

47th

*Annual Report
for the period ended
31st December, 2010*



**VULCAN
ENGINEERS
LTD**

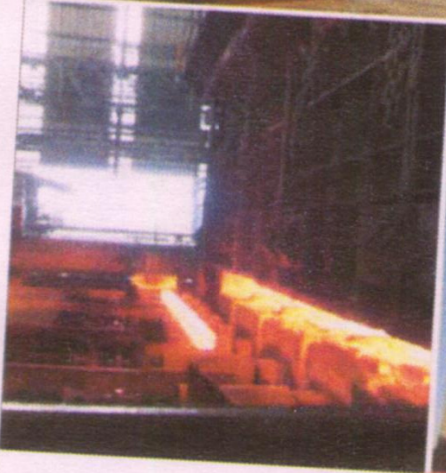
TERRUZZI FERCALX GROUP

www.terruzzifercalxgroup.com

TERRUZZI
FERCALX
SPA



47th
Annual Report
for the period ended
31st December, 2010



TERRUZZI
FERCALX
GROUP

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REGISTERED OFFICE
326, Unique Industrial Estate,
Off Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025,
India
Tel. +91 22 2438 1678-1679
Fax +91 22 2438 5814

BOARD OF DIRECTORS

- Mr. Astorre Terruzzi, Chairman Emeritus – Promoter, Non-Executive
- Dr. Daniele Terruzzi, Chairman – Promoter, Non-Executive
- Ms. Paola Terruzzi, Vice Chairperson – Promoter, Non-Executive
- Mr. Davide Nassuato – Executive - Managing Director
- Mr. Massimo Ferracci – Independent, Non Executive
- Mr. Claudio Del Bianco – Independent, Non Executive
- Mr. Nicola Obert – Independent, Non Executive
- Mr. Massimiliano Altabella – Independent, Non Executive

REGISTERED OFFICE

326, Unique Industrial Estate,
Off Veer Savarkar Marg,
Prabhadevi,
Mumbai - 400 025.

WORKS

Plot No. B-21,
MIDC Industrial Area,
Ahmednagar - 414 111,
Maharashtra.

STATUTORY AUDITORS & TAX CONSULTANTS

- **Suresh Surana & Associates**
Chartered Accountants
13th Floor, Bakhtawar,
229, Nariman Point,
Mumbai - 400 021.

REGISTRAR & SHARE TRANSFER AGENTS

- **Link Intime India Private Limited**
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (West),
Mumbai - 400 078.

C O N T E N T S

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NOTICE

Notice is hereby given that the Forty Seventh Annual General Meeting of Vulcan Engineers Limited will be held on Friday, 24th June, 2011 at 11.30 a.m. at "Sunville" Executive Room, 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st December, 2010, the Profit & Loss Account for the period ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Astorre Terruzzi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Daniele Terruzzi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Claudio Del Bianco, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Suresh Surana & Associates, Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board

**Bela Thakkar
Company Secretary**

**Place : Mumbai
Dated : 5th May, 2011**

Registered Office:
326, Unique Industrial Estate,
Off Veer Savarkar Marg,
Prabhadevi,
Mumbai - 400 025.

NOTES

1. **Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member. The instrument of proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16th June, 2011 to 24th June, 2011(both days inclusive).
3. Link Intime India Private Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078 are the Registrars and Share Transfer Agents of the Company to handle share transfers, both in physical and electronic segments and other share related matters. Shareholders are requested to correspond with the Registrars at the above address.

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4. Shareholders are requested to promptly notify any change in their addresses.
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all unclaimed dividends up to the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants up to the said period are requested to claim the amount from the Registrar of Companies, Maharashtra. Pursuant to introduction of Section 205C by the Companies (Amendment) Act, 2000, the amount of dividend unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government. Accordingly, dividends for the financial years ended 31st March, 1995, 31st March, 1996 and 31st March, 1997 which remained unclaimed for 7 years from the date of declaration have been transferred to IEPF. Therefore, no claim shall lie against the Company or the Investor Education and Protection Fund after transfer of the dividends to IEPF.
6. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
8. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
9. Members who hold shares in physical form in multiple folio in identical names are requested to send the share certificates to Link Intime India Pvt. Ltd. immediately to enable consolidation of their holding into one folio.
10. The Ministry of Corporate Affairs, Government of India vide its Circular No.17/2011/95/2011 CL - V dated April 21, 2011 has provided an alternative medium to the Companies to serve notices/ documents through electronic mode so as to comply with the provisions of the Companies Act, 1956. In view of the above, we hereby request the members to register their email address with the Registrar and Transfer Agent i.e. Link Intime India Private Limited for e-communication so that henceforth all documents like Notices of Meetings, Annual Reports, Directors' Report, Auditors' Report and all other shareholder communication will be sent electronically to the email address provided by you and / or made available to the Company/Registrars by the Depositories. As and when there are changes in your email address, you are requested to keep your Depository Participant (DP) informed of the same.

Those members who do not opt for the electronic mode of information, the documents will be served to them in physical form free of cost.

ADDITIONAL INFORMATION

Brief Profiles of Directors who are retiring by rotation and are eligible for reappointment:

| Name of Director | Mr. Astorre Terruzzi | Dr. Daniele Terruzzi | Mr. Claudio Del Bianco |
|---|--|---|--|
| Age | 78 | 50 | 52 |
| Nationality | Italian | Italian | Italian |
| Shares held in the Company | Nil | Nil | Nil |
| Qualification | Degree in Electrical Engineering | University degree in Law | Graduate in Political Science |
| Expertise in specific functional area | <p>After graduating he worked in the family owned Company, in particular with plants connected with heaters and pressure equipments and collaboration with other companies in the field of lime and allied plants.</p> <p>He incorporated a Company in 1977 for carrying on the business of manufacturing of Industrial Lime Kilns, that today is known as Terruzzi Fercalx SpA – Milan – Italy, an engineering and fabrication Company for industrial plants having its proprietary process technologies and is the President of the Board of Directors of Terruzzi Fercalx SpA, Italy.</p> | <p>He began his career with the family Company.</p> <p>During that time he gained valuable experience and knowledge in the business of manufacturing of Lime Plants and Autoclaves and also travelled around the world promoting the Company and leading and conducting several difficult and sensitive negotiations.</p> <p>From 1990 onwards he has contributed significantly in the managing of the Company, especially all the commercial activities.</p> | <p>He began his career as Manager Regional Committee of Lombardy and was involved with the departments of Health Commerce and Tourism, Hotel Industry, Sports and Recreation. He has been working with SEA – SpA Milan Airports as is at present and External Relation Manager & Publicity Officer</p> |
| Directorships held in other Indian companies | Nil | Terruzzi Fercalx Engineering Pvt. Ltd. | Nil |
| Chairmanships / Memberships of committees in other Indian companies | Nil | Nil | Nil |
| Inter-se Relationship with other Directors | Father of Dr. Daniele Terruzzi and Ms. Paola Terruzzi | Son of Mr. Astorre Terruzzi and Brother of Ms. Paola Terruzzi | None |

By Order of the Board

**Bela Thakkar
Company Secretary**

Place : Mumbai
Dated : 5th May, 2011

Registered Office:
326, Unique Industrial Estate,
Off Veer Savarkar Marg,
Prabhadevi,
Mumbai - 400 025.

47th Annual Report for the period ended 31st December, 2010

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Forty Seventh Annual Report of your Company together with the audited statement of accounts for the financial period ended 31st December, 2010.

FINANCIAL HIGHLIGHTS

| | Rs. in Lacs | |
|-------------------------------------|---------------------------------------|--------------------------------------|
| | Current Period ended on 31/12/2010 | Previous Year ended on 31/03/2010 |
| Sales and Income from other sources | 1,307.63 | 2,024.95 |
| Profit/(Loss) before taxation | 16.08 | 293.44 |
| Provision for taxation: | | |
| – Current tax | – | 49.85 |
| – Deferred tax | 17.08 | 82.81 |
| | 17.08 | 132.66 |
| Net Profit/(Loss) after taxation | (1.00) | 160.78 |

Note: The financial year of the Company has been changed from 1st April - 31st March (i.e. 12 months) to 1st January - 31st December and hence the current financial year will be from 1st April, 2010 to 31st December, 2010 (i.e. for a period of 9 months). The Bombay Stock Exchange has been informed accordingly. The figures are therefore, not comparable.

DIVIDEND

In view of the carried forward losses, your Directors regret their inability to recommend any dividend.

FINANCIAL RESULTS

Sales and Income for the nine months period ended 31st December, 2010 is Rs. 1,307.63 lacs. However for the financial year ended 31st March, 2010 (12 months), Sales and Income was Rs. 2,024.95 lacs (not comparable as they represent different periods). The loss after tax for the current period amounted to Rs. 1.00 lac as against the profit after tax of Rs. 160.78 lacs in the previous year.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

The Company is making all efforts to complete its existing two large public sector projects. Efforts during the current financial period are being made to obtain further orders, both for furnaces and kilns and also to try and diversify the project/product range.

The Cooperation Agreement with SMS Meer SpA (SMS) has been signed and this will enable the Company to focus its activity also on Furnaces of large size, with good expectations for the future since SMS is one of the leading world players in this field, and being also a well established supplier of SAIL. Gasifier plants is one of the target for this year after the significant re-engineering process that has been implemented; this activity should create further sales opportunities for Company.

DIRECTORS

As per provisions of section 256 of the Companies Act, 1956, Mr. Astorre Terruzzi, Dr. Daniele Terruzzi and Mr. Claudio Del Bianco, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. Yours Directors recommend their re-appointment.

EXTRA ORDINARY GENERAL MEETING

The shareholders of the Company have approved the issue and allotment of 13,10,000 Equity Shares on Preferential basis to Societa Italiana Per Le Imprese All'Estero - SIMEST SpA (SIMEST) at an Extra Ordinary General Meeting which was held on 28th February, 2011. The Company has received an in principle approval from the Bombay Stock Exchange vide its letter dated 19th April, 2011 but is awaiting clarification from SEBI.

DECLARATION OF THE POSTAL BALLOT RESULTS

During the financial period ended 31st December, 2010, pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, ordinary resolutions under Section 293(1)(a) and Section 293(1)(d) of the Companies Act, 1956 were passed by shareholders by postal ballot.

The results of the postal ballot were declared on 16th December, 2010.

DEPOSITORY SYSTEM

Your Company's equity shares are available for dematerialization through National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CDSL). As of 31st December, 2010, 93.54% of the equity shares of your Company were held in dematerialized form.

CORPORATE GOVERNANCE

The Report on Corporate Governance in compliance with clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and the Auditors' Certificate forms part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report on the operations of the Company is provided in a separate Section and forms part of this Report.

DEPOSITS

The Company has not invited/accepted any deposit from the public during the period ended 31st December, 2010. There were no unclaimed or unpaid deposits as on 31st December, 2010.

PARTICULARS OF EMPLOYEES

Particulars of Employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are set out in the Annexure 'A' and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required by Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'B'.

DIRECTORS' REponsibility STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that :-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanations relating to material departures, if any.
- (ii) appropriate accounting policies have been selected and applied consistently and the Directors have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2010 and of the loss for the period commencing from 1st April, 2010 and ending on 31st December, 2010.
- (iii) 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.
- (iv) the annual accounts have been prepared on a going concern basis.

AUDITORS' REMARKS

Remarks of the Auditors as regards valuation of Inventories has been explained in Note 2 of Schedule 18 - "Accounting Policies and Notes forming Part of Accounts".

AUDITORS

M/s. Suresh Surana & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

SHIFTING THE BOOKS OF ACCOUNTS OF THE COMPANY

The Books of accounts of the Company will now be maintained at the office of the Company in Pune and all the compliances with the Registrar of Companies ('ROC') have been duly complied with.

ACKNOWLEDGEMENTS

Your Directors wish to record their appreciation of the commitment and excellent performance of the management team and all employees.

By Order of the Board

Dr. Daniele M. Terruzzi
Chairman

Place : Mumbai

Dated : 5th May, 2011

47th Annual Report for the period ended 31st December, 2010

ANNEXURE 'A' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER, 2010:

| Sr No. | Name | Qualification | Designation / Nature of Duty | Experience | Date of Commencement of Employment | Remuneration | Age | Last Employed |
|--------|-------------------------|--|---|--|--|--------------|-----|-----------------------------|
| | | | | | | Rs. | | |
| 1 | Mr. Suvir Mithu Malaney | Degree in Industrial Engineering from North Carolina State University, USA (1988) and also a Masters Degree in International Business Management from the American Graduate School of International Management, Thunderbird Campus, U.S.A. (1990). | Head of Sales & Business Development from 17 th February, 2010 | Vast experience in international marketing and has travelled extensively in the USA, Europe and Asia. Mr. Malaney has been associated with the Company since 1991. | 1991 as Manager - International Division. Thereafter held various positions in the Company. In 2005 was appointed Marketing & Sales Manager & in 2006 was appointed as COO & from 17 th February, 2010 was appointed as Head of Sales & Business Development. | 57,42,000 | 44 | MediaTel Corporation U.S.A. |

Notes :

1. The nature of employment of above employee is contractual.
2. Remuneration includes Salary, Perquisites, Commission, contribution to Provident Fund.

ANNEXURE 'B' TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO COMPANIES

(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

FORM A

CONSERVATION OF ENERGY

Details of energy consumption during the year are given below :

Power and Fuel Consumption

Electricity : Since the Company's engineering and manufacturing activities at its works have been suspended, consumption of electricity was nominal. There was no fuel consumption.

FORM B

RESEARCH AND DEVELOPMENT (R&D), TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company continued to absorb foreign technology for process equipments.

- (1) Specific Areas
Development of detailed engineering/process/methods/materials and improvement in systems in the existing process.
- (2) Benefits Derived
Cost reduction/improved utilization of machinery and energy. Technological upgradation and development.
- (3) Future plan of action
Improvement in the existing products and processes in various areas in which the Company is engaged.
- (4) Expenditure on R&D
No separate funds allocated.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings in foreign currency : Rs. 137.01 lacs

Outgo in foreign currency : Rs. 2.44 lacs

For and on behalf of the Board of Directors

Dr. Daniele M. Terruzzi
Chairman

Place : Mumbai

Dated : 5th May, 2011

47th Annual Report for the period ended 31st December, 2010

MANAGEMENT DISCUSSION & ANALYSIS

Industry

The Indian Economy has emerged with remarkable rapidity from the slow down caused by the global financial crisis. The over all growth has been estimated at 8.00% in 2009-2010 and 8.6% for 2010-2011. According to the Economic Survey though risks of global events remain, the Indian Economy is poised for further growth. Infrastructure plays a key role in developing economies and one of the key components i.e. the Steel Industry which is the major customer of the Company, has also shown a healthy growth with new projects coming up both in the public and private sector.

Financial and Operational Performance

During the period ended 31st December, 2010, sales and other income was Rs. 1,307.63 lacs as against Rs. 2,024.95 lacs for the year 2009-10. There was a profit before taxation of Rs. 16.08 lacs for nine months period ended 31st December, 2010 as compared to a profit before taxation of Rs. 293.44 lacs in the previous year.

SEGMENTAL INFORMATION

Your company has only one business segment viz. engineering goods and services, which is considered as the primary segment. Performances in terms of secondary segment (Geographical Segments) are shown below:

| | Outside India Rs. | Within India Rs. | Total Rs. |
|--|-----------------------------------|-------------------------------------|-------------------------------------|
| 1. Segment revenue Sales (gross) and income from operations | 13,612,959 (22,500,622) | 112,615,217 (177,459,923) | 126,228,176 (199,960,545) |
| 2. Carrying amount of assets by geographical location of assets Segment assets | 4,903,057 (2,709,516) | 156,936,657 (145,340,848) | 161,839,714 (148,050,364) |
| 3. Additions to fixed and intangible assets Addition to fixed assets | – (–) | 2,969,084 (2,176,708) | 2,969,084 (2,176,708) |

Figures in brackets indicate the corresponding figures for the previous year.

OPPORTUNITIES & THREATS

Your Company has strengthened its infrastructure, technical skills, strategic alliances and positioned itself to reap the benefits of the potential economic growth of the country. The Company has now access to the latest technology and systems as well as markets in Europe, South America, Africa and other parts of the world where the Promoters, Terruzzi Fercalx SpA have a presence.

Though the global economy has shown distinct signs of revival, certain political events especially in the middle east could have an impact on the Indian economy due to movements in prices of commodities like crude oil etc.

The increasing competition by international and local companies in the area of Lime Kilns and Furnaces in the Indian market has impacted the Company's order position and margins. The Company has to introduce innovative steps to reduce costs, better technology and also enter such areas to improve its market position and sales in the current year. The lack of any new large orders during the last six months is a major cause of concern.

The Management is also evaluating the prospects of restarting its manufacturing facilities in order to reduce the costs and open new markets.

Internal Controls

The Audit Committee of the Board of Directors meets on a regular basis to review the control systems and to take stock of the situation. Any significant findings by the Internal Auditor are reviewed by the Audit Committee.

The Company has also set up internal systems and control mechanisms to ensure:

- On going risk assessment, identification of new risks and implementation of effective mitigation processes to safeguard the Company's interests.
- Transparency and efficiency of operations and resource management.
- Accuracy in financial reporting by implementation of systems framework for detection of errors and frauds.
- Law and regulatory compliance.

Risk Management

The Company has set processes in place to ensure that it has a proper and continuous identification and management of risk.

Inflation Risk

The continued inflationary pressures continues to be a major problem. Prices of raw materials have been on the rise due to increased demand, both domestic and overseas. Rise in prices of steel will adversely affect profitability.

Risk Mitigation

Your Company continues to witness cost push inflation. Efforts are being made to counter this through both price adjustments and elimination of operational inefficiencies as well as incorporation of escalation clauses in longer period contracts wherever possible.

Financial Risk

Financial risks include liquidity for working capital requirements and non-fund facilities like Bank Guarantee limits required for large projects.

Risk Mitigation

With the induction of Terruzzi Fercalx SpA as the Promoters, the Company is in a stronger negotiating position with bankers/ financial institutions. Currently, the Company is largely being financed out of advance payments received from customers. With the expected growth in business, the Company requires both fund-based and non-fund based lines of credit from banks some of which have been sanctioned.

Interest Rate Risks

The Company does not have any long term borrowings and therefore does not face at present any impact on account of interest fluctuations. The Company will have to resort to borrowings in the near future and the volatility in interest rates may have an impact.

Technology Obsolescence Risk

The Company's ability to remain competitive depends on its ability to adapt to changing technology.

Risk Mitigation

With the association of Terruzzi Fercalx SpA, the Company is assured of access to world technology for Lime Kilns. The Company has a strategic alliance for its furnace division. The Company continually updates itself in terms of various emerging technologies and tie ups with world leaders in technologies related to the Company's products.

Risk of cyclical business

The business in the capital goods sector is cyclical in nature and the Company's projects business is predominantly from sectors like steel and chemicals which have witnessed volatility.

Risk Mitigation

The Company continually reviews significant developments taking place in the industrial sector and also closely monitors the projects under execution. The Company is endeavoring to reduce the impact of the cyclical business risks by developing its products and service businesses.

Project Management Risk

Your Company faces risks associated with project execution with a large portion of the business coming from few projects. As the duration of the project is 18 months or more, delay can affect the Company's finances and reputation.

Risk Mitigation

The management reviews the risks related to key projects at all levels, on a case to case basis depending on their size and complexity. The management has established processes and systems for reviewing the progress and costs of projects.

Client Risk

Excessive exposure to a few clients could impact the Company's revenues and profitability in the event of loss of those clients.

Risk Mitigation

The Company is developing long-term relationships with its major customers as well as enlarging its customer base thus mitigating the risk of inconsistent revenues.

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Client Liability Risk

A Client Liability Risk arises in the advent of a failure, deficiency or delay in services rendered to a client. Such failure, deficiency or delay could result in a claim for damages against the Company.

Risk Mitigation

The management pays adequate attention to the negotiation and documentation of contracts wherein an effort is made to limit the contractual liability for damages.

Human Resource Risk

The Company's main asset is its qualified and experienced and skilled personnel, attrition in human resources could drain valuable knowledge and customer experience and thus have an adverse impact on revenues. As the size of the Company is relatively small there is a constant risk of trained and efficient personnel being recruited at remuneration levels which are uneconomical by larger companies and multinationals. For Companies of our size the rise in inflation and the growth in the industrial sector have also put a strain on trained and qualified human resources.

Risk Mitigation

The Company creates and maintains a team of talented and experienced staff. The Company imparts efficient and effective training to these staff members, blending them into productive resources by creating challenging opportunities on projects. The Company manages the careers of its employees in order to groom them to assume higher responsibilities. The Company is also recruiting and training fresh bright graduate engineers. The Company also keeps abreast of HR practices and compensation levels in the industry. The management recognizes human resources as its greatest asset and makes a special effort to train, develop and retain its staff.

Contingent Liabilities

Details of contingent liabilities are given in Schedule 18 - "Accounting Policies and Notes forming Part of Accounts".

Statutory Compliance

Compliance of SEBI regulations and the provisions of the Listing Agreement are ensured by the Board of Directors.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable securities laws and regulations. These are based on certain assumptions and expectations of future events. The Company does not guarantee that these assumptions and expectations are accurate or will be realised. The actual results or performance could differ materially from those expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance

Vulcan Engineers Limited is committed to create a corporate culture of integrity and transparency for ethical conduct of business so as to meet its obligations towards all stakeholders.

2. Board of Directors

a) Composition

As on 31st December, 2010, the Board of Directors comprised of eight members of which only one is an Executive Director. The Company has 7 Non-executive Directors. Since the Chairman belongs to the Promoter Group, 50% of the Board should be independent as per Clause 49 of the Listing Agreement. However, there were only two Independent Directors on the Board till 27th May, 2010. Two additional Independent Directors were appointed on the Board on 28th May, 2010 and 30th July, 2010. Therefore the composition of the Board is now in compliance with the Listing agreement. None of the Director on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) across all Companies in which he / she is a Director.

b) Board Meetings held and attendance

Seven Board Meetings were held during the accounting period of 9 months ended on 31st December, 2010: on 28th May, 2010 (two meetings), 30th July, 2010 (two meetings), 28th September, 2010, 26th October, 2010 and 30th November, 2010. The gap between any two Board Meetings did not exceed four months. Notice and agenda papers were circulated to the Directors well in advance to enable the Board to take informed decisions. All the relevant statements and information necessary for considering various matters in the light of Corporate Governance practices as prescribed in Clause 49 of the Listing Agreement were placed before the Board.

Attendance of Directors at Board Meetings during the period commencing from 1st April, 2010 and ending on 31st December, 2010 and at the last Annual General Meeting as also the number of other Companies in which they hold Directorship and Membership or Chairmanship of Committees is given below.

| Name of the Directors | Position | Attendance | | Other Boards/Committees | | |
|---|---|--------------------------|----------------------|----------------------------|-------------------------|----------|
| | | Board Meetings (2010-11) | Last AGM (28-9-2010) | Directorships ¹ | Committees ² | |
| | | | | | Member | Chairman |
| Dr. Daniele Terruzzi | Chairman / Promoter- Non Executive | 7 | Attended | Nil | Nil | Nil |
| Ms. Paola Terruzzi | Vice Chairperson / Promoter - Non Executive | 7 | Attended | Nil | Nil | Nil |
| Mr. Davide Nassuato | Executive - Managing Director | 6 | Attended | Nil | Nil | Nil |
| Mr. Astorre Terruzzi | Chairman Emeritus / Promoter- Non Executive | – | Did not attend | Nil | Nil | Nil |
| Mr. Claudio Del Bianco | Independent | – | Did not attend | Nil | Nil | Nil |
| Mr. Massimo Ferracci | Independent | 5 | Attended | Nil | Nil | Nil |
| Mr. Nicola Obert (Appointed w.e.f. 28 th May, 2010) | Independent | 6 | Did not attend | Nil | Nil | Nil |
| Mr. Massimiliano Altabella (Appointed w.e.f. 30 th July, 2010) | Independent | 3 | Did not attend | Nil | Nil | Nil |

1. Excludes foreign companies, private limited companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships.
2. Only Audit Committee and Investors Grievance Committee are reckoned for this purpose.
3. Information pursuant to clause 49 of the listing agreement is provided in the notice for convening Annual General Meeting.

3. Audit Committee

(a) Terms of Reference

The terms of reference of the Audit Committee are in conformity with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

(b) Composition

The Audit Committee comprises of Ms. Paola Terruzzi, Mr. Massimo Ferracci (Independent), Mr. Nicola Obert (Independent) and Mr. Massimiliano Altabella (Independent). Mr. Massimo Ferracci is the Chairman of the Audit Committee.

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Mr. R.G.G. Desai, General Manager-Finance & Corporate Affairs acted as the Secretary to the Committee till 30th November, 2010. Ms. Bela Thakkar was appointed as Company Secretary and Compliance Officer from 1st December, 2010. The Statutory Auditors and Practicing Company Secretary attended the meetings on invitation.

(c) Meetings held and attendance

Three Audit Committee meetings were held during the period. These were held on 28th May, 2010, 30th July, 2010 and 26th October, 2010.

Attendance at Audit Committee meetings for the period commencing from 1st April, 2010 and ending on 31st December, 2010 were as follows:

| Name of the Directors | No. of Meetings held | No. of Meetings attended |
|------------------------------|----------------------|--------------------------|
| Ms. Paola Terruzzi | 3 | 3 |
| Mr. Massimo Ferracci | 3 | 2 |
| Mr. Nicola Obert* | 3 | 3 |
| Mr. Massimiliano Altabella** | 3 | 2 |

* Appointed as member of the Audit Committee on 28th May, 2010.

** Appointed as member of the Audit Committee on 30th July, 2010.

Mr. Massimo Ferracci, Chairman of the Audit Committee, was present at the previous Annual General Meeting of the Company held on 28th September, 2010.

4. Remuneration Committee

a) Composition

The Board has constituted a remuneration committee on 28th May, 2010. The members of the Remuneration Committee comprises of Ms. Paola Terruzzi, Mr. Massimo Ferracci, Independent Director, Mr. Nicola Obert, Independent Director and Mr. Massimiliano Altabella, Independent Director. Ms. Paola Terruzzi is the Chairperson of the Remuneration Committee. The Remuneration Committee held a meeting on 30th July, 2010 to approve the appointment of Mr. Davide Nassuato as Managing Director without remuneration.

b) Remuneration of Directors

The Company has no pecuniary relationship or transactions with its directors other than payment of sitting fees for attending Board and Committee Meetings. Sitting fees paid to the Directors during the period ended 31st December, 2010 was Rs. 2,15,000 as shown below:

| Name of the Directors | Sitting Fees paid |
|----------------------------|---------------------|
| Mr. Nicola Obert | Rs. 1,25,000 |
| Mr. Massimiliano Altabella | Rs. 90,000 |
| TOTAL | Rs. 2,15,000 |

Note : Mr. Astorre Terruzzi, Dr. Daniele Terruzzi, Ms. Paola Terruzzi, Mr. Davide Nassuato, Mr. Massimo Ferracci and Mr. Claudio Del Bianco, all have declined to accept sitting fees.

5. Investors' Grievance and Share Transfer Committee

(a) Composition

The Investors' Grievance Committee comprises of Dr. Daniele Terruzzi, Ms. Paola Terruzzi and Mr. Davide Nassuato. Dr. Daniele Terruzzi is the Chairman of the Committee.

Mr. R.G.G. Desai, General Manager-Finance & Corporate Affairs, was the Compliance Officer till 30th November, 2010. Ms. Bela Thakkar was appointed as Company Secretary and Compliance Officer with effect from 1st December, 2010.

(b) Meetings held and attendance

During the period three meetings of the Investors' Grievance and Share Transfer Committee were held on 28th May, 2010, 30th July, 2010 and 26th October, 2010. Attendance at the Investors' Grievance and Share Transfer Committee meetings during the period ended 31st December, 2010 was as follows :

| Name of the Directors | No. of Meetings held | No. of Meetings attended |
|-----------------------|----------------------|--------------------------|
| Dr. Daniele Terruzzi | 3 | 3 |
| Ms. Paola Terruzzi | 3 | 3 |
| Mr. Davide Nassuato | 3 | 2 |

(c) Share Transfers

With a view to servicing the shareholders more expeditiously, the Board has delegated the authority to a Sub-committee of Directors to approve share transfers and transmissions received from Link Intime India Private Ltd., the Company's Registrars and Share Transfer Agents. All share transfers are ratified by the Board. The Sub Committee met 10 times during the last financial year.

There were no applications for share transfer pending as at 31st December, 2010.

(d) Investors Complaints

The Company received some complaints from shareholders during the period as shown below. These complaints were resolved to the satisfaction of the shareholders. The average time taken by the Company to resolve complaints was 15-20 days.

| Nature of Complaint | Complaints received | Complaints redressed | Complaints pending |
|-----------------------------------|---------------------|----------------------|--------------------|
| Non-receipt of share certificates | 2 | 2 | – |
| Non-receipt of Rejected DRF | 1 | 1 | – |
| Total | 3 | 3 | – |

6. Code of Conduct

The Board of Directors of the Company has laid down a Code of Conduct for all its members and senior management personnel, who have affirmed their compliance therewith.

| To the Shareholders of Vulcan Engineers Limited | |
|--|--|
| Sub : Compliance with Code of Conduct | |
| <p>In accordance with Clause 49(1)(D) of the Listing Agreement, I, Mr. Davide Nassuato, Managing Director of Vulcan Engineers Limited, hereby confirm that all the members of the Board of Directors and Senior Management Personnel of the Company have affirmed their compliance with the code of conduct of the Company in respect of the financial period commencing from 1st April, 2010 and ending on 31st December, 2010.</p> | |
| <p>Dated : 5th May, 2011 Place : Mumbai</p> | <p>Davide Nassuato Managing Director</p> |

7. Steps for Prevention of Insider Trading Practices

In compliance with the SEBI (Prevention of Insider Trading) Regulations as amended in 2008, the Company has issued a comprehensive set of guidelines after incorporating the amendments prescribed by SEBI, advising and cautioning management staff and other relevant business associates on the procedure to be followed while dealing in equity shares of the Company and disclosure requirements in this regard. The Company believes that 'The Code of Internal Procedure and Conduct' and 'The Code of Corporate Disclosure Policies' that it has framed in this regard will help in ensuring compliance with the amended SEBI regulations.

8. General Body Meetings

a) Date, time and location of last three Annual General Meetings and the Special Resolutions passed thereat:

| Financial Year | Date | Time | Venue | Special Resolution passed |
|----------------|-----------|------------|---|--|
| 2007-2008 | 12/9/2008 | 11.00 a.m. | 'Sunville' 9, Dr. Annie Besant Road, Worli, Mumbai 400 018. | No special resolution passed |
| 2008-2009 | 30/9/2009 | 11.00 a.m. | 'Sunville' 9, Dr. Annie Besant Road, Worli, Mumbai 400 018. | Increase of remuneration to Mr. Suvir Malaney, from Rs. 1,00,000 p.m. to Rs. 2,50,000 p.m. |
| 2009-2010 | 28/9/2010 | 11.30 a.m. | 'Sunville' 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018. | Appointment of Mr. Davide Nassuato as Managing Director of the Company subject to approval of the shareholders and the Central Government for a period of 3 years with effect from 1 st April, 2010 without remuneration. |

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b) Date, time and location of last three years Extra-Ordinary General Meetings and the Special Resolutions passed thereat:

| Financial Year | Date | Time | Venue | Special Resolution passed |
|----------------|------------|------------|---|--|
| 2007-2008 | NA | NA | NA | NA |
| 2008-2009 | NA | NA | NA | NA |
| 2009-2010 | 11/11/2009 | 11.00 a.m. | 'Sunville' 9, Dr. Annie Besant Road, Worli, Mumbai 400 018. | Issue and allotment of 33,50,000 equity shares of the Company having face value of Rs. 10 each at a price of Rs. 11.50 per equity share on preferential basis to Terruzzi Fercalx SpA, |

c) Postal Ballot resolutions passed during the financial period ended 31st December, 2010 :

During the period, pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, two ordinary resolutions under Sections 293(1)(a) and 293(1)(d) of the Companies Act, 1956 were passed by shareholders by postal ballot. The Notice of postal ballot was mailed to all shareholders along with postage prepaid envelopes. Mr. Amit Dadheech, Practising Company Secretary was appointed as scrutinizer for the postal ballots. Subsequently, based on the Scrutinizer's report the said resolutions were declared as passed on 16th December, 2010 with over 90% of the votes in favour of both the resolutions.

d) No special resolution is proposed to be conducted through postal ballot in the current period.

9. Disclosures

• Related party disclosures

i) Related party relationship :

| | |
|-----------------|-----------------------|
| Holding Company | Terruzzi Fercalx SpA. |
|-----------------|-----------------------|

Notes:

- 1) The related party relationships have been determined by the management on the basis of the requirements of the Accounting Standard (AS) - 18 "Related Party Disclosures."
- 2) The relationships, as mentioned above, pertain to those related parties with whom transactions have taken place during the period, except where control exists.

ii) Transactions with related parties :

| Particulars | Terruzzi Fercalx SpA |
|---|---|
| | Current period 01 Apr - 31 Dec 2010 Rs. |
| Sale of goods | 93,234,399 |
| Engineering and service charges income | 14,164,960 |
| Payment made on behalf of the Company | 10,872,161 |
| Expenses incurred on behalf of the Company reimbursed | — |
| Expenses incurred by the Company and recovered | 2,350,600 |
| Balance at the period / year end | As at 31st December, 2010 Rs. |
| Payable | 34,618,350 |
| Receivable | 104,121,456 |

• Auditors Comments

In preparation of financial statements, treatment different from that prescribed in Accounting Standard was followed for determining the cost of work-in-progress, which is based on estimate made by the management. In view of the nature of activity of the Company, it is not considered feasible / practical by the management to compute cost of work-in-progress in accordance with the Accounting Standard (AS)-2 'Valuation of Inventories'. The impact on profit for the period, if any, due to above deviation is not ascertainable.

• Details of non-compliance, penalties and strictures imposed

There have neither been any instances of non-compliance nor any penalty or stricture imposed on the Company by the Bombay Stock Exchange or Securities and Exchange Board of India or by any other statutory authority on any matter related to capital markets during the last three years.

- **Whistle Blower Policy**

While the Company has not formally established a Whistle Blower Policy as a mechanism for its employees to report to the Management about any violation of the Company's code of conduct or business principles or unethical behaviour, the employees are free to access the Management or the Audit Committee to report such instances.

- **Compliance with mandatory requirements**

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement as presently applicable. Details of non-mandatory provisions to the extent complied with have been disclosed in this report.

10. Means of Communication

Quarterly and annual financial results are submitted to Bombay Stock Exchange Ltd. immediately on approval by the Board. The financial results are generally published in one English and one local vernacular language newspapers having appropriate circulation as required under the Listing Agreement.

11. General Shareholder Information

(a) Annual General Meeting

Date : 24th June, 2011
 Time : 11.30 a.m.
 Venue : 'Sunville', Executive Room, 9, Dr. Annie Besant Road Worli, Mumbai 400 018.

(b) Financial Year

At the Board Meeting held on 28th May, 2010, the financial year has been changed from 1st April - 31st March to 1st January - 31st December. The current financial year was for nine months from 1st April, 2010 to 31st December, 2010.

(c) Date of book closure

16th June, 2011 to 24th June, 2011 (both days inclusive)

(d) Dividend payment date

Dividend not declared

(e) Financial Calendar (Tentative)

| Event | Due Date |
|--|---|
| Financial Reporting for the Quarter ending 31 st March, 2011 | By 15 th May, 2011. |
| 30 th June, 2011 | By 15 th August, 2011. |
| 30 th September, 2011 | By 15 th November, 2011. |
| 31 st December, 2011 | By 15 th February, 2012 or 28 th February, 2012 if audited results are published. |

(f) Listing on Stock Exchange

The Company's shares are listed on Bombay Stock Exchange Limited, Mumbai. Listing fees to the Bombay Stock Exchange Limited, Mumbai has been paid for the the financial period ended 31st December, 2010.

(g) Stock Code & ISIN

Stock Code : 522080
 ISIN : INE699C01017 with NSDL and CDSL

(h) Market Price Data

Monthly high and low quotations as well as the volume of shares traded on the Bombay Stock Exchange Limited and the Sensex during 2010 were:

| Month | Share Price on BSE | | BSE Sensex | |
|----------------|--------------------|---------|------------|-----------|
| | High Rs. | Low Rs. | High | Low |
| April 2010 | 43.20 | 27.20 | 18,047.86 | 17,276.80 |
| May 2010 | 37.45 | 30.00 | 17,536.86 | 15,960.15 |
| June 2010 | 45.45 | 30.75 | 17,919.62 | 16,318.39 |
| July 2010 | 55.00 | 41.30 | 18,237.56 | 17,395.58 |
| August 2010 | 47.90 | 35.40 | 18,475.27 | 17,819.99 |
| September 2010 | 59.50 | 36.50 | 20,267.98 | 18,027.12 |
| October 2010 | 66.00 | 49.10 | 20,854.55 | 19,768.96 |
| November 2010 | 58.50 | 42.05 | 21,108.64 | 18,954.82 |
| December 2010 | 54.70 | 39.10 | 20,552.03 | 19,074.57 |

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(i) Registrar and Share Transfer Agents

Link Intime India Private Limited are the Registrar and Share Transfer Agents for shares held in physical and electronic mode. Their contact details are:

C-13, Pannalal Silk Mills Compound, L.B.S. Marg, OR 203 Daver House, 197/199 D.N. Road,
Bhandup (West), Mumbai 400 078. Mumbai 400 001.

In addition, shareholders can directly contact the following person at Link Intime India Private Limited.

| Name | Telephone No. | Fax No. | Email ID |
|-----------------------|----------------|----------------|-------------------------|
| Mrs. Maheshwari Patil | (022) 25946970 | (022) 25946969 | mumbai@linkintime.co.in |

(j) Share Transfer Procedure

Shareholders are advised to contact Link Intime India Private Limited directly. Every effort is made to clear share transfers/transmissions and split/consolidation requests within 15 days. Requests for issue of duplicate share certificates are normally cleared within 25 days provided the documents are clear in all respects.

(k) Distribution of Shareholding as on 31st December, 2010

| No. of Equity Shares held | Folios | | Shares | |
|---------------------------|--------------|-----------------|------------------|-----------------|
| | Nos. | Percentage | Nos. | Percentage |
| Upto 500 | 4,114 | 84.3378 | 901,273 | 11.0046 |
| 501 to 1000 | 441 | 9.0406 | 348,283 | 4.2525 |
| 1001 to 2000 | 170 | 3.4850 | 256,912 | 3.1369 |
| 2001 to 3000 | 52 | 1.0660 | 131,098 | 1.6007 |
| 3001 to 4000 | 31 | 0.6355 | 114,942 | 1.4034 |
| 4001 to 5000 | 19 | 0.3895 | 88,924 | 1.0858 |
| 5001 to 10000 | 27 | 0.5536 | 200,050 | 2.4426 |
| 10001 and above | 24 | 0.4920 | 6,148,518 | 75.0735 |
| Total | 4,878 | 100.0000 | 8,190,000 | 100.0000 |

(l) Shareholding Pattern as on 31st December, 2010

| Category | No. of Shares held | Percentage of Shareholding |
|-------------------------------|--------------------|----------------------------|
| Promoters | 5,480,145 | 66.91 |
| Mutual Funds and UTI | 200 | 0.00 |
| Banks, Financial Institutions | 900 | 0.01 |
| Bodies Corporate | 277,983 | 3.39 |
| Indian Public | 2,267,758 | 27.69 |
| NRI/OBC/Foreign Companies | 30,204 | 0.38 |
| Other (Clearing) | 132,810 | 1.62 |
| Total | 81,90,000 | 100.00 |

(m) Dematerialization of shares

As on 31st December, 2010, 93.54% of the Company's paid up share capital was held in dematerialized form.

(n) Convertible Instruments

As on 31st December, 2010, the Company does not have any outstanding convertible instruments which are likely to have an impact on the equity share capital of the Company.

(o) Plant Location

Vulcan Engineers Ltd.
Plot No. B-21, MIDC Industrial Area, Ahmednagar 414 111 (Maharashtra).

(p) Contact Address

Ms. Bela Thakkar,
Company Secretary & Compliance Officer
Vulcan Engineers Ltd.
326, Unique Industrial Estate, Off Veer Savarkar Marg, Prabhadevi, Mumbai 400 025.
Tel. : (022) 2438 1678/2438 1679
Fax : (022) 2422 5814
Email : cs.vel@vulcanengineers.com

12. CEO / CFO certification

As required by Clause 49 of the Listing Agreement, Mr. Davide Nassuato - Managing Director and Mr. R.G.G. Desai - General Manager-Finance & Corporate Affairs, certification is given elsewhere in the Annual Report.

13. Compliance

The Company has obtained the certificate from its Statutory Auditors regarding compliance with the provisions relating to corporate governance laid down in the Clause 49 of the Listing Agreement. The certificate is annexed to this report.

AUDITORS' CERTIFICATE

To the Members of
Vulcan Engineers Limited

We have examined the compliance of conditions of Corporate Governance by Vulcan Engineers Limited ("the Company") for the period ended on 31st December 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement for the period ended on 31st December, 2010, except that during the period from 1st April, 2010 to 29th July, 2010, the Board did not had 50% independent directors.

We further state that our report 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 SURESH SURANA & ASSOCIATES

Chartered Accountants
Firm Reg. No.: 121750W

(Nirmal Jain)

PARTNER
Membership No. 34709

Place : Mumbai
Dated: 5th May, 2011

47th Annual Report for the period ended 31st December, 2010

To,
The Board of Directors
Vulcan Engineers Limited

Sub : Certificate
(issued in accordance with provisions of Clause 49 of the Listing Agreement)

We, have reviewed the financial statements of the Company for the financial period ended 31st December, 2010 and to the best of my knowledge and belief, we state that:

- (a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current 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 in violation of the Company's code of conduct.
- (c) We, accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
 - (i) Significant changes in internal control during the period.
 - (ii) Significant changes in accounting policies made during the period and that the same have been disclosed suitably in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee.

DAVIDE NASSUATO
MANAGING DIRECTOR

R.G.G. DESAI
GEN. MANAGER-FINANCE
& CORPORATE AFFAIRS

Place : Mumbai
Dated: 5th May, 2011

AUDITORS' REPORT

To,
The Members of
VULCAN ENGINEERS LIMITED

1. We have audited the attached balance sheet of Vulcan Engineers Limited ("the Company") as at 31 December 2010 and also the profit and loss account and cash flow statement of the Company for the period 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 the 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, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 ("the Order") issued by Central Government of India in terms of section 227(4A) of the Companies Act, 1956, on the basis of such checks of the books and records of the Company, as we considered appropriate and according to information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the 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 purposes 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, profit and loss account and 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 cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable *except Accounting Standard (AS)-2 'Valuation of Inventories' for reason mentioned in Note 2 of Schedule '18', impact of which on the profit for the period and inventories and accumulated losses as at 31/12/2010 is not ascertainable;*
 - e) On the basis of written representations received from the directors of the Company as on 31 December 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to our comments in paragraph 4(d) above* and read together with other notes thereon in Schedule '18', give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31 December 2010;
 - b) in the case of the profit and loss account, of the profit for the period ended on that date; and
 - c) in the case of cash flow statement of the cash flows for the period ended on the date.

FOR SURESH SURANA & ASSOCIATES

Chartered Accountants
Firm Reg. No.: 121750W

(Nirmal Jain)
PARTNER
Membership No. 34709

Mumbai, Dated : 28th February, 2011

ANNEXURE TO THE AUDITORS' REPORT

REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all items over a period of three financial years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the period and no material discrepancies between the book records and the physical verification of fixed assets have been noticed.
 - c) During the period, the Company has not disposed off substantial part of its fixed assets.
2. In respect of its inventories:
 - a) In our opinion and according to information and explanations given to us, physical verification of inventory has been conducted by the management at reasonable intervals.
 - b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) According to the information and explanations given to us, the discrepancies noticed on physical verification of inventory as compared to book records were not material and the same have been properly dealt with by the Company in the books of account.
3. The Company has not granted / taken any loans, secured or unsecured to / from companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(b), 4(iii)(c), 4(iii)(d), 4(iii)(f) and 4(iii)(g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.
5.
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in register.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public during the period.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Act in case of the Company.

9. a) According to the information and the explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other statutory dues, with the appropriate authorities, wherever applicable. There are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31 December 2010 for a period of more than six months from the date they became payable.
- b) According to information and explanations given to us, there are no dues on account of income tax / sales tax / wealth tax / service tax / custom duty / excise duty / cess which has not been deposited on account of any dispute.
10. The accumulated losses of the Company at the end of the financial period are not more than fifty percent of its net worth and the Company has not incurred cash losses during the current financial period and in the immediately preceding financial year.
11. According to information and explanations given to us, the Company has not defaulted in repayment of dues to the banks. The Company does not have any borrowing from financial institution and by way of debentures.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. According to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, provision of clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
14. In our opinion and according to information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, provision of clause 4 (xiv) of the Order is not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions during the period.
16. According to information and explanations given to us, the Company has not taken any term loan during the period. As at period end, there are no term loans outstanding.
17. According to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that as at 31 December 2010, no funds raised on short-term basis have been used for long-term investment.
18. During the period, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money by way of public issue during the period.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

FOR SURESH SURANA & ASSOCIATES

Chartered Accountants
Firm Reg. No.: 121750W

(Nirmal Jain)

PARTNER
Membership No. 34709

Place : Mumbai
Dated : 28th February, 2011

47th Annual Report for the period ended 31st December, 2010

BALANCE SHEET AS AT 31 DECEMBER 2010

| | Schedule | As at 31/12/2010 | | As at 31/03/2010 | |
|--|----------|---------------------|-------------------|---------------------|-------------------|
| | | Rs. | Rs. | Rs. | Rs. |
| I. SOURCES OF FUNDS | | | | | |
| 1. Shareholders' funds | | | | | |
| a) Share capital | 1 | 81,900,000 | | 81,900,000 | |
| b) Reserves and surplus | 2 | <u>5,536,061</u> | | <u>5,549,803</u> | |
| | | | 87,436,061 | | 87,449,803 |
| 2. Loan funds | | | | | |
| Unsecured loans | 3 | | – | | 1,883,712 |
| Total funds employed | | | <u>87,436,061</u> | | <u>89,333,515</u> |
| II. APPLICATION OF FUNDS | | | | | |
| 1. Fixed assets | 4 | | | | |
| a) Gross block | | 14,836,112 | | 11,867,028 | |
| b) Less : Depreciation | | <u>6,998,889</u> | | <u>6,184,486</u> | |
| c) Net block | | | 7,837,223 | | 5,682,542 |
| 2. Deferred tax assets (net) | | | 11,737,776 | | 13,445,815 |
| 3. Current assets, loans and advances | | | | | |
| a) Inventories | 5 | 2,882,400 | | 6,126,560 | |
| b) Sundry debtors | 6 | 108,873,498 | | 87,991,332 | |
| c) Cash and bank balances | 7 | 29,018,684 | | 37,550,565 | |
| d) Other current assets | 8 | 793,046 | | 453,284 | |
| e) Loans and advances | 9 | 18,100,315 | | 10,567,252 | |
| Total 'A' | | <u>159,667,943</u> | | <u>142,688,993</u> | |
| Less: | | | | | |
| Current liabilities and provisions | | | | | |
| a) Current liabilities | 10 | 97,488,743 | | 79,915,501 | |
| b) Provisions | 11 | <u>4,327,665</u> | | <u>2,477,970</u> | |
| Total 'B' | | <u>101,816,408</u> | | <u>82,393,471</u> | |
| Net current assets (A-B) | | | 57,851,535 | | 60,295,522 |
| 4. Profit and loss account (debit balance) | | | 10,009,527 | | 9,909,636 |
| Total funds utilised | | | <u>87,436,061</u> | | <u>89,333,515</u> |
| Accounting policies and notes forming part of accounts | 18 | | | | |

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants
Firm Reg. No. 121750W

(Nirmal Jain)
PARTNER
Membership No. 34709

Mumbai, Dated : 28th February, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

DANIELE TERRUZZI Director

PAOLA TERRUZZI Director

DAVIDE NASSUATO Managing Director

BELA THAKKAR Company Secretary

Mumbai, Dated : 28th February, 2011

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2010

| | Schedule | Current Period ended on 31/12/2010 | | Previous Year ended on 31/03/2010 | |
|--|----------|---------------------------------------|----------------------------|--------------------------------------|---------------------|
| | | Rs. | Rs. | Rs. | Rs. |
| I. INCOME | | | | | |
| Sales and income from operations | 12 | 126,228,176 | | 199,960,545 | |
| Other income | 13 | 4,534,925 | | 2,534,826 | |
| Increase/(Decrease) in stocks | 14 | <u>(3,244,160)</u> | | <u>(1,097,120)</u> | |
| | | | 127,518,941 | | 201,398,251 |
| II. EXPENDITURE | | | | | |
| Cost of materials and components | 15 | 69,651,323 | | 111,200,118 | |
| Engineering and labour charges | | 13,351,538 | | 12,474,258 | |
| Employees' remuneration and benefits | 16 | 28,691,892 | | 29,465,327 | |
| Other expenses | 17 | 13,299,281 | | 16,816,881 | |
| Interest (includes interest on fixed loan Rs. Nil; previous year Rs. 8,056) | | 116,098 | | 1,340,663 | |
| Depreciation (Net of transfer from revaluation reserve Rs. 13,742; previous year Rs. 18,240) | | <u>800,661</u> | | <u>757,267</u> | |
| | | | 125,910,793 | | 172,054,514 |
| III. PROFIT / (LOSS) | | | | | |
| Profit before taxation | | | 1,608,148 | | 29,343,737 |
| Provision for taxation: | | | | | |
| – Current tax (MAT) | | | – | (4,985,000) | |
| – Deferred tax (expenses) / benefits | | | <u>(1,708,039)</u> | <u>(8,280,462)</u> | |
| | | | (1,708,039) | | (13,265,462) |
| Profit / (loss) after taxation | | | (99,891) | | 16,078,275 |
| Prior years' income / (expenditure) | | | – | (35,230) | |
| Deficit from previous year | | | (9,909,636) | (25,952,681) | |
| Balance carried to balance sheet | | | <u>(10,009,527)</u> | <u>(9,909,636)</u> | |
| Basic and diluted earnings / (loss) per share | | | (0.01) | | 2.68 |
| Nominal value of equity shares | | | 10.00 | | 10.00 |
| Accounting policies and notes forming part of accounts | 18 | | | | |

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants
Firm Reg. No. 121750W
(Nirmal Jain)
PARTNER
Membership No. 34709

 Mumbai, Dated : 28th February, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
DANIELE TERRUZZI Director

PAOLA TERRUZZI Director

DAVIDE NASSUATO Managing Director

BELA THAKKAR Company Secretary

 Mumbai, Dated : 28th February, 2011

47th Annual Report for the period ended 31st December, 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2010

| | Current Period ended on 31/12/2010 | | Previous Year ended on 31/03/2010 | |
|--|---------------------------------------|--------------------|--------------------------------------|---------------------|
| | Rs. | Rs. | Rs. | Rs. |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net profit/(loss) before tax | | 1,608,148 | | 29,343,737 |
| ADJUSTMENTS FOR : | | | | |
| Depreciation | 800,661 | | 757,267 | |
| Interest expenses | 116,098 | | 1,340,663 | |
| Prior year (expenditure) / income | — | | (35,230) | |
| Fixed assets written off | — | | 31,675 | |
| Exchange rate difference (net) | (532,206) | | (170,620) | |
| Provision for doubtful debts | 140,859 | | 316,827 | |
| Interest income | (924,582) | | (569,537) | |
| | | <u>(399,170)</u> | | <u>1,671,045</u> |
| Operating profit / (loss) before working capital changes | | 1,208,978 | | 31,014,782 |
| ADJUSTMENTS FOR WORKING CAPITAL CHANGES : | | | | |
| Trade and other receivables | (22,951,306) | | (56,832,346) | |
| Inventories | 3,244,160 | | 1,294,757 | |
| Trade payables and other liabilities | 19,694,642 | | 31,245,566 | |
| | | <u>(12,504)</u> | | <u>(24,292,023)</u> |
| Cash flow from operations | | 1,196,474 | | 6,722,759 |
| Taxes paid | | (5,344,281) | | (1,783,480) |
| Net cash flow from / (used in) operating activities | | (4,147,807) | | 4,939,279 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | | | |
| Purchase of fixed assets | | (2,969,084) | | (2,176,708) |
| Net cash flow from / (used in) investing activities | | (2,969,084) | | (2,176,708) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Proceeds from issue of equity shares | | — | | 38,525,000 |
| Borrowings / (Repayments) (Net) | | (1,250,000) | | (6,499,525) |
| Interest received | | 584,820 | | 116,253 |
| Interest paid | | (749,810) | | (1,458,662) |
| Net cash flow from / (used in) financing activities | | (1,414,990) | | 30,683,066 |
| Net increase / (decrease) in cash and cash equivalent (A+B+C) | | (8,531,881) | | 33,445,637 |
| Cash and cash equivalents - opening balance | | 37,550,565 | | 4,104,928 |
| Cash and cash equivalents - closing balance * | | 29,018,684 | | 37,550,565 |
| Net increase / (decrease) in cash and cash equivalent | | (8,531,881) | | 33,445,637 |
| * Cash and cash equivalents - closing balance | | | | |
| Cash in hand | | 192,710 | | 75,263 |
| Cheque in hand | | — | | 5,000 |
| Bank balance with scheduled bank | | | | |
| In current accounts | | 12,974,030 | | 5,955,995 |
| In fixed deposit account (pledged with bank) | | 15,851,944 | | 31,514,307 |
| Rs. 15,851,944; previous year Rs. 16,691,000) | | | | |
| | | <u>29,018,684</u> | | <u>37,550,565</u> |

Accounting policies and notes forming part of accounts are given in Schedule '18'

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants
Firm Reg. No. 121750W

(Nirmal Jain)
PARTNER
Membership No. 34709

Mumbai, Dated : 28th February, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

DANIELE TERRUZZI Director

PAOLA TERRUZZI Director

DAVIDE NASSUATO Managing Director

BELA THAKKAR Company Secretary

Mumbai, Dated : 28th February, 2011

SCHEDULE TO THE ACCOUNTS

| | As at 31/12/2010 | | As at 31/03/2010 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 1 : SHARE CAPITAL | | | | |
| Authorised : | | | | |
| 11,000,000 Equity shares of Rs. 10/- each | | <u>110,000,000</u> | | <u>110,000,000</u> |
| Issued and subscribed : | | | | |
| 8,190,000 Equity shares of Rs. 10/- each fully paid (including 3,870,000 shares allotted as fully paid bonus shares by way of capitalisation of general reserve, share premium account and other free reserves) | | <u>81,900,000</u> | | <u>81,900,000</u> |
| (Of the above 5,480,145 Equity shares are held by Terruzzi Fercalx SpA, the holding company.) | | | | |
| | | <u>81,900,000</u> | | <u>81,900,000</u> |
| SCHEDULE 2 : RESERVES AND SURPLUS | | | | |
| Securities Premium Account | | | | |
| Opening balance | 5,025,000 | | – | |
| Add : Received during the year | – | | <u>5,025,000</u> | |
| | | <u>5,025,000</u> | | <u>5,025,000</u> |
| Revaluation reserve: | | | | |
| Opening balance | 524,803 | | 543,043 | |
| Less : Amount transferred to profit and loss account: for depreciation on account of increase in the value of fixed assets due to revaluation | <u>13,742</u> | | <u>18,240</u> | |
| | | <u>511,061</u> | | <u>524,803</u> |
| | | <u>5,536,061</u> | | <u>5,549,803</u> |
| SCHEDULE 3 : UNSECURED LOANS | | | | |
| From bodies corporate (short-term) | | – | | 1,250,000 |
| Interest accrued and due | | – | | 633,712 |
| | | – | | <u>1,883,712</u> |

SCHEDULE TO THE ACCOUNTS (Contd.)

SCHEDULE 4 : FIXED ASSETS

| Sr. No. | Description of Assets | GROSS BLOCK (As revalued or at cost) | | | DEPRECIATION | | | NET BLOCK | | | |
|---------------|--|--------------------------------------|------------------|-------------------|-------------------------|------------------------|-----------------------|-------------------|------------------------|-------------------------|-------------------------|
| | | As at 01/04/2010 Rs. | Additions Rs. | Deductions Rs. | As at 31/12/2010 Rs. | Upto 31/03/2010 Rs. | For the period Rs. | Deductions Rs. | Upto 31/12/2010 Rs. | As at 31/12/2010 Rs. | As at 31/03/2010 Rs. |
| 1] | Leasehold land | 630,000 | - | - | 630,000 | 163,810 | 5,665 | - | 169,475 | 460,525 | 466,190 |
| 2] | Factory building | 1,657,381 | - | - | 1,657,381 | 1,113,322 | 41,707 | - | 1,155,029 | 502,352 | 544,059 |
| 3] | Sheds / Portable units | 418,794 | - | - | 418,794 | 7,155 | 25,242 | - | 32,397 | 386,397 | 411,639 |
| 4] | Plant and machinery | 393,892 | 889,993 | - | 1,283,885 | 109,593 | 13,443 | - | 123,036 | 1,160,849 | 284,299 |
| 5] | Furniture and fixtures | 1,741,233 | 28,600 | - | 1,769,833 | 1,049,833 | 97,064 | - | 1,146,897 | 622,936 | 691,400 |
| 6] | Office equipments | 1,113,449 | 10,750 | - | 1,124,199 | 556,157 | 39,695 | - | 595,852 | 528,347 | 557,292 |
| 7] | Air-conditioners, coolers, refrigerators and washing machine | 903,002 | - | - | 903,002 | 517,400 | 32,013 | - | 549,413 | 353,589 | 385,602 |
| 8] | Vehicles | 1,361,085 | - | - | 1,361,085 | 495,391 | 93,896 | - | 589,287 | 771,798 | 865,694 |
| 9] | Computers (including computer software) | 2,799,205 | 1,963,061 | - | 4,762,266 | 1,380,026 | 396,269 | - | 1,776,295 | 2,985,971 | 1,419,179 |
| 10] | Tools and patterns | 848,987 | 76,680 | - | 925,667 | 791,799 | 69,409 | - | 861,208 | 64,459 | 57,188 |
| TOTAL | | 11,867,028 | 2,969,084 | - | 14,836,112 | 6,184,486 | 814,403 | - | 6,998,889 | 7,837,223 | 5,682,542 |
| PREVIOUS YEAR | | 9,793,236 | 2,176,708 | 102,916 | 11,867,028 | 5,480,220 | 775,507 | 71,241 | 6,184,486 | 5,682,542 | |

Notes : 1. Vehicle purchased in earlier years for Rs. 270,000 is yet to be transferred in the name of the Company.
2. Leasehold land and Factory building has been provided as collateral security against the bank guarantee taken by the Company.

SCHEDULE TO THE ACCOUNTS (Contd.)

| | As at 31/12/2010 | | As at 31/03/2010 | |
|---|--------------------------|---------------------------|---------------------|-------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 5 : INVENTORIES | | | | |
| (as certified by the management): | | | | |
| Work-in-progress | | 2,882,400 | | 6,126,560 |
| | | <u>2,882,400</u> | | <u>6,126,560</u> |
| SCHEDULE 6 : SUNDRY DEBTORS | | | | |
| (Unsecured) : | | | | |
| Debt outstanding for a period exceeding six months | | | | |
| – Considered good | 48,608,059 | | 44,093,620 | |
| – Considered doubtful | <u>2,818,583</u> | | <u>2,677,724</u> | |
| | | 51,426,642 | | 46,771,344 |
| Others debts considered good | | <u>60,265,439</u> | | <u>43,897,712</u> |
| | | 111,692,081 | | 90,669,056 |
| [Due from holding company Rs. 104,121,456 (as at 31/03/2010 Rs. 88,489,444)] | | | | |
| Less: Provision for doubtful debts. | | <u>2,818,583</u> | | <u>2,677,724</u> |
| | | <u>108,873,498</u> | | <u>87,991,332</u> |
| SCHEDULE 7 : CASH AND BANK BALANCES | | | | |
| Cash on hand | | 192,710 | | 75,263 |
| Cheque in hand | | – | | 5,000 |
| Bank balance with scheduled banks : | | | | |
| In current accounts | 12,974,030 | | 5,955,995 | |
| In fixed deposit accounts (includes pledge with banks Rs.15,851,944; as at 31/03/2010 Rs.16,691,000) | <u>15,851,944</u> | | <u>31,514,307</u> | |
| | | 28,825,974 | | 37,470,302 |
| | | <u>29,018,684</u> | | <u>37,550,565</u> |
| SCHEDULE 8 : OTHER CURRENT ASSETS | | | | |
| Interest accrued on fixed deposits with banks | | 793,046 | | 453,284 |
| | | <u>793,046</u> | | <u>453,284</u> |

47th Annual Report for the period ended 31st December, 2010

SCHEDULE TO THE ACCOUNTS (Contd.)

| | As at 31/12/2010 | | As at 31/03/2010 | |
|--|---------------------|-------------------|---------------------|-------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 9 : LOANS AND ADVANCES | | | | |
| (Unsecured, considered good unless otherwise stated) | | | | |
| Advances recoverable in cash or in kind or for value to be received | | 984,052 | | 1,029,148 |
| Advances to suppliers | | | | |
| – Considered good | 6,086,791 | | 5,758,573 | |
| – Considered doubtful | – | | 30,541 | |
| | <u>6,086,791</u> | | <u>5,789,114</u> | |
| Less : Provision for doubtful advances | – | | <u>30,541</u> | |
| | | 6,086,791 | | 5,758,573 |
| Sundry deposits | | 1,402,743 | | 277,323 |
| Balance with central excise and customs | | 29,239 | | 29,239 |
| Service tax receivable | | 834,095 | | 699,023 |
| VAT Receivable | | 3,097,943 | | 2,452,775 |
| Taxation payments and refund receivable (net of provision Rs. 8,322,924/-; as at 31/03/2010 Rs. 8,322,924/-) | | 5,665,452 | | 321,171 |
| | | <u>18,100,315</u> | | <u>10,567,252</u> |
| SCHEDULE 10 : CURRENT LIABILITIES | | | | |
| Sundry creditors (Refer note 9 of Schedule '18') | | | | |
| Dues to small and micro enterprises | | – | | – |
| Others | 54,506,792 | | 60,272,954 | |
| | | 54,506,792 | | 60,272,954 |
| Advances received from customers [Due to holding company Rs. 23,953,898 (as at 31/03/2010 Rs. 12,959,241)] | | 28,513,191 | | 14,890,831 |
| Due to holding company | | 10,664,452 | | – |
| Other liabilities | | 3,804,308 | | 4,751,716 |
| | | <u>97,488,743</u> | | <u>79,915,501</u> |
| SCHEDULE 11 : PROVISIONS | | | | |
| Provision for leave encashment | | 2,145,584 | | 1,755,317 |
| Provision for gratuity | | 2,182,081 | | 722,653 |
| | | <u>4,327,665</u> | | <u>2,477,970</u> |

SCHEDULE TO THE ACCOUNTS (Contd.)

| | Current Period ended on 31/12/2010 | | Previous Year ended on 31/03/2010 | |
|---|---------------------------------------|--------------------|--------------------------------------|--------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 12 : SALES AND INCOME FROM OPERATIONS | | | | |
| Gross Sales | | 85,242,576 | | 147,860,281 |
| Less : Excise duty | | — | | — |
| Net Sales | | <u>85,242,576</u> | | <u>147,860,281</u> |
| Engineering and service charges | | 40,985,600 | | 52,100,264 |
| | | <u>126,228,176</u> | | <u>199,960,545</u> |
| SCHEDULE 13 : OTHER INCOME | | | | |
| Interest : | | | | |
| On fixed deposits | | 924,582 | | 569,106 |
| (Tax deducted at source Rs. 95,042/-; previous year Rs. 52,960/-) | | | | |
| From others | | — | | 431 |
| Sundry balance / provision written back (net) | | 2,975,398 | | 1,141,209 |
| Exchange rate difference (net) | | 608,254 | | 645,597 |
| Miscellaneous income | | 26,691 | | 178,483 |
| | | <u>4,534,925</u> | | <u>2,534,826</u> |
| SCHEDULE 14 : INCREASE / (DECREASE) IN STOCKS | | | | |
| Closing Stock : | | | | |
| Work-in-progress | | 2,882,400 | | 6,126,560 |
| Less: Opening Stock | | | | |
| Work-in-progress | | 6,126,560 | | 7,223,680 |
| | | <u>(3,244,160)</u> | | <u>(1,097,120)</u> |
| SCHEDULE 15 : COST OF MATERIALS AND COMPONENTS | | | | |
| Opening stock | | — | | 197,637 |
| Add : Purchases | | 69,651,323 | | 111,002,481 |
| | | <u>69,651,323</u> | | <u>111,200,118</u> |
| Less: Closing stock | | — | | — |
| | | <u>69,651,323</u> | | <u>111,200,118</u> |
| | | <u>69,651,323</u> | | <u>111,200,118</u> |
| SCHEDULE 16 : EMPLOYEES' REMUNERATION AND BENEFITS | | | | |
| Salaries, wages, bonus and allowances | | 25,724,048 | | 28,006,396 |
| Contribution to provident and other funds | | 661,219 | | 711,167 |
| Gratuity | | 1,731,627 | | 214,176 |
| Staff welfare expenses | | 574,998 | | 533,588 |
| | | <u>28,691,892</u> | | <u>29,465,327</u> |

47th Annual Report for the period ended 31st December, 2010

SCHEDULE TO THE ACCOUNTS (Contd.)

| | Current Period ended on 31/12/2010 | | Previous Year ended on 31/03/2010 | |
|---|---------------------------------------|-------------------|--------------------------------------|-------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 17 : OTHER EXPENSES | | | | |
| Rent | | 2,610,400 | | 2,974,813 |
| Rates and taxes | | 72,239 | | 239,463 |
| Electricity and water charges | | 149,167 | | 372,654 |
| Insurance charges | | 918,136 | | 941,376 |
| Repairs and maintenance - others | | 281,660 | | 1,002,474 |
| Security charges | | 333,063 | | 352,857 |
| Legal and professional charges | | 1,676,203 | | 2,166,188 |
| Directors sitting fees | | 215,000 | | 255,000 |
| Auditors remuneration: | | | | |
| Audit fees | 177,859 | | 165,450 | |
| Tax audit fees | — | | 55,150 | |
| VAT audit fees | — | | 38,605 | |
| Taxation matters | 55,978 | | 89,619 | |
| Other matters | 56,806 | | 87,360 | |
| | | 290,643 | | 436,184 |
| Printing and stationery | | 580,580 | | 579,840 |
| Computer hire charges | | 402,925 | | 446,182 |
| Bank charges and commission | | 657,685 | | 1,263,238 |
| Postage and telephone charges | | 1,139,879 | | 1,138,470 |
| Travelling and conveyance expenses | | 3,168,137 | | 3,042,801 |
| Freight and forwarding charges | | 248,873 | | 422,281 |
| Advertisement and business promotion expenses | | 179,762 | | 253,113 |
| Sales tax and service tax expenses | | 4,503 | | 45,362 |
| Bad debts/provision for doubtful debts | | 140,859 | | 316,827 |
| Fixed assets written off | | — | | 31,675 |
| Miscellaneous expenses | | 229,567 | | 536,083 |
| | | 13,299,281 | | 16,816,881 |

SCHEDULE TO THE ACCOUNTS (Contd.)

SCHEDULE '18' : ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1) Significant accounting policies:

a) General :

- i. These accounts are prepared on historical cost basis (except in case of fixed assets which have been revalued as per note 3) and on the accounting principle of going concern basis.
- ii. The Company is maintaining its accounts on accrual basis.

b) Fixed assets and depreciation :

- i. Fixed assets are stated at cost of acquisition (which includes freight, duties, taxes and incidental expenses) or at revalued cost, wherever the assets are revalued.
- ii. Depreciation is charged on straight-line method on pro-rata basis in accordance with the manner and rates specified in Schedule XIV of the Companies Act, 1956. The value of leasehold land is amortised over the period of the lease and sheds and portable units are amortised over a period of 12.5 years.

c) Revenue recognition :

- i. Revenue in respect of sale of goods is recognised when significant risk and rewards of ownership are transferred to the customer.
- ii. In case of divisible contracts, revenue is recognised as the contract activity progresses based on percentage completion method. In other cases, revenue is recognised on accrual basis except in case of significant uncertainties.
- iii. Revenue from services is recognized as per terms of the agreement.

d) Inventories :

- i. Material and components are valued at lower of cost or net realisable value. Cost is ascertained on FIFO basis.
- ii. Work-in-progress is valued at estimated cost on percentage completion method.

e) Foreign currency transactions :

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/translation of monetary assets and liabilities are recognised in the Profit and Loss Account. Non-monetary foreign currency items are carried at cost.

f) Retirement benefits :

- i. Provident fund contributions payable are charged to profit and loss account.
- ii. Liability for accumulated leave is provided on the basis of actuarial valuation as at year-end.
- iii. Liability for gratuity is provided on the basis of actuarial valuation as at the year end and funded with Life Insurance Corporation of India.

g) Lease :

Lease rentals in respect of properties acquired under operating leases are charged off to the profit and loss account as incurred.

h) Provision for taxation :

Provision for taxation comprises of current tax and deferred tax.

Current tax represents tax on Profits for the current year as determined as per the provisions of the Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year are accounted based on tax rates in force and tax laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences, are recognised to the extent there is reasonable / virtual certainty that these would be realized in future and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

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SCHEDULE TO THE ACCOUNTS (Contd.)

i) **Accounting for provisions and contingent liabilities :**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources 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. Where 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.

j) **Impairment of assets :**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2) In respect of the stock of work-in-progress cost is estimated by the management. In view of the nature of activity of the Company, it is not considered feasible / practical by the management to compute cost of work-in-progress using FIFO or weighted average basis. The basis of computing cost used is, to that extent, a deviation from that prescribed by the Accounting Standard (AS)-2 'Valuation of Inventories'. The impact on profit for the period, if any, due to above deviations is not ascertainable.

3) The Company had revalued certain fixed assets as on 15/10/1989 based on the report of an approved valuer. The plant and machinery had been revalued at replacement value and other assets had been revalued at fair market value. The resultant net increase in the book value of the said assets amounting to Rs. 6,012,488 was credited to 'Revaluation Reserve'.

An amount equivalent to depreciation on the amount of net increase in the value of fixed assets is transferred from revaluation reserve to profit and loss account.

4) Contingent liabilities not provided for and commitments as at period/year-end are as follows:

| | As at 31/12/2010 Rs. | As at 31/03/2010 Rs. |
|--|-------------------------------------|-------------------------------------|
| a) Claims against Company not acknowledged as debts. | Nil | 626,091 |
| b) Guarantees given by banker to various customers for performance and other contingencies for which the Company has given counter guarantee to the bank | 16,960,264 | 23,715,993 |

Description of contingent liabilities :

| Sr. No. | Contingent liability | Brief description |
|--------------------|---------------------------------|---|
| 1. | Claims not acknowledged as debt | Notice / legal proceedings against the Company by its suppliers for claims which are not accepted by the Company. The management does not expect the outcome of these to have a material adverse effect on the Company's financial condition. |
| 2. | Guarantees given by the bank | As a part of its operation, the Company has given bank guarantee to its customers. Guarantee generally represents irrevocable assurances that the Company will make payment in the event the Company fails to fulfill its performance or financial obligations. |

SCHEDULE TO THE ACCOUNTS (Contd.)
5) Quantitative Information (As certified by the Management):

- 1) **Licenced capacity** : Not applicable
- 2) **Installed capacity** : Not applicable
- 3) **Materials and Components** : Opening stock, purchases, turnover and closing stock :

| Particulars | Unit | Opening Stock | | Purchases | | Turnover (net of excise duty) | | Closing Stock | |
|----------------------------|-------|---------------|--------------|-----------|---------------|----------------------------------|---------------|---------------|--------------|
| | | Qty. | Value Rs. | Qty. | Value Rs. | Qty. | Value Rs. | Qty. | Value Rs. |
| a) Combustion equipments | Nos. | - | - | 97 | 4,706,301 | 97 | 9,799,925 | - | - |
| | | (3) | (45,281) | (212) | (13,365,027) | (215) | (27,446,230) | (-) | (-) |
| | Sets | - | - | - | - | - | - | - | - |
| | | (-) | (-) | (7) | (522,368) | (7) | (1,190,440) | (-) | (-) |
| | Lots | - | - | - | - | - | - | - | - |
| | | (-) | (-) | (11) | (595,000) | (11) | (713,515) | (-) | (-) |
| b) Electrical equipments | Nos. | - | - | 347 | 1,652,302 | 347 | 2,078,573 | - | - |
| | | (-) | (-) | (93) | (11,837,350) | (93) | (16,321,537) | (-) | (-) |
| | Sets | - | - | 5 | 11,566,000 | 5 | 13,949,305 | - | - |
| | | (-) | (-) | (11) | (28,109,287) | (11) | (34,567,000) | (-) | (-) |
| | Lots | - | - | 2 | 1,300,000 | 2 | 1,375,000 | - | - |
| | | (-) | (-) | (8) | (7,361,130) | (8) | (9,916,202) | (-) | (-) |
| | Mtr. | - | - | 97,370 | 7,439,075 | 97,370 | 8,650,229 | - | - |
| | | (-) | (-) | (53,151) | (17,356,051) | (53,151) | (18,037,083) | (-) | (-) |
| c) Instrumentation | Nos. | - | - | 124 | 784,500 | 124 | 677,637 | - | - |
| | | (-) | (-) | (15) | (3,468,373) | (15) | (2,174,850) | (-) | (-) |
| | Sets | - | - | - | - | - | - | - | - |
| | | (-) | (-) | (4) | (750,000) | (4) | (464,000) | (-) | (-) |
| | Lots | - | - | - | - | - | - | - | - |
| | | (-) | (-) | (5) | (495,000) | (5) | (535,678) | (-) | (-) |
| d) Mechanical equipments | Nos. | - | - | 2,139 | 6,783,904 | 2,139 | 6,739,184 | - | - |
| | | (-) | (-) | (25) | (10,280,669) | (25) | (12,016,400) | (-) | (-) |
| | Sets | - | - | 11 | 4,623,856 | 11 | 5,762,220 | - | - |
| | | (-) | (-) | (3) | (5,700,000) | (3) | (12,042,000) | (-) | (-) |
| | Lots | - | - | 20 | 3,243,663 | 20 | 4,985,417 | - | - |
| | | (-) | (-) | (15) | (4,081,000) | (15) | (4,027,092) | (-) | (-) |
| e) Mechanical spares | Nos. | - | - | - | - | - | - | - | - |
| | | (15) | (152,356) | (3) | (120,650) | (18) | (644,000) | (-) | (-) |
| | Sets | - | - | - | - | - | - | - | - |
| | | (-) | (-) | (3) | (25,000) | (3) | (29,980) | (-) | (-) |
| f) Rollers | Nos. | - | - | 157 | 1,540,630 | 157 | 2,281,690 | - | - |
| | | (-) | (-) | (6) | (220,809) | (6) | (380,400) | (-) | (-) |
| g) Refractory & Insulation | Nos. | - | - | 967 | 202,083 | 967 | 311,707 | - | - |
| | | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| | Mtrs. | - | - | 835 | 372,875 | 835 | 831,450 | - | - |
| | | (-) | (-) | (-) | (-) | (-) | (-) | (-) | |
| | MT. | - | - | 351 | 12,333,505 | 351 | 12,867,534 | - | - |
| | | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| h) Others | Nos. | - | - | 2,999 | 10,363,629 | 2,999 | 10,083,846 | - | - |
| | | (-) | (-) | (6) | (600,000) | (6) | (372,000) | (-) | (-) |
| | Sets | - | - | 2 | 250,000 | 2 | 239,683 | - | - |
| | | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| | Lots | - | - | 5 | 691,750 | 5 | 867,200 | - | - |
| | | (-) | (-) | (22) | (6,114,767) | (22) | (6,981,874) | (-) | (-) |
| | Mtrs | - | - | 1,610 | 1,797,250 | 1,610 | 3,741,976 | - | - |
| | | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| TOTAL | | | - | | 69,651,323 | | 85,242,576 | | - |
| | | | (197,637) | | (111,002,481) | | (147,860,281) | | (-) |

Note : Figures in brackets are corresponding figures for previous year.

47th Annual Report for the period ended 31st December, 2010

SCHEDULE TO THE ACCOUNTS (Contd.)

| | Current Period ended 31/12/2010 Rs. | Previous Year ended 31/03/2010 Rs. |
|--|--|---|
| 6) C.I.F. value of imports : | | |
| Material and components | 12,333,505 | Nil |
| 7) Expenditure in foreign currency (Remittance basis): | | |
| Foreign travel expenses | 224,357 | 353,121 |
| Web hosting expenses | 10,278 | 16,133 |
| Bank charges | 9,769 | 13,942 |
| 8) Earnings in foreign currency : | | |
| FOB value of goods exported | 10,576,636 | 21,189,810 |
| Engineering charges (service exports) | 3,124,480 | 1,710,412 |
| 9) The Company has not received any information from its suppliers regarding their registration under the 'Micro, Small and Medium Enterprises Development Act, 2006'. Hence interest if any, payable as required under the Act has not been provided and the information required to be disclosed is not ascertainable and hence not disclosed. | | |
| 10) Defined Benefit Plans - As per Actuarial Valuations as on 31 December 2010 and recognized in the financial statements in respect of Employee Benefit Schemes: | | |

| | | Gratuity (funded) | |
|-----------|---|-------------------------------------|------------------------|
| | | 01 Apr - 31 Dec 2010 Rs. | 2009-10 Rs. |
| I | Components of employer expense recognized in the statement of profit and loss account: | | |
| | 1 Current service cost | 224,070 | 344,321 |
| | 2 Interest on defined benefit | 118,539 | 137,267 |
| | 3 Expected return on plan assets | (72,159) | (71,380) |
| | 4 Past service cost | 1,004,602 | – |
| | 5 Actuarial losses / (gains) | 456,575 | (196,032) |
| | 6 Total expense recognised in the statement of profit and loss account | 1,731,627 | 214,176 |
| II | Actual returns for the period/year ended | 73,116 | 74,879 |

SCHEDULE TO THE ACCOUNTS (Contd.)

| | | Gratuity (funded) | |
|------------|---|--------------------------------|----------------|
| | | 01 Apr - 31 Dec 2010 Rs. | 2009-10 Rs. |
| III | Net asset / (liability) recognised in Balance Sheet as at period/year end | | |
| | 1 Present value of defined benefit obligation | (3,704,916) | (1,900,173) |
| | 2 Fair value on plan assets | 1,522,835 | 1,177,520 |
| | 3 Status [surplus/(deficit)] | (2,182,081) | (722,653) |
| | 4 Unrecognised past service cost | — | — |
| | 5 Net asset / (liability) recognised in Balance Sheet | (2,182,081) | (722,653) |
| IV | Change in defined benefit obligations (DBO) during the period/year ended | | |
| | 1 Present value of DBO at the beginning of period | 1,900,173 | 1,611,118 |
| | 2 Current service cost | 224,070 | 344,321 |
| | 3 Interest cost | 118,539 | 137,267 |
| | 4 Actuarial (gains) / losses | 457,532 | (192,533) |
| | 5 Past service cost | 1,004,602 | — |
| | 6 Benefits paid | — | — |
| | 7 Present value of DBO at the end of the period | 3,704,916 | 1,900,173 |
| V | Change in fair value of assets during the period/year ended | | |
| | 1 Plan assets at the beginning of the year | 1,177,520 | 639,588 |
| | 2 Expected return on plan assets | 72,159 | 71,380 |
| | 3 Actuarial gains / (losses) | 957 | 3,499 |
| | 4 Contribution paid | 272,199 | 463,053 |
| | 5 Benefits paid | — | — |
| | 6 Plan assets at the year end | 1,522,835 | 1,177,520 |
| VI | Actuarial assumptions | | |
| | 1 Discount rate (%) | 8.20% | 8.30% |
| | 2 Expected return on plan assets (%) | 7.50% | 7.50% |
| | 3 Rate of increase in compensation level (%) | 10.00% | 10.00% |
| | 4 Retirement Age (Year) | 60 | 60 |
| | 5 Mortality table (L.I.C) | 1994-1996 | 1994-1996 |
| VII | Major Category of Plan Assets as a % of the total plan assets as at year end | | |
| | 1 Government Securities / Special Deposit with RBI | — | — |
| | 2 High Quality Corporate Bonds | — | — |
| | 3 Insurance Companies | 100% | 100% |
| | 4 Mutual Funds | — | — |
| | 5 Cash and Cash Equivalents | — | — |

11) Segment reporting :

The Company has one business segment viz. engineering goods & services, which is being considered as the primary segment. Disclosures as to the secondary segment, i.e. 'Geographical Segments' are given below:

| | Outside India Rs. | Within India Rs. | Total Rs. |
|--|----------------------------|------------------------------|------------------------------|
| 1. Segment revenue | | | |
| Sales (gross) and income from operations | 13,612,959 (22,500,622) | 112,615,217 (177,459,923) | 126,228,176 (199,960,545) |
| 2. Carrying amount of assets by geographical location of assets | | | |
| Segment assets | 4,903,057 (2,709,516) | 156,936,657 (145,340,848) | 161,839,714 (148,050,364) |
| 3. Additions to fixed and intangible assets | | | |
| Addition to fixed assets | — (—) | 2,969,084 (2,176,708) | 2,969,084 (2,176,708) |

47th Annual Report for the period ended 31st December, 2010

SCHEDULE TO THE ACCOUNTS (Contd.)

Notes:

- 1) Secondary segments are identified as per the requirements of Accounting Standard (AS)-17 'Segment Reporting' taking into account the organisation structure as well as the differing risks and returns.
- 2) The segment revenue and assets include revenue and assets, which are identifiable with each segment and amount allocated to the segments as a reasonable basis.
- 3) Figures in brackets represent previous year amount.

12) **Related party disclosures:**

I) **Related party relationship:**

| | |
|-----------------|-----------------------|
| Holding Company | Terruzzi Fercalx SPA. |
|-----------------|-----------------------|

Notes:

- 1) The related party relationships have been determined by the management on the basis of the requirements of the Accounting Standard (AS) - 18 "Related Party Disclosures" and the same have been relied upon by the Auditors.
- 2) The relationships, as mentioned above, pertain to those related parties with whom transactions have taken place during the period, except where control exists.

II) **Transactions with related parties:**

| Particulars | Terruzzi Fercalx SpA. | |
|---|---|-------------------------------------|
| | Current Period 01 Apr - 31 Dec 2010 Rs. | Previous Year 2009-10 Rs. |
| Sale of goods | 93,234,399 | 72,921,535 |
| Engineering and service charges income | 14,164,960 | 8,824,000 |
| Payment made on behalf of the Company | 10,872,161 | — |
| Expense incurred on behalf of the Company reimbursed. | — | 624,504 |
| Expense incurred by the Company and recovered. | 2,350,600 | 125,100 |
| | As at 31/12/2010 Rs. | As at 31/03/2010 Rs. |
| Balances at the year end: | | |
| Payable | 34,618,350 | 12,959,241 |
| Receivable | 104,121,456 | 88,489,444 |

13) **Leases:**

The Company has taken various office premises and residential flats under operating lease that are renewable on a periodic basis at the option of both the lessor and lessee. The period of lease ranges from 11 months to 36 months and are cancelable in nature, except agreement in respect of office premises which have a lock in period of 12 months to 24 months. The future minimum Lease payments as per the operating lease under non-cancellable lease terms are as follows:

| Particulars | As at 31/12/2010 Rs. | As at 31/03/2010 Rs. |
|---|----------------------------|----------------------------|
| Not later than one year; | 583,450 | 456,000 |
| Later than one year and not later than five years | Nil | 304,000 |
| Later than five years | Nil | Nil |

The amount of minimum lease payments with respect to the above lease recognized in the profit and loss account for the year is Rs. 2,010,030 (2009-10 Rs. 152,000/-).

SCHEDULE TO THE ACCOUNTS (Contd.)

- 14) Deferred tax assets arising on account of timing difference Rs. 11,737,776 (as at 31 March 2010 Rs. 13,445,815) have been determined in accordance with Accounting Standard (AS)-22 "Accounting for Taxes on Income". Deferred tax assets (net) as at period end has been recognised as the management is of the view that based on the orders on hand, there will be sufficient taxable income in the future for the deferred tax assets to be realized. Major components of deferred tax assets and liabilities, arising on account of timing differences are as under:

| Particulars | As at 31/12/2010 Rs. | As at 31/03/2010 Rs. |
|--|----------------------------|----------------------------|
| Deferred tax assets on account of: | | |
| Statutory payments under section 43B of the Income-tax Act, 1961 | 1,586,156 | 1,176,155 |
| Business loss | 5,205,613 | 6,662,103 |
| Unabsorbed depreciation | 4,864,798 | 5,351,278 |
| Provision for doubtful debts | 870,942 | 920,539 |
| Total (A) | 12,527,509 | 14,110,075 |
| Deferred tax liability on account of: | | |
| Depreciation | 789,733 | 664,260 |
| Total (B) | 789,733 | 664,260 |
| Deferred tax asset / (liability) [Net]: | [Total A – B] | 11,737,776 |
| | | 13,445,815 |

- 15) **Earnings / (loss) per share:**

| | | Current Period Ended 31/12/2010 | Previous Year Ended 31/03/2010 |
|-------|--|---------------------------------------|--------------------------------------|
| (i) | Net profit / (loss) after tax available for equity share holder (Rs.) | (99,891) | 16,078,275 |
| (ii) | Weighted average number of equity shares outstanding at the period/year end (Nos.) | 8,190,000 | 6,005,616 |
| (iii) | Basic and diluted earning/ (loss) per share (Rs.) | (0.01) | 2.68 |
| (iv) | Nominal value of share (Rs.) | 10.00 | 10.00 |

- 16) There was no impairment loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard AS -28 "Impairment of Assets".

- 17) Details of foreign currency exposures which are not hedged by derivative instruments as at period end are as follows:

| Particulars | Amount in Foreign Currency | | | Aggregate amount in Rs. |
|------------------------|----------------------------|--------------------|--------------------|--------------------------|
| | In Euros | In DM | In USD | |
| Sundry Debtors | 46,556 (5,356) | 22,500 (22,500) | 41,375 (41,375) | 5,178,280 (2,717,297) |
| Advance to suppliers | – (–) | – (–) | 47,321 (52,994) | 2,116,215 (2,383,657) |
| Cash and bank balance | – (220) | – (–) | – (–) | – (13,385) |
| Advance from customer | 259,200 (–) | – (–) | – (1,959) | 15,515,722 (88,109) |
| Sundry Creditors | 9,118 (9,118) | – (–) | – (36,000) | 545,814 (2,174,030) |
| Due to holding company | – (–) | – (–) | 238,472 (–) | 10,664,452 (–) |

Figures in bracket are corresponding figures for the previous year.

47th Annual Report for the period ended 31st December, 2010

SCHEDULE TO THE ACCOUNTS (Contd.)

- 18) The balances in respect of certain debtors, creditors and loans and advances are subject to confirmation reconciliation and consequent adjustments, if any.
- 19) Previous year's figures have been rearranged or regrouped wherever necessary to confirm with the figures of current period. Current period figures are for nine months and as such not comparable with previous year figures.

Signatures to Schedules '1' to '18'

As per our report of even date attached

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants
Firm Reg. No. 121750W

(Nirmal Jain)
PARTNER
Membership No. 34709

Mumbai, Dated : 28th February, 2011

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

MR. DANIELE TERRUZZI Director

MS. PAOLA TERRUZZI Director

MR. DAVIDE NASSUATO Managing Director

MRS. BELA THAKKAR Company Secretary

Mumbai, Dated : 28th February, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per GSR No. 388(E) [F No. 3/24/94-CLV] dated 15/05/1995)

| | | |
|---|---|---|
| I. Registration Details | | |
| Registration No. | : | 12801 State Code : 11 |
| Balance Sheet Date | : | 31/12/2010 |
| II. Capital raised during the year | : | (Amount in Rs. Thousands) |
| Public Issue (Net of allotment money in arrears) | : | Nil |
| Rights Issue | : | Nil |
| Bonus Issue | : | Nil |
| Private Placement | : | Nil |
| Preferential Allotment | : | Nil |
| III. Position of Mobilisation and Deployment of Funds | : | (Amount in Rs. Thousands) |
| Total Liabilities | : | 189,252 |
| Total Assets | : | 189,252 |
| Sources of Funds | | |
| Paid-up Capital | : | 81,900 |
| Reserves & Surplus | : | 5,536 |
| Secured Loans | : | Nil |
| Unsecured Loans | : | Nil |
| Application of Funds | | |
| Net Fixed Assets | : | 7,837 |
| Investments | : | Nil |
| Deferred Tax Assets (net) | : | 11,738 |
| Net Current Assets | : | 57,851 |
| Miscellaneous Expenditure | : | Nil |
| Accumulated Losses | : | 10,010 |
| IV. Performance of Company | : | (Amount in Rs. Thousands) |
| Turnover | : | 130,763 |
| Total Expenditure | : | 129,155 |
| (Net of increase/decrease in stocks) | | |
| Profit / (loss) before tax | : | 1,608 |
| Profit / (loss) after tax | : | (100) |
| Earning / (loss) per share in Rs. | : | (0.01) (Nominal value Rs.10) |
| (refer note 15 of Schedule "18") | | |
| V. Generic Names of Three Principal Products / Services of the Company | : | (As per monetary terms) |
| Item Code No. (ITC Code) | : | 841710.00 |
| Product Description | : | Industrial furnaces components |
| Item Code No. (ITC Code) | : | Not available as per ITC (HS) coding system. [However, Industry Classification (based on NIC Codes) is 359900003] |
| Service Description | : | Engineering Services |

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VULCAN ENGINEERS LIMITED

Registered Office : 326, Unique Industrial Estate, Off Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025.

ATTENDANCE SLIP

Please complete this Attendance Slip and hand over at the entrance of the Meeting Hall

| | |
|------------|--------------------|
| D.P. ID * | L.F. No. |
| Client ID* | No. of Shares held |

NAME OF THE SHAREHOLDER / PROXY _____

ADDRESS _____

I hereby record my presence at the 47th ANNUAL GENERAL MEETING of Vulcan Engineers Limited held on Friday, 24th June, 2011 at 11.30 a.m. at "Sunville", Executive Room, 9, Dr. Annie Besant Road, Worli Mumbai - 400 018.

* Applicable for holding in electronic form.

SIGNATURE OF THE SHAREHOLDER / PROXY

----- CUT HERE -----

VULCAN ENGINEERS LIMITED

Registered Office : 326, Unique Industrial Estate, Off Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025.

PROXY

| | |
|------------|--------------------|
| D.P. ID * | L.F. No. |
| Client ID* | No. of Shares held |

I / We _____ being a member / members of Vulcan Engineers Limited

hereby appoint _____

of _____

or failing him / her _____

of _____

as my / our proxy to vote for me / us and on my / our behalf at the 47th ANNUAL GENERAL MEETING of Vulcan Engineers Limited held on Friday, 24th June, 2011 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day _____ 2011.

* Applicable for holding in electronic form.

Re.1/-
Revenue
Stamp to be
affixed here

Note : The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a Member of the Company.



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