions of sub clauses (b), (c) (d), (f) and (g) of the clause 4 (iii) of the Order are not applicable to the Company.
4. on the basis of selective checks carried out during the course of audit, we are of the opinion that the internal control system followed by the Company *need to be strengthened* 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. As informed to us, the Company has initiated steps to ensure strengthening such controls.
5. (i) 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
 - (ii) 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 ₹ 5.00 lacs in respect of any party during the year.
6. as explained to us, the Company has not accepted any deposit from public.
7. the Company has, during the year, appointed a firm of Chartered Accountants to carry out the internal audit of the transactions of the Company. *However, the scope and coverage of which, in our opinion, required to be enlarged to be commensurate with the size and nature of its business.*
8. we are informed that the cost records prescribed by the Central Government under Section 209 (1) (d) of the Act, *are under preparation. Hence for want of such records, we are unable to comment on the same.*
9. (i) 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 slight 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; and

- (ii) 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 Central Excise Act | Excise Duty, Penalty and Fine | 31,000/-** | 1999-00 | The Custom, Excise, & Service Tax Appellate Tribunal |

*Assessment Year

** net of ₹ 2,59,005/- paid

10. 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.
11. 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.
12. 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.
13. in our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore provisions of clause 4 (xiii) of the Order are not applicable to the Company.
14. in our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore provisions of clause 4 (xiv) of the Order are not applicable to the Company.
15. 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.
16. in our opinion, the term loans were applied for the purpose for which the loans were obtained.
17. on the basis of an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short term basis have not been utilized for long term investment.
18. the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act, during the year. Therefore provisions of clause 4 (xviii) of the Order are not applicable to the Company.
19. 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.
20. 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.
21. 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 Registration No. 100156W

O. P. Agrawal
Partner
M. No. 045862

Place : Mumbai.
Dated : 31st August, 2011



BALANCE SHEET AS AT 31ST MARCH, 2011

| | Schedules | | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|---|-----------|---------------------|----------------------------|----------------------------|
| SOURCES OF FUNDS | | | | |
| SHARE HOLDERS' FUND | | | | |
| Share capital | 2 | 64803000.00 | | 64803000.00 |
| Reserves and surplus | 3 | 17647066.54 | | 10843751.24 |
| | | | 82450066.54 | 75646751.24 |
| LOAN FUNDS | | | | |
| Secured loans | 4 | 28323218.17 | | 10515473.71 |
| Unsecured loans | 5 | 34252999.00 | | 19499852.85 |
| | | | 62576217.17 | 30015326.56 |
| DEFERRED TAX LIABILITY (NET) | 6 | | 2383993.00 | 2769504.00 |
| TOTAL | | | <u>147410276.71</u> | <u>108431581.80</u> |
| APPLICATION OF FUNDS | | | | |
| FIXED ASSETS | | | | |
| Gross block | 7 | 133625819.60 | | 126909485.85 |
| Less: depreciation | | 87194502.84 | | 82535778.22 |
| Net block | | 46431316.76 | | 44373707.63 |
| Add : capital work in progress | | 32851310.66 | | 10003610.50 |
| | | | 79282627.42 | 54377318.13 |
| INVESTMENTS | 8 | | 106380.00 | 116380.00 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| Inventories | 9 | 49146822.26 | | 44068259.73 |
| Sundry debtors | 10 | 45063330.90 | | 37689636.12 |
| Cash and bank balances | 11 | 14640672.94 | | 22457679.71 |
| Loans and advances | 12 | 18700187.91 | | 18096830.63 |
| | | 127551014.01 | | 122312406.19 |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | | |
| Current liabilities | 13 | 53432743.72 | | 63156316.52 |
| Provisions | 14 | 6097001.00 | | 5218206.00 |
| | | 59529744.72 | | 68374522.52 |
| NET CURRENT ASSETS | | | 68021269.29 | 53937883.67 |
| TOTAL | | | <u>147410276.71</u> | <u>108431581.80</u> |
| SIGNIFICANT ACCOUNTING POLICIES | 1 | | | |
| NOTES TO ACCOUNTS | 20 | | | |

The schedules referred to above form an integral part of the financial statements

As per our attached report of even date :

For R. S. Agrawal & Associates

Chartered Accountants

Firm Registration No. 100156W

For and on behalf of the Board of Directors

Kishore Chand Talwar
Chairman & Managing Director

Nainy K. Tanna
Wholetime Director

O. P. Agrawal
Partner
M. No. 045862

Ayyaswami Sundram
Director

Place : Mumbai
Dated : 31st August 2011

Place : Mumbai
Dated : 31st August 2011

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

| | Schedules | For the year ended 31-03-2011 ₹ | For the year ended 31-03-2010 ₹ |
|--|-----------|--|--|
| INCOME | | | |
| Sales and other operating income | 15 | 273998331.00 | 209230381.28 |
| Other income | 16 | 1901169.45 | 1339892.59 |
| Increase / (decrease) in finished stock | 17 | 1632851.84 | 804384.00 |
| | | <u>277532352.29</u> | <u>211374657.87</u> |
| EXPENDITURE | | | |
| Manufacturing and other expenses | 18 | 257064862.61 | 196586211.96 |
| Interest and finance charges | 19 | 4335804.68 | 3863812.57 |
| Loss on discarding of fixed assets | | 106951.25 | 635406.00 |
| Depreciation | 7 | 5537336.62 | 5355082.65 |
| Prior period items (refer note 11 B (6) of schedule 20) | | <u>0.00</u> | <u>348869.00</u> |
| | | <u>267044955.16</u> | <u>206789382.18</u> |
| PROFIT BEFORE TAX | | 10487397.13 | 4585275.69 |
| Less : Provision for taxation | | | |
| For the year | | 3844300.00 | 1710800.00 |
| For earlier years | | 225292.83 | 34801.00 |
| Deferred tax charge / (credit) | | <u>(385511.00)</u> | <u>(280573.00)</u> |
| | | <u>3684081.83</u> | <u>1465028.00</u> |
| PROFIT AFTER TAX | | 6803315.30 | 3120247.69 |
| Add : balance brought forward from previous year | | 10843049.46 | 7722801.77 |
| BALANCE CARRIED OVER TO BALANCE SHEET | | <u>17646364.76</u> | <u>10843049.46</u> |
| Earning per share (basic and diluted) (refer note 15 of schedule 20) | | 1.05 | 0.48 |
| SIGNIFICANT ACCOUNTING POLICIES | 1 | | |
| NOTES TO ACCOUNTS | 20 | | |

The schedules referred to above form an integral part of the financial statements

As per our attached report of even date :

For R. S. Agrawal & Associates

Chartered Accountants

Firm Registration No. 100156W

O. P. Agrawal

Partner

M. No. 045862

Place : Mumbai

Dated : 31st August 2011

For and on behalf of the Board of Directors

Kishore Chand Talwar

Chairman & Managing Director

Nainy K. Tanna

Wholetime Director

Ayyaswami Sundram

Director

Place : Mumbai

Dated : 31st August 2011



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| | For the year ended 31-03-2011 ₹ | | For the year ended 31-03-2010 ₹ |
|--|--|--|--|
| A) CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit before tax and extraordinary items | 10487397.13 | | 4585275.69 |
| Adjustments for | | | |
| Depreciation | 5537336.62 | | 5355082.65 |
| Provision for doubtful debts and advances | 1129515.00 | | 0.00 |
| (Profit)/loss on sale/discarding of fixed assets (net) | (113644.25) | | 635406.00 |
| Provision for doubtful debts no longer required | 0.00 | | (5273.00) |
| Interest | (1133701.70) | | (739403.55) |
| Dividend | (18006.00) | | (18006.00) |
| Interest expenses | 4335804.68 | | 3863812.57 |
| Operating profit before working capital changes | 20224701.48 | | 13676894.36 |
| Adjustments for : | | | |
| Trade and other receivables | (7925616.00) | | (7546296.01) |
| Inventories | (5078562.53) | | 346216.68 |
| Trade payables | (9526916.71) | | 30311347.39 |
| Cash generated from operations | (2306393.76) | | 36788162.42 |
| Direct taxes paid | (4171956.34) | | (1215733.83) |
| Cash flow before extraordinary items | (6478350.10) | | 35572428.59 |
| Extraordinary items | 0.00 | | 0.00 |
| NET CASH FROM OPERATING ACTIVITIES | (6478350.10) | | 35572428.59 |
| B) CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Purchase) / sale of fixed assets (net) | (30329001.66) | | (15478018.77) |
| (Purchase)/ sale of investments | 10000.00 | | 0.00 |
| (Increase)/ decrease in deposits | (542987.55) | | (1308190.25) |
| Interest income | 1133701.70 | | 739403.55 |
| Dividend income | 18006.00 | | 18006.00 |
| NET CASH FROM INVESTING ACTIVITIES | (29710281.51) | | (16028799.47) |
| C) CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | 0.00 | | 0.00 |
| Proceeds from long term borrowings | 16725610.00 | | 2276191.00 |
| Repayment of long term borrowings | (1521221.88) | | (7446448.63) |
| Proceeds from short term borrowings | 38402999.00 | | 19499852.85 |
| Repayment of short term borrowings | (23649852.85) | | (6155514.00) |
| Change in working capital borrowings from banks | 2603356.34 | | (9334715.35) |
| Interest paid | (4189265.77) | | (3815153.63) |
| Dividend paid | 0.00 | | 0.00 |
| NET CASH FROM FINANCING ACTIVITIES | 28371624.84 | | (4975787.76) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (7817006.77) | | 14567841.36 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 22457679.71 | | 7889838.35 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 14640672.94 | | 22457679.71 |

Notes :

1. 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.
2. Refer schedule 11 for details of cash and cash equivalents.
3. All figures in brackets reflects cash outflow.
4. 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 Registration No. 100156W

O. P. Agrawal

Partner

M. No. 045862

Place : Mumbai

Dated : 31st August 2011

For and on behalf of the Board of Directors

Kishore Chand Talwar

Chairman & Managing Director

Ayyaswami Sundram

Director

Place : Mumbai

Dated : 31st August 2011

Nainy K. Tanna

Wholtime Director

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 1

SIGNIFICANT ACCOUNTING POLICIES

A) ACCOUNTING CONVENTION

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.

B) USE OF ESTIMATES

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

C) FIXED ASSETS

TANGIBLE ASSETS

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

INTANGIBLE ASSETS

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

CAPITAL WORK IN PROGRESS

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

D) DEPRECIATION AND AMORIZATION

Depreciation on all the tangible assets is provided for an 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.

Individual assets costing upto ₹ 5000/- are depreciated over a period of one year from the month in which such asset is acquired.

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 profit and loss account or against revaluation surplus where applicable.

F) INVESTMENTS

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

Gross Sales are inclusive of excise duty, sales tax 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 Gross 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 at the undiscounted amount 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 profit and loss account.

SCHEDULES TO THE FINANCIAL STATEMENTS

J) FOREIGN CURRENCY TRANSACTIONS

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

K) BORROWING COSTS

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

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 profit and loss account 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 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.

SCHEDULES TO THE FINANCIAL STATEMENTS

| | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|---|---------------------------|--------------------------|
| SCHEDULE 2 | | |
| SHARE CAPITAL | | |
| AUTHORISED : | | |
| 10000000 (10000000) equity shares of ₹ 10/- each | <u>10000000.00</u> | <u>10000000.00</u> |
| | <u>10000000.00</u> | <u>10000000.00</u> |
| ISSUED, SUBSCRIBED AND PAID UP : | | |
| 6481200 (6481200) equity shares of ₹ 10/- each | 64812000.00 | 64812000.00 |
| Less: calls in arrears (other than directors) | <u>9000.00</u> | <u>9000.00</u> |
| | 64803000.00 | 64803000.00 |
| (Out of the above shares 1250000 shares are allotted as fully paid up bonus shares by capitalization of general reserve and capital reserves) | | |
| TOTAL | <u>64803000.00</u> | <u>64803000.00</u> |
| SCHEDULE 3 | | |
| RESERVES AND SURPLUS | | |
| CAPITAL RESERVE : | | |
| Revaluation reserve as per last balance sheet | 701.78 | 701.78 |
| SURPLUS IN PROFIT AND LOSS ACCOUNT | 17646364.76 | 10843049.46 |
| TOTAL | <u>17647066.54</u> | <u>10843751.24</u> |
| SCHEDULE 4 | | |
| SECURED LOANS | | |
| TERM LOANS | | |
| From HDFC Bank Limited (Repayable within one year ₹ 21.83 lacs, previous year ₹ 3.42 lacs) | 13025177.76 | 0.00 |
| VEHICLE LOANS | | |
| From Axis Bank Limited (Repayable within one year ₹ 2.01 lacs, previous year ₹ 1.82 lacs) | 734864.00 | 916512.00 |
| From Kotak Mahindra Prime Limited (Repayable within one year ₹ 1.63 lacs, previous year ₹ 1.47 lacs) | 600740.00 | 747422.00 |
| From Kotak Mahindra Prime Limited (Repayable within one year ₹ 3.20 lacs, previous year ₹ 2.22 lacs) | 1536470.00 | 0.00 |
| From Kotak Mahindra Prime Limited (Repayable within one year ₹ 2.88 lacs, previous year ₹ 2.86 lacs) | 1313962.00 | 0.00 |
| From Mahindra & Mahindra Financial Services Limited (Repayable within one year ₹ 0.72 lacs, previous year ₹ 0.61 lacs) | 305821.87 | 366648.87 |
| From Reliance Capital Limited (Repayable within one year ₹ 3.16 lacs, previous year ₹ 2.82 lacs) | <u>766934.48</u> | <u>1048999.12</u> |
| | 18283970.11 | 3079581.99 |

SCHEDULES TO THE FINANCIAL STATEMENTS

| | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|--|---------------------------|---------------------------|
| SCHEDULE 4 (Contd.) | | |
| SECURED LOANS | | |
| WORKING CAPITAL FACILITIES | | |
| From HDFC Bank Limited | 10039248.06 | 7435891.72 |
| Cash credit facilities (Includes converted into FCNR B loan ₹ 171.04 lacs (previous year ₹ 162.39 lacs) equivalent to \$ 3.77 lacs (previous year \$ 3.54 lacs) | | |
| TOTAL | <u><u>28323218.17</u></u> | <u><u>10515473.71</u></u> |

NOTES :

On nature of security on loans :

1. Vehicle loans are secured by hypothecation of specific vehicles acquired from the loans.
2. Working capital facilities including non funded facilities and term loan are primarily secured by hypothecation of stock and book debts of the company.
3. Working capital facilities including non funded facilities and term loan are further secured by way of Equitable Mortgage of Factory Land and Building at Plot No. 92-D Govt. Industrial Estate, Charkop, Kandivli (W), Mumbai 400067.
4. Working capital facilities including non funded facilities and term loan are further secured by the personal guarantee of two directors of the company and three relatives of chairman and managing director of the company.

| | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|---|---------------------------|---------------------------|
| SCHEDULE 5 | | |
| UNSECURED LOANS | | |
| SHORT TERM LOANS (repayable within one year) | | |
| From banks (Buyers credit in foreign currency) | 30082999.00 | 19499852.85 |
| From companies | 4170000.00 | 0.00 |
| TOTAL | <u><u>34252999.00</u></u> | <u><u>19499852.85</u></u> |
| SCHEDULE 6 | | |
| DEFERRED TAX LIABILITIES (NET) arising on account of timing differences : | | |
| DEFERRED TAX LIABILITIES | | |
| Depreciation | 2953343.00 | 2820511.00 |
| GROSS DEFERRED TAX LIABILITIES | <u><u>2953343.00</u></u> | <u><u>2820511.00</u></u> |
| DEFERRED TAX ASSETS | | |
| Deferment of allowance as per the Income Tax Act 1961 | 569350.00 | 51007.00 |
| GROSS DEFERRED TAX ASSETS | <u><u>569350.00</u></u> | <u><u>51007.00</u></u> |
| TOTAL | <u><u>2383993.00</u></u> | <u><u>2769504.00</u></u> |

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 7

FIXED ASSETS

₹

| PARTICULARS | GROSS BLOCK (at cost) | | | | ACCUMULATED DEPRECIATION/ AMORTIZATION | | | | NET BLOCK | |
|--|-----------------------|---------------------------------|---------------------------------|---------------------|---|-----------------------------|------------------------------------|-----------------------------|------------------------------|------------------------------|
| | As on 31.03.2010 | Additions during the year | Deduction during the year | As on 31.03.2011 | Total upto 31.03.2010 | Provided for the year | Written back during the year | Total upto 31.03.2011 | Total as on 31.03.2011 | Total as on 31.03.2010 |
| Tangible Assets | | | | | | | | | | |
| Leasehold land | 4579200.00 | 0.00 | 0.00 | 4579200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4579200.00 | 4579200.00 |
| Factory buildings | 7929791.32 | 0.00 | 566336.50 | 7363454.82 | 2465453.61 | 250669.00 | 206621.00 | 2509501.61 | 4853953.21 | 5464337.71 |
| Residential flats | 1331122.00 | 633259.00 | 0.00 | 1964381.00 | 55965.00 | 58560.00 | 0.00 | 114525.00 | 1849856.00 | 1275157.00 |
| Plant and machineries | 64462266.32 | 905032.00 | 72959.25 | 65294339.07 | 47987031.18 | 2006571.00 | 43877.00 | 49949725.18 | 15344613.89 | 16475235.14 |
| Moulds and dies | 31538750.45 | 1555990.50 | 0.00 | 33094740.95 | 25146550.81 | 1589994.00 | 0.00 | 26736544.81 | 6358196.14 | 6392199.64 |
| Furniture and fixtures | 2892105.85 | 508142.00 | 127696.00 | 3272551.85 | 1772655.69 | 217531.00 | 49827.00 | 1940359.69 | 1332192.16 | 1119450.16 |
| Office equipments | 3098004.51 | 379735.00 | 35190.00 | 3442549.51 | 1524159.69 | 173632.62 | 3622.00 | 1694170.31 | 1748379.20 | 1573844.82 |
| Vehicles | 6111268.51 | 4025517.00 | 844064.00 | 9292721.51 | 1137313.00 | 861579.00 | 574665.00 | 1424227.00 | 7868494.51 | 4973955.51 |
| Computers | 2266755.00 | 132610.00 | 0.00 | 2399365.00 | 1669129.20 | 212027.00 | 0.00 | 1881156.20 | 518208.80 | 597625.80 |
| Factory equipments | 2700221.89 | 97711.00 | 0.00 | 2797932.89 | 777520.04 | 134788.00 | 0.00 | 912308.04 | 1885624.85 | 1922701.85 |
| Intangible Assets | | | | | | | | | | |
| Softwares | 0.00 | 124583.00 | 0.00 | 124583.00 | 0.00 | 31985.00 | 0.00 | 31985.00 | 92598.00 | 0.00 |
| TOTAL AS AT 31.03.2011 | 126909485.85 | 8362579.50 | 1646245.75 | 133625819.60 | 82535778.22 | 5537336.62 | 878612.00 | 87194502.84 | 46431316.76 | 44373707.63 |
| TOTAL AS AT 31.03.2010 | 118733581.58 | 9907888.27 | 1731984.00 | 126909485.85 | 77944988.57 | 5355082.65 | 764293.00 | 82535778.22 | 44373707.63 | |
| Capital work in progress including capital advances ₹ 15,43,685/- (previous year ₹ 12,54,174/-) (Site development and factory building) (refer note 16 of schedule 20) | | | | | | | | | 32851310.66 | 10003610.50 |

SCHEDULES TO THE FINANCIAL STATEMENTS

| | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|---|---------------------------|---------------------------|
| SCHEDULE 8 | | |
| INVESTMENTS | | |
| Long term investments (at cost) | | |
| Others : unquoted | | |
| 438 (1438) fully paid equity shares of ₹ 10/- each of Saraswat Co-op. Bank Ltd. | 4380.00 | 14380.00 |
| 10000 (10000) fully paid equity shares of ₹ 10/- each of NKGSB Co-op Bank Ltd. | 100000.00 | 100000.00 |
| 100 (100) fully paid equity shares of ₹ 10/- each of Kandivli Co-operative Industrial Estate Ltd. | 1000.00 | 1000.00 |
| 40 (40) fully paid equity shares of ₹ 25/- each of Punjab & Maharashtra Co-operative Bank Ltd. | 1000.00 | 1000.00 |
| TOTAL | <u>106380.00</u> | <u>116380.00</u> |
| SCHEDULE 9 | | |
| INVENTORIES | | |
| Raw Materials | 14286150.97 | 16061419.55 |
| Raw materials stock in transit | 3173078.00 | 1269491.00 |
| Work in process | 23824588.41 | 20516515.02 |
| Finished goods | 6949276.84 | 5316425.00 |
| Packing materials | 674464.25 | 712753.70 |
| Stores and spares | 239263.79 | 191655.46 |
| TOTAL | <u>49146822.26</u> | <u>44068259.73</u> |
| SCHEDULE 10 | | |
| SUNDRY DEBTORS | | |
| (Unsecured) | | |
| Debts outstanding for a period exceeding six months | | |
| Considered good | 185940.56 | 803852.81 |
| Considered doubtful | 681225.00 | 0.00 |
| Other debts | | |
| Considered good | 44877390.34 | 36885783.31 |
| | 45744555.90 | 37689636.12 |
| Less : provision for doubtful debts | 681225.00 | 0.00 |
| TOTAL | <u>45063330.90</u> | <u>37689636.12</u> |
| SCHEDULE 11 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 799458.00 | 711587.00 |
| Bank balances with scheduled banks | | |
| In fixed deposit accounts* | 11804826.81 | 13377883.33 |
| In current accounts | 2036388.13 | 8368209.38 |
| * includes ₹ 8019/- (previous year ₹ 7040/-) under lien for bank guarantee issued to excise authorities and ₹ 76,96,808/- (previous year ₹ 13340928.09) under lien for cash margin for letter of credit issued by bankers of the company. | 13841214.94 | 21746092.71 |
| TOTAL | <u>14640672.94</u> | <u>22457679.71</u> |

SCHEDULES TO THE FINANCIAL STATEMENTS

| | As at 31-03-2011 ₹ | As at 31-03-2010 ₹ |
|--|--------------------------|--------------------------|
| SCHEDULE 12 | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 5528605.17 | 3973977.76 |
| Balances with excise department | 791294.00 | 791355.00 |
| Deposits (refer note 18 of schedule 20) | 6876956.80 | 6333969.25 |
| Income tax and tax deducted at source | 4186251.29 | 3548287.78 |
| Advances to suppliers | 1765370.65 | 3449240.84 |
| Less : provision for doubtful advances | (448290.00) | 0.00 |
| TOTAL | 18700187.91 | 18096830.63 |
| SCHEDULE 13 | | |
| CURRENT LIABILITIES | | |
| Acceptances | 16888547.00 | 14891165.00 |
| Sundry creditors | | |
| - due to Micro and Small enterprises (refer note 10 of schedule 20) | 72593.00 | 0.00 |
| - due to others | 24862710.27 | 32881436.41 |
| Creditors for capital goods | 5440808.51 | 5081429.96 |
| Advance from customers | 205943.16 | 1872510.27 |
| Other liabilities | 5696061.82 | 8310233.83 |
| Interest accrued but not due | 266079.96 | 119541.05 |
| TOTAL | 53432743.72 | 63156316.52 |
| SCHEDULE 14 | | |
| PROVISIONS | | |
| For taxation | 5375700.00 | 4840100.00 |
| For employee benefits | 721301.00 | 378106.00 |
| TOTAL | 6097001.00 | 5218206.00 |
| SCHEDULE 15 | | |
| SALES AND OTHER OPERATING INCOME | | |
| Sales : | | |
| Local (gross) | 270403002.00 | 216332454.28 |
| Less : | | |
| Sales tax | 11700269.00 | 7644601.00 |
| Excise duty | 24301344.00 | 16387147.00 |
| | <u>234401389.00</u> | <u>192300706.28</u> |
| Export | 37652961.00 | 16929675.00 |
| | <u>272054350.00</u> | <u>209230381.28</u> |
| Export Incentive (DEPB) | 1943981.00 | 0.00 |
| TOTAL | 273998331.00 | 209230381.28 |

SCHEDULES TO THE FINANCIAL STATEMENTS

| | For the year ended 31-03-2011 ₹ | For the year ended 31-03-2010 ₹ |
|--|--|--|
| SCHEDULE 16 | | |
| OTHER INCOME | | |
| Interest (gross), (TDS ₹ 124,929/-, previous year ₹ 68,259/-) | 1133701.70 | 739403.55 |
| Dividend | 18006.00 | 18006.00 |
| Profit on sale of fixed assets | 220595.50 | 0.00 |
| Provision for doubtful debts no longer required written back | 0.00 | 5273.00 |
| Sundry balances written back | 259732.11 | 0.00 |
| Exchange rate fluctuations | 170025.14 | 577210.04 |
| Miscellaneous income | 99109.00 | 0.00 |
| TOTAL | <u>1901169.45</u> | <u>1339892.59</u> |
| SCHEDULE 17 | | |
| INCREASE (DECREASE) IN FINISHED STOCK | | |
| Closing stock | 6949276.84 | 5316425.00 |
| Less : opening stock | 5316425.00 | 4512041.00 |
| TOTAL | <u>1632851.84</u> | <u>804384.00</u> |
| SCHEDULE 18 | | |
| MANUFACTURING AND OTHER EXPENSES | | |
| 1. COST OF INVENTORIES CONSUMED | | |
| Opening stock | | |
| Raw material | 17330910.55 | 12512981.70 |
| Stock in process | <u>20516515.02</u> | <u>26577322.23</u> |
| | 37847425.57 | 39090303.93 |
| Add : cost of purchases | | |
| Raw materials | 161796683.10 | 103413057.00 |
| Direct costs (includes exchange fluctuation credit ₹ 8,13,866.12 previous year ₹ 17,43,763.40) | <u>6040411.92</u> | <u>3003746.32</u> |
| | 167837095.02 | 106416803.32 |
| Less: closing stock | | |
| Raw material | 17459228.97 | 17330910.55 |
| Stock in process | <u>23824588.41</u> | <u>20516515.02</u> |
| | 41283817.38 | 37847425.57 |
| | <u>41283817.38</u> | <u>37847425.57</u> |
| | 164400703.21 | 107659681.68 |
| 2. PAYMENTS TO AND PROVISION FOR EMPLOYEES | | |
| Salaries, wages and bonus | 7722348.00 | 6493217.00 |
| Contribution to provident fund and ESI schemes | 191228.00 | 68519.00 |
| Staff and labour welfare | <u>1801566.55</u> | <u>1372467.00</u> |
| | 9715142.55 | 7934203.00 |

SCHEDULES TO THE FINANCIAL STATEMENTS

| | For the year ended 31-03-2011 ₹ | For the year ended 31-03-2010 ₹ |
|--|--|--|
| SCHEDULE 18 (Contd.) | | |
| MANUFACTURING AND OTHER EXPENSES | | |
| 3. MANUFACTURING EXPENSES : | | |
| Power charges | 5794558.00 | 4879458.00 |
| Stores, spares & tools consumed | 3197863.42 | 4967233.10 |
| Packing materials consumed | 7627668.45 | 8368677.29 |
| Process charges | 34666262.00 | 27383823.00 |
| Repairs and maintenance to | | |
| Factory building | 1226461.00 | 2215097.00 |
| Plant and machineries | 1421909.50 | 933667.00 |
| Moulds and dies | 548142.00 | 327815.50 |
| Others | 705835.00 | 520454.50 |
| Rent | 3026754.00 | 2135746.00 |
| | 58215453.37 | 51731971.39 |
| 4. ADMINISTRATIVE, SELLING AND OTHER EXPENSES | | |
| Directors' remuneration | 3000000.00 | 2479884.00 |
| Directors' sitting fees | 120000.00 | 0.00 |
| Printing and stationery | 669965.00 | 398240.20 |
| Postage, telegram and telephone | 1410079.92 | 937955.74 |
| Clearing and forwarding charges | 1497611.00 | 1260572.00 |
| Insurance premium | 308603.49 | 233080.00 |
| Electricity charges | 287540.90 | 178277.15 |
| Bank commission and charges | 1283685.53 | 821960.31 |
| Auditors' remuneration (refer note 3 of schedule 20) | 165000.00 | 150000.00 |
| Professional charges | 1347724.00 | 1163941.00 |
| Travelling and conveyance | 5143589.50 | 2953917.85 |
| Repair and maintenance | 1732507.00 | 2476205.27 |
| Rates and taxes | 255610.50 | 367007.00 |
| Advertisement and business promotion | 2389828.70 | 1449246.73 |
| Brokerage and commission | 1741207.00 | 1311336.00 |
| Bad debts | 0.00 | 6652586.03 |
| Insurance claim receivable written off (refer note 22 of schedule 20) | 0.00 | 3930341.84 |
| Provision for doubtful debts / advances | 1129515.00 | 0.00 |
| Quality certification expenses | 197096.00 | 212613.00 |
| Exchange rate fluctuations | 0.00 | 117249.04 |
| Miscellaneous expenses | 2053999.94 | 2165942.73 |
| | 24733563.48 | 29260355.89 |
| TOTAL | <u>257064862.61</u> | <u>196586211.96</u> |
| SCHEDULE 19 | | |
| INTEREST AND FINANCE CHARGES | | |
| On term loans | 548665.27 | 823715.76 |
| On working capital | 1144539.11 | 1109065.79 |
| Other interest and financial charges | 2642600.30 | 1931031.02 |
| TOTAL | <u>4335804.68</u> | <u>3863812.57</u> |

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 20

NOTES TO ACCOUNTS

1. In the opinion of Board, the current assets, loans and advances are approximately of the value stated if realized in the ordinary course of business. The provisions for all the known liabilities are adequate.
2. Managerial remuneration (remuneration to whole-time directors) paid during the year ₹ 30,00,000/- (excluding the provision for gratuity for which separate figures are not available) (previous year ₹ 24,79,884/-), which is minimum managerial remuneration payable, hence no computation of managerial remuneration under section 349 of the Companies Act, 1956, is given.

3. Remuneration to auditors:

| | Current Year* (₹) | Previous Year* (₹) |
|-------------------------|-------------------|--------------------|
| a) Statutory audit fees | 181995/- | 165450/- |
| Total | 181995/- | 165450/- |

Payment to auditors in other capacities:

| | Current Year* (₹) | Previous Year* (₹) |
|---------------------------|-------------------|--------------------|
| a) Tax Audit Fees | 60665/- | 55150/- |
| b) Sales Tax Audit Fees | 27575/- | 27575/- |
| c) Certification Work | 100926/- | 47429/- |
| d) Taxation Matters | 82725/- | 151112/- |
| e) Other services | - | 16545/- |
| f) Out of pocket expenses | 20262/- | - |
| Total | 292153/- | 297811/- |

*inclusive of service tax wherever applicable however debited to profit & loss account net of cenvat credit of service tax wherever available.

4. A. Contingent liabilities not provided for –

- a. Guarantees given by the banks on behalf of the Company ₹ 5,372/- (previous year ₹ 30,372/-)
- b. Letter of credit issued by the bankers of the Company ₹ 37,10,200.32 (previous year ₹ 46,66,358.73)
- c. Disputed income tax demand of ₹ 47,308/- (previous year ₹ 47,308/-) for the assessment year 2006-07 against which the Company has filed an application for rectification with the Assessing Officer, which is yet to be decided.
- d. Disputed fringe benefit tax demand of ₹ 13,430/- (previous year ₹ 13430/-) for the Assessment year 2007-08 against which the Company has filed an application for rectification with the Assessing Officer, which is yet to be decided.
- e. Disputed excise demand of ₹ 5,49,010/- (previous year ₹ 5,49,010/-) plus interest raised by the excise authorities reduced to ₹ 2,90,005/- (previous year ₹ 2,90,005/-) by the Commissioner (Appeal). The excise authorities have preferred an appeal with the Custom Excise & Service Tax Appellate Tribunal (the CESTAT) challenging the order of the Commissioner (Appeal). The Company has also preferred a further appeal with the CESTAT against the order of the Commissioner (Appeal). The CESTAT has stayed the recovery of the said demand. The Company has already provided and paid ₹ 2,59,005/- (previous year ₹ 2,59,005/-) against the said demand.
- f. Liability, if any, arising on account of Bonds/Undertakings given by the Company under concessional duty / exemption schemes to Custom and Excise authorities, pending fulfillment of specified export obligation.

B. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 54,37,061/- (previous year ₹ Nil).

5. The Company had revalued its fixed assets except furniture, factory building and vehicles on 31st March 1994, based on the report of an approved valuer at replacement value. The resultant increase in the book value of the said assets amounting to ₹ 1,13,65,701.78 was credited to Revaluation Reserve.
6. The Company had one foreign national shareholder holding 300000 equity shares of ₹ 10/- each during the year (Previous year – 300000 equity shares).
7. 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.
8. The Income Tax Assessments of the Company have been completed upto Assessment Year 2008-2009.
9. The office of the Company Secretary has been vacant since 31st August 1999. The Company is in process of appointing a full time company secretary.
10. Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force 2 October 2006, certain disclosures are required to be made relating to Micro Small and Medium enterprises.

On the basis of the information and records available with Company, the following disclosures are made for the amounts due to the Micro and Small Medium Enterprises:

| Sr. No. | Particulars | Current Year (₹) | Previous Year (₹) |
|---------|---|------------------|-------------------|
| 1. | Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end | 72593/- | - |
| 2. | Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year | - | - |
| 3. | Amount of interest due and payable for the period of the delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED | - | - |
| 4. | Amount of interest accrued and remaining unpaid at the end of the accounting year: and | 32946/- | - |
| 5. | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowances as a deductible | 32946/- | - |

SCHEDULES TO THE FINANCIAL STATEMENTS

11. Disclosure as required under Accounting Standard 15 “Employee Benefits”.

A. Defined Contribution Plan :

Contribution to defined contribution plans recognized, are charged off for the year as under:

| | ₹ | |
|--|-----------|-----------|
| Employer’s Contribution to Provident Fund | 194274.00 | 134615.00 |
| Employer’s Contribution to superannuation Fund | - | - |
| Employer’s Contribution to Pension Fund | - | - |

B. Defined Benefit Plans :

Compensated absences:

₹ 19195/- (previous year ₹ 31901/-) is charged off to the profit and loss account for the cost of compensated absences.

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.

1. Change in present value of obligation

| Particulars | Gratuity (Unfunded) | |
|---|---------------------|------------------|
| | Current year (₹) | Previous year(₹) |
| Defined Benefit Obligation at beginning of the year | 3,54,000 | Nil |
| Current Service Cost | 72,000 | 34,000 |
| Past Service Cost –Vested | Nil | 3,41,074 |
| Interest Cost | 28,000 | Nil |
| Actuarial (gain) / loss | 2,24,000 | Nil |
| Benefits paid | Nil | (21,074) |
| Settlement Cost | Nil | Nil |
| Defined Benefit Obligation at year end | 6,78,000 | 3,54,000 |

2. Change in fair value of plan assets

| Particulars | Gratuity (Unfunded) | |
|--|---------------------|------------------|
| | Current year (₹) | Previous year(₹) |
| Fair value of plan assets at beginning of the year | Nil | Nil |
| Expected return on plan assets | Nil | Nil |
| Actuarial gain / (loss) | Nil | Nil |
| Employer contribution | Nil | 21,074 |
| Benefits paid | Nil | (21,074) |
| Fair value of plan assets at the year end | Nil | Nil |
| Actual return on plan assets | Nil | Nil |

3. Amount recognized in Balance Sheet

| Particulars | Gratuity (Unfunded) | |
|---|---------------------|------------------|
| | Current year (₹) | Previous year(₹) |
| Present value of Defined Benefit Obligation | 6,78,000 | 3,54,000 |
| Fair value of plan assets | Nil | Nil |
| Amount recognized in balance sheet | 6,78,000 | 3,54,000 |

4. Expense recognized during the year

| Particulars | Gratuity (Unfunded) | |
|--------------------------------|---------------------|-------------------|
| | Current year (₹) | Previous year (₹) |
| Current Service Cost | 72,000 | 34,000 |
| Past Service Cost –Vested | Nil | 3,41,074 |
| Interest Cost | 28,000 | Nil |
| Expected return on plan assets | NA | NA |
| Actuarial (gain) / loss | 2,24,000 | Nil |
| Net Cost | 3,24,000 | 3,75,074 |

5. Actuarial assumption

| Particulars | Gratuity (Unfunded) | |
|--|---------------------|------------------|
| | Current year | Previous year |
| Discount rate (per annum) | 8.3% | 7.8% |
| Expected return on plan assets (per annum) | NA | NA |
| Rate of escalation in salary (per annum) | 7% | 6% |
| Withdrawal / Attrition Rate: | 15% | |
| Employee in service for more than 5 years | | 1% |
| Employee in service upto 5 years | | 6% |
| Mortality Rate | LIC 94-96 (Ult.) | LIC 94-96 (Ult.) |
| Expected average remaining working life of employee. | 23 years | 22 years |

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

6. a. During the previous year, the Company, for the first time, made provision for gratuity on actuarial valuation method which was, till earlier year, charged off to profit and loss account on cash basis, therefore, gratuity pertaining to earlier years ₹ 3,41,074/- was taken under the head “Prior period items”; and
- b. During the previous year, a sum of ₹ 7,795/-, representing payment towards compensated absences which was, till earlier year, charged off to profit and loss account on cash basis, being pertaining to earlier years, was taken under the head “Prior period items”.

12. 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.

SCHEDULES TO THE FINANCIAL STATEMENTS

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

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

| Lease rentals | Current year (₹) | Previous Year (₹) |
|--|-------------------|-------------------|
| Not later than one year | 5,07,904/- | 5,67,315/- |
| Later than one year and not later than 5 years | 76,453/- | 2,05,932/- |
| Later than five years | Nil | Nil |

14. Disclosures as required under Accounting Standard 18 "Related Party Disclosure".

1. Relationships:

Key managerial personnel and their relatives:

Shri Kishore Chand Talwar (Chairman & Managing Director)

Smt. Nainy K. Tanna (Wholetime Director)

Shri Ram Bahadur Roka (Wholetime Director till 2nd March 2010)

Smt. Sharda K. Talwar (Wife of Chairman and Managing Director of the Company)

Shri Kundan Talwar (Son of Chairman and Managing Director of the Company)

Shri Kunal Tanna (Spouse of Smt. Nainy K. Tanna, Wholetime Director of the Company)

2. Transactions during the year and balances outstanding as at the year end with the related parties:

| | Current Year (₹) | Previous Year (₹) |
|--|--------------------|-------------------|
| A Managerial Remuneration | | |
| (i) Shri Kishore Chand Talwar | 15,00,000/- | 10,62,170/- |
| (ii) Smt. Sharda K. Talwar till 2/3/2010 | NA | 4,33,835/- |
| (iii) Smt. Nainy K. Tanna | 15,00,000/- | 7,21,097/- |
| (iv) Shri Ram Bahadur Roka till 2/3/2010 | NA | 2,62,782/- |
| B Salary | | |
| (i) Shri Kundan Talwar | 5,40,000/- | 3,27,000/- |
| (ii) Shri Kunal Tanna | 5,88,000/- | 1,47,000/- |
| (iii) Smt. Sharda Talwar | 3,60,000/- | 28,065/- |
| C Lease Rentals paid | | |
| (i) Shri Kishore Chand Talwar | 1,92,000/- | 1,92,000/- |
| (ii) Smt. Sharda K. Talwar | 1,08,000/- | 1,08,000/- |
| (iii) Shri Kundan Talwar | 1,20,000/- | 1,20,000/- |
| D Deposits given | | |
| (i) Shri Kishore Chand Talwar | 18,25,000/- | 18,25,000/- |
| (ii) Smt. Sharda K. Talwar | 18,25,000/- | 18,25,000/- |
| E Payables (Rent) | | |
| (i) Shri Kishore Chand Talwar | 3,95,844/- | 2,89,544/- |
| (ii) Smt. Sharda K. Talwar | 4,05,000/- | 2,97,000/- |
| (iii) Shri Kundan Talwar | 6,190/- | 2,36,190/- |
| F Payables (Directors Remuneration) | | |
| (i) Shri Kishore Chand Talwar | Nil | Nil |
| (ii) Sharda K. Talwar | Nil | 1,900/- |
| (iii) Nainy K. Tanna | 19,000/- | 15,092/- |
| (iv) Ram Bahadur Roka | NA | 1,825/- |
| G Payables (Salary) | | |
| (i) Shri Kundan Talwar | 24,260/- | 28,680/- |
| (ii) Shri Kunal Tanna | 33,336/- | 47,036/- |
| (iii) Smt. Sharda Talwar | Nil | 15,820/- |

Note: Related party relationship is identified by the Company and relied upon by the auditors.

15. Earning per share (EPS):

Basic and diluted

| Particulars | Current year | Previous Year |
|--|---------------------|---------------|
| Profit attributable to equity shareholders (₹) | 68,03,315.30 | 31,20,247.69 |
| Weighted average numbers of shares | 64,81,200 | 64,81,200 |
| Face value per shares (₹) | 10 | 10 |
| Basic and diluted earnings per share (₹) | 1.05 | 0.48 |

16. The Company has taken a land at Village-Devdal, Taluka-Vasai, Dist-Thane on lease for construction of its factory premises. Capital work in progress includes the following expenditure for site development and factory building on the said leasehold land:

| Particulars | Current Year (₹) | Previous Year (₹) |
|-------------------------|--------------------|-------------------|
| Capital expenditure | 30267963.90 | 8210436.50 |
| Advance to suppliers | 1543685.00 | 1254174.00 |
| Pre-operative expenses* | 1039661.76 | 539000.00 |
| Total | 32851310.66 | 10003610.50 |

*Pre operative expenses include:

| Particulars | Current Year (₹) | Previous Year (₹) |
|---|-------------------|-------------------|
| Bank Charges | 6094.00 | 0.00 |
| Lease rent | 144500.00 | 134000.00 |
| Rates and taxes | 19210.00 | 0.00 |
| Professional fees | 6824.00 | 255000.00 |
| Insurance | 3358.00 | 0.00 |
| Interest during construction period | 320675.76 | 0.00 |
| Total | 500661.76 | 389000.00 |
| Add : amount brought forward from previous year | 539000.00 | 150000.00 |
| Balance pending allocation | 1039661.76 | 539000.00 |

17. a. 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 Accountants of India. However the same does not have any impact on the profit of the year.

b. 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.

18. Deposit includes deposit given to Mr. Kishore Chand Talwar, Chairman and Managing Director and Mrs. Sharda K. Talwar, Vice President - Facilities ₹18,25,000/- each as lease deposit for the premises taken on lease from them.

SCHEDULES TO THE FINANCIAL STATEMENTS

19. Un-hedged Foreign Currency Exposure :

| Sr. No. | Particulars | Current Year | | Previous Year | |
|---------|-----------------------------|------------------|-------------|------------------|-------------|
| | | Foreign Currency | Indian ₹ | Foreign Currency | Indian ₹ |
| 1 | Receivables - USD | 80277.00 | 3528174.15 | 53177.93 | 2367481.84 |
| 2 | Payables - USD | 852010.04 | 38681257.85 | 657950.43 | 30160447.71 |
| 3 | Payable - Singapore Dollars | 16506.00 | 597682.26 | 19000.00 | 630040.00 |

20. Financial and derivative contracts:

- a) The Forward Exchange Contract (the "FEC") entered into by the Company and outstanding on 31st March 2011 is as under:

| Particulars | Type | As on 31 st March 2011 | | | As on 31 st March 2010 | | |
|------------------|------|-----------------------------------|-----------|-----------|-----------------------------------|--------|-----------|
| | | No. of contracts | US \$ | ₹ in lacs | No. of contracts | US \$ | ₹ in lacs |
| Forward contract | Buy | 1 | 376749.19 | 171.04 | 1 | 354521 | 162.51 |

- b) Premium (difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract), paid to hedge the risk associated with foreign currency fluctuations relating to existing liabilities, of FEC amortized over the life of the contract, pertaining to the year under review has been accounted for under the head Interest and financial charges;
- c) A sum of ₹ 0.85 lacs representing deferred premium on the FEC, adjustable against the profit and loss account of subsequent year, has been clubbed under Loans and advances; and
- d) Net of, Forward contracts receivable amounting to ₹ 171.04 lacs and forward contracts payable amounting to ₹ 181.40 lacs, has been clubbed under Current Liabilities.

21. During the previous year, insurance claim receivable ₹ 39,30,341.84, on account of loss of inventories due to flood on 3rd August 2004, being, in the opinion of the management, irrecoverable, was written off to the profit and loss account.

22. Previous year figures have been regrouped, rearranged and recasted wherever necessary to make them comparable with the current year figures.

23. Additional information pursuant to the paragraph 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

I Manufacturing Activities

(a) Particulars of Capacity, Production, Sales and Stock

| | |
|--------------------|---|
| Licensed Capacity | : Not Applicable |
| Installed Capacity | : Instrument Cooling Fan 1602000 Pieces |

Note: The licensed capacity and installed capacity as mentioned above has been certified by the directors on which auditors have relied without verifying the same.

Production, Sales and Stock (As taken and certified by the management)

(Value ₹ in lacs)

| Sr. No. | Class of goods | Unit | Opening Stock | | Prod./ Purchase Qty. | Repro- cessed/ Rej. Etc. Qty. | Sales # | | Closing Stock | |
|---------|--|------|---------------|---------------|----------------------|-------------------------------|------------------|-------------------|---------------|---------------|
| | | | Qty | Value | | | Qty | Value | Qty | Value |
| 1 | Instrument/ Equipment Cooling Fans/ Motors | Nos | 37399 (23265) | 51.69 (44.79) | 1143604 (839724) | 3566 (99) | 1123766 (825491) | 2966.29 (2257.02) | 53671 (37399) | 68.27 (51.69) |
| 2. | Accessories, Components & Mis. Items** | Nos | 22932 (1353) | 1.47 (0.33) | 528887 (376399) | 3619 (611) | 529490 (354209) | 114.27 (75.60) | 18710 (22932) | 1.22 (1.47) |
| | TOTAL | | | 53.16 (45.12) | | | | 3080.56 (2332.62) | | 69.49 (53.16) |

Sales value is inclusive of excise duty and sales tax

** Quantities do not include scrap and raw material quantities

(b) Particulars of Raw Material consumed

(Value ₹ in lacs)

| Items | Unit | Current Year | | Previous Year | |
|---------------------|------|--------------|---------|---------------|---------|
| | | Qty. | Value | Qty. | Value |
| Aluminum | Kgs. | 210978 | 263.52 | 165516 | 164.62 |
| PBT/Plastic Powders | Kgs. | 55911 | 70.61 | 44386 | 51.12 |
| Copper Wire | Kgs. | 84369 | 437.41 | 72459 | 280.39 |
| CRNGO | Kgs. | - | - | 12974 | 4.91 |
| Stator Lamination | Nos. | 1202688 | 273.84 | 870251 | 154.65 |
| Rotor Lamination | Nos. | 1091825 | 125.36 | 781242 | 90.14 |
| Others # | | | 473.27 | | 330.77 |
| | | | 1644.01 | | 1076.60 |

It is impracticable to furnish quantitative information of components consumed in view of considerable number of items of diverse size & number.

(c) Separately percentage and value of imported and indigenous raw material, spare parts, components consumed are not exactly ascertainable.

II. C.I.F. VALUE OF IMPORTS

(₹ in lacs)

Current Year Previous Year

| | | |
|--------------------|---------------|--------|
| a) Raw Materials | 860.64 | 477.43 |
| b) Capital Goods | 15.78 | 20.54 |
| c) Stores & Spares | 1.24 | 0.97 |

24. Expenditure in Foreign Exchange

(₹ in lacs)

Current Year Previous Year

| | | |
|-----------------------|--------------|-------|
| a) Foreign Travel | 21.53 | 12.19 |
| b) Interest | 17.15 | 11.87 |
| c) Exhibition Charges | 4.85 | 0.14 |

25. Earnings in Foreign Exchange

(₹ in lacs)

Current Year Previous Year

| | | |
|----------------------|---------------|--------|
| FOB Value of Exports | 375.59 | 165.92 |
|----------------------|---------------|--------|

For and on behalf of the Board of directors

| | | |
|---|--|--------------------------------------|
| Kishore Chand Talwar Chairman & Managing Director | Nainy K. Tanna Wholtime Director | Ayyaswami Sundram Director |
|---|--|--------------------------------------|

Place : Mumbai,
Dated : 31st August, 2011



**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI
TO THE COMPANIES ACT, 1956**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I) REGISTRATION DETAILS

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 11-47946 | State Code | 11 |
| Balance Sheet date | 31/03/2011 | | |

II) CAPITAL RAISED DURING THE YEAR

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placement | NIL |

(₹ In thousands)

III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

| | | | |
|-------------------|--------|--------------|--------|
| Total Liabilities | 206940 | Total Assets | 206940 |
|-------------------|--------|--------------|--------|

(₹ In thousands)

SOURCES OF FUNDS

| | |
|------------------------------|--------|
| Paid up Capital | 64803 |
| Reserves & Surplus | 17647 |
| Secured Loans | 28323 |
| Unsecured Loans | 34253 |
| Deferred Tax Liability (Net) | 2384 |
| | 147410 |

APPLICATION OF FUNDS

| | |
|---------------------------|--------|
| Net Fixed Assets | 79283 |
| Investments | 106 |
| Net Current Assets | 68021 |
| Miscellaneous Expenditure | Nil |
| Accumulated Losses | Nil |
| | 147410 |

IV) PERFORMANCE OF THE COMPANY

| | | | |
|-----------------------------------|--------|-------------------|--------|
| Turnover (including other income) | 275900 | Total Expenditure | 265413 |
| Profit before Tax | 10487 | Profit after Tax | 6803 |
| Earning per Share (₹) | 1.05 | Dividend Rate % | Nil |

(₹ in thousands)

V) GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

| | |
|---------------|------------------------|
| Item Code No. | Production Description |
| 84145109 | Air Cooling Fan |

For and on behalf of the Board of directors

Kishore Chand Talwar
Chairman & Managing Director

Nainy K. Tanna
Wholetime Director

Ayyaswami Sundram
Director

Place : Mumbai,
Dated: 31st August, 2011

