MOHINDRA FASTENERS LTD.

Notes to Financial Statement for the year ended 31st March, 2013

NOTE: 26 SIGNIFICANT ACCOUNTING POLICIES

26.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(A) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in India and presented under the historical cost convention on accrual basis of accounting to comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of income and expenses during the period.

26.2. TANGIBLE AND INTANGIBLE ASSETS

(A) TANGIBLE FIXED ASSETS

All the tangible assets are stated at Cost net of recoverable taxes, less accumulated depreciation and impairment loss, if any. All costs including financing costs till commencement of commercial production and costs directly related to the acquisition and installation of the fixed assets, wherever applicable and adjustment arising from exchange rate variations attributable to fixed assets, have been capitalised. Profit or Loss on disposal of tangible assets is recognised in the Statement of Profit and Loss.

(B) INTANGIBLE ASSETS

All the intangible assets are stated at Cost net of recoverable taxes, less accumulated amortization/depletion and impairment loss, if any. All costs, including financing costs till commencement of commercial production and adjustments arising from exchange rate variations attributable to the intangible assets are capitalised. Profit or Loss on disposal of intangible assets is recognised in the Statement of Profit and Loss.

26.3. DEPRECIATION AND AMORTIZATION

Depreciation is provided on the Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 over their useful life expected. Assets costing Rs. 5,000/- or less are fully charged to the Statement of Profit and Loss in the year of acquisition.

Mohindra Fasteners Ltd. DELHI

26.4. IMPAIRMENT OF ASSETS

An Asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

26.5. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in Foreign Currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each Balance Sheet date.
Non monetary foreign currency items are carried at cost.

Any income or expenses on accounts of exchange difference either on settlement or on translation is recognised in the profit and loss account.

In case of forward exchange contracts, forward exchange contracts are not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit and loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for that year.

26.6. INVESTMENTS

Current investments are carried at the lower of cost or quoted/fair value, computed category wise. Long term investments are stated at cost. Provisions for diminution in the value of long investments are made only if such a decline is other than temporary. However, all the investments are classified as Long Term Investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss. Profit or loss on sale of investments is determined on a first-in-first-out (FIFO) basis.

26.7. VALUATION OF INVENTORIES

In determining cost of raw materials, packing materials, stock-in-trade, stores, components, spares and consumables, FIFO method is used. Cost of inventory comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition.

Raw Material, Spares parts & Consumables and Goods in Transit are valued at cost.

Work-in-Progress is valued at cost or net realizable value, whichever is less.

Finished goods are valued at cost or net realizable value whichever is less.

Scraps are valued at net realizable value.

26.8. REVENUE RECOGNITION

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer.

The amounts recognised as sale is exclusive of sales tax/VAT and are net of returns. Sales are stated gross of excise duty as well as net of excise duty; excise duty being the amount included in the amount of gross turnover.

The excise duty related to the difference between the closing stock and opening stock is recognised separately.

Export Sales are recognized on the basis of sales invoices raised and removal of goods from the factory premises. Export benefits are recognized on post shipment basis. However export benefit under Duty Exemption Pass Book schemes (DEPB) & other export benefits are accrued in the year of export.

The revenue and expenditure are accounted on a going concern basis.

Interest income is recognized using the time proportion method based on the rates implicit in the transaction.

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

26.9. EMPLOYEE BENEFITS

(i) **Gratuity and Provident fund**:- In respect of payment of gratuity to employee, the contribution are being made to the trust established under the Group Gratuity Scheme of Life Insurance Corporation of India.

The Company makes contribution to statuary provident fund in accordance with Employee Provident Fund and Miscellaneous Provident Act, 1952 which is termed as Defined Contribution Plans.

The Contribution payable is recognized in period in which services are rendered by the employee.

(ii) **In respect of Leave Encashment** :- The contribution are being made under the Group Leave Encashment Scheme of Life Insurance Corporation of India.

Liability in respect of compensated leaves becoming due or expected to be availed within one year from the Balance Sheet date is recognized on the basis of undiscounted value required to be paid or value of benefit expected to be availed by the employee as per company's rule.

26.10. BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue profit & loss accounts.

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26.11. FINANCIAL DERIVATIVES AND COMMODITY HEDGING TRANSACTIONS

In respect of derivative contracts, premium paid, gains/losses on settlement are recognized in the Profit and Loss account, except in case where they relate to borrowing costs that are attributable to the acquisition or construction of fixed assets, in which case, they are adjusted to the carrying cost of such assets.

26.12. CURRENT AND DEFERRED TAX

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period, the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions.

The differences that result between the profit offered for income taxes and the profits as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one account period and reverse in another, based on the tax effect of the aggregate amount being considered.

The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is a reasonable certainly that they will be realized in future.

26.13. PROVISIONS, CONTINGENT LIABLITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes. Contingent assets are neither recognized nor disclosed in the financial statements.

26.14. SEGMENT REPORTING

The accounting policies adopted for segment reporting are in line with accounting policies of the company. Revenue, expenses, Assets and liabilities have been identified to segments on the basis of their relationship to operating activities of the segments. Revenues, Expenses, assets and Liabilities, which are common to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been treated as "Common Revenue/Expenses/assets/liabilities", as the case may be.

26.15. EARNINGS PER SHARE

Basic earnings per share are disclosed in the Profit and loss Account. Basic earnings per shares is computed and disclosed using the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive.

26.16. PROPOSED DIVIDEND

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General Meeting.

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Notes to Financial Statement for the year ended 31st March, 2013

NOTE: 27 Contingent Liabilities and Commitments (to the extent not provided for):

a) Liabilities on account of foreign letter of credit are Rs. 25.03 Lacs (Previous year Rs.273.16 Lacs).

b) For the Assessment Year 2005-06, Haryana Tax Tribunal, Chandigarh raised a demand of Rs. 15.73 Lacs and the appeal is pending before the High Court of Punjab & Haryana and the amount of 16.44 Lacs has been deposited.

For the Assessment Year 2004-05, Haryana Tax Tribunal, Chandigarh raised a demand of Rs. 13.49 Lacs and the appeal is pending before the High Court of Punjab & Haryana and the amount of Rs.13.47 Lacs has been deposited.

For the Assessment Year 2004-05, Jt. Excise & Taxation Commissioner (Appeal) Rohtak disallowed an Input Tax Credit of Rs. 0.61 Lacs and the appeal is pending before the Haryana Tax Tribunal, Chandigarh.

For the assessment year 2003-04, Haryana tax Tribunal, Chandigarh raised a demand of Rs. 5.24 Lacs and the appeal is pending before the High Court of Punjab & Haryana and amount of Rs. 5.24 Lacs has been deposited against the demand.

c) Estimated amount of contract remaining to be executed on capital account are Nil during the year (Previous year Rs. NIL Lacs).

d) Outstanding Bank Guarantee of Rs.13.90 Lacs . (Previous year Rs.8.68 Lacs)

e) The Company has committed to Export FOB Value of $ 291023.99 (previous year Nil) of finish goods over a period of 8 years in pursuant to import of duty free capital goods under export promotion capital goods scheme.

NOTE: 28 Related party disclosure as per Accounting Standard 18

a) **Parties where control exists:** NIL

b) **Other parties with whom the company has entered into transactions during the year:-**

i) **Key Management Personnel**

Mr. Deepak Arneja - Managing Director & CEO
Mr. Ravinder Mohan Juneja - Managing Director
Mr. Sudhir Arneja - Whole-Time Director

ii) **Relatives of Key Management Personnel**

Mr. Dheeraj Juneja - Son of Mr. Ravinder Mohan Juneja
Mr.Prateek Arneja Son of Mr.Sudhir Arneja

iii) **Enterprises over which key management personnel and relatives of such personnel exercise significant influence:-**

Evergreen Consultants Pvt. Ltd.
Mohindra Sales Pvt. Ltd.

c) **Related Party Transactions**:

(Amount in Rs.)

Nature of Transaction	Key Management Personnel & Relatives	Enterprises over which key management Personnel and Relatives of such personnel exercise significant influence.	Total
Loans	- (2200000)	- (4000000)	- (6200000)
Interest	- -	- (748175)	- (748175)
Remuneration	7125600 (6448800)	-	7125600 (6448800)
Balance Outstanding as at the end of the year:-			
Remuneration Payable	663000 (594100)	- -	663000 (594100)

Previous year figures have been given in brackets.

NOTE: 29 The Computation of Earnings per Share: -

	2012-13	**2011-12**
Profit after tax for the year (Rs.)	37428457	39479040
Weighted Average Number of Equity shares	5356800	5356800
Basic & Diluted Earnings per share	6.99	7.37
Face Value of equity share (Rs.)	10.00	10.00

NOTE: 30 Disclosure in respect of Derivative Instruments:-

a) Derivates Instruments (Forward Exchange Contract) against Export entered by the Company and outstanding as on 31st March, 2013 amount to EURO 18 Lacs (previous year 9 Lacs) for sell in Rs.1346.96 Lacs (Previous year 613.70 Lacs). All the instruments have been acquired for hedging purpose and not for trading or speculative purpose.

b) Foreign currency exposures that are not hedged by derivative instruments as at 31 March, 2013:-

Particulars	USD	EURO	GBP
Import Trade Payables	714679.01 (804898.79)	165244.74 (215727.39)	- (-)
Export Trade Receivables	127541.46 (480548.15)	- (-)	29791.52 (153065.99)
Term Loan (ECB)	214600 (316800)	- -	- -
WCTL (PCFC)	437000 (-)	727585.38 (-)	30800 (-)

Previous year figures have been given in brackets.

NOTE: 31 As per Accounting Standard 15 " Employee Benefits ", disclosures of Employee benefits as defined in Accounting Standard are given below:

Defined Contribution Plan:

Contributions to Defined Contribution plan, recognized as expense for the year are as under:-

(Rs. In thousand)

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	2012- 13	2011-12
Employer's Contribution to Provident Fund and Pension scheme	2218.24	2046.26

Defined Benefit Plan: Gratuity

The employees' gratuity scheme managed by a Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method, which recognize each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

(i) Reconciliation of Opening and closing balances of Defined Benefit Obligation.

(Rs. In Thousands)

	Gratuity		Leave Encashment
	2012-13	2011-12	2012-13
Defined Benefit Obligation at the Beginning of the year	5679	4678	2821
Service cost	787	1755	321
Adjustment of previous year	(787)	-	-
Interest cost	391	-	225
Actuarial (gain)/loss	38	147	231
Benefits paid	(237)	(901)	(375)
Defined Benefit Obligation at the year end	5871	5679	3223

(ii) Reconciliation of opening and closing balances of fair value of plan assets

	Gratuity		Leave Encashment
	2012-13	2011-12	2012-13
Fair value of Plan Assets at the beginning of the year	5983	4716	3697
Expected return on plan assets	562	413	320
Actuarial gain/loss	-	-	-
Employer contribution	961	1755	416
Benefits paid	(237)	(901)	(375)
Fair value of plan assets at year end	7269	5983	4058

(iii) **Reconciliation of fair value of Assets and obligations**

	Gratuity		Leave Encashment
	2012-13	**2011-12**	**2012-13**
Fair value of plan assets	7268	5983	4058
Present value of obligation	5871	5679	3223
Amount recognized in Balance sheet	1397	304	835

(iv) **Expense recognized during the year**

	Gratuity		Leave Encashment
	2012-13	**2011-12**	**2012-13**
Service cost	787	1755	321
Interest cost	391	-	226
Expected return on plan assets	(562)	(413)	(320)
Actuarial (Gain)/loss	38	147	231
Net Cost	654	1489	458

v) Details of Investment for employees' gratuity fund scheme managed by a LIC are not available with the Company.

Actuarial assumptions

	Gratuity		Leave Encashment
	2012-13	**2011-12**	**2012-13**
Mortality table (LIC)	**1994-96** (Ultimate)	**1994-96** (Ultimate)	**1994-96** (Ultimate)
Discount rate (per annum)	8%	8 %	8%
Expected rate of return on plan assets (per annum)	9.15%	9.15%	9.15%
Rate of escalation in salary (per annum)	6%	6 %	6%

The estimates of rate of escalation in salary is considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

The expected rate of return on plan assets is determined considering several applicable factors mainly, the composition of plan assets held, assessed risks, historical result of return on plan assets and the Company's policy for plan asset management.

NOTE: 32 Value of imported and indigenous Raw Material, Store and Spare parts and packing material consumed and percentage of each to the total consumption as Certified by the management:-

Item	2012-13		2011-12	
Raw Material	**Value (Rs.)**	**% age**	**Value (Rs.)**	**% age**
Imported	151373255	42.55	118123975	30.43
Indigenous	204398332	57.45	270122444	69.57
	355771587	**100.00**	**388246419**	**100.00**

Stores, Spare parts and Packing Material

Imported	11898193	10.30	8446841	7.09
Indigenous	103562549	89.70	110725602	92.91
	115460742	**100.00**	**119172443**	**100.00**

NOTE: 33 **C.I.F. Value of Imports**

	2012-13 (Rs.)	2011-12 (Rs.)
Plant & Machinery	17871230	17069253
Raw Material	144987352	103100426
Consumables, Stores & Spares	1039155	1897147
Packing Material	3422199	2291533
Tool & Dies	3216265	2667559

NOTE: 34 **Expenditure in Foreign Currency**

	2012-13 (Rs.)	2011-12 (Rs.)
-Travelling Expenses	993261	431304
-Business Promotion and Others	607669	96435
-Interest on ECB	71390	249542
- Bank Charges	594369	1232157
- Interest on PCFC	549261	-

NOTE: 35 Earning in Foreign Currency

	2012-13 (Rs.)	2011-12 (Rs.)
Exports at FOB Value	405505940	485851323

NOTE: 36 Segment Reporting

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organisation structure as well as the differential risks and returns of these segments.

The company is operating in a single business segment and as such all business activities revolve around this segment. Hence, there is no separate secondary segment to be reported considering the requirement of AS 17 on Segment Reporting.

The Company has disclosed Geographic Segment as the primary segment considering the different geographical location of customers.

The Segment Revenues, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

The company believes that it is not practical to allocate segment expenses, segment results, fixed assets, used in the company's business or liabilities contracted since the resources/services/assets are used interchangeably within the segments. Accordingly, no disclosure relating to same is made.

Geographic segments of the Company are Europe, India and Rest of the world.
Europe includes continental Europe, Germany, France, UK, Belgium, Italy, Netherland, Switzerland, Poland, Finland, Romania & Austria and the Rest of the World comprising all other places (primarily Canada, USA & Australia) except those mentioned above and India.

Information about Geographic Segment

Information of geographic segment is based on the geographical location of the customers.

(Rs. in Lacs)

Particulars	Europe	India	Rest of the World	Total
Segment Revenue				
Sales to External Customers	3657.96	3730.88	495.10	7883.94

	(4339.79)	(3779.92)	(600.40)	(8720.11)
Other Operating income				362.44 (458.28)
Other income (net)				95.05 (129.36)
Total Revenue				**8341.43** **(9307.75)**
Unallocable expenses				7779.47 (8739.83)
Profit before tax				561.96 (567.91)
Tax expense				187.68 (173.12)
Profit for the year				**374.28** **(394.79)**
Segment Assets	**476.26** (645.36)	1066.38 (1116.77)	62.09 (121.48)	1604.74 (1883.61)
Unallocable Assets				4914.60 (5410.05)
Total assets				**6519.34** **(7293.66)**
Segment Liabilities	**812.26** (759.68)	340.01 (577.07)	109.94 (105.10)	1262.20 (1441.85)
Unallocable liabilities				2728.17 (3611.36)
Total liabilities				**3996.64** **(5053.21)**
Other information				
Capital expenditure				273.24

(unallocable)

Depreciation (unallocable) 282.03

Previous year figures have been given in brackets.

NOTE: 37 Balances of Trade & other receivables, loans & advances, current liabilities and Trade & other payables are subject to confirmation.

NOTE: 38 The previous year's figures have been re-grouped / re-classified to conform to this year's classification which is as per Revised Schedule VI. This adoption does not impact recognition and measurement principles followed for preparation of financial statements as at 31st March, 2013.

As per our report of even date

For **GSK & Associates LLP**
Chartered Accountants
FRN :013838N

(Anil Somani)
Partner
Membership.No. 093521

For & on behalf of the Board of Directors

(Ravinder Mohan Juneja)
Managing Director

(DeepakArneja)
Managing Director

(Sunil Mishra)
GM (Finance & Taxation)

(Madhu Kaushik)
Company Secretary

Place : New Delhi
Date : 27.07.2013

MOHINDRA FASTENERS LIMITED

Cash Flow Statement for the year ended 31st March,2013

Particulars	For the year ended 31st March,2013 (Amount in Rs.)	For the year ended 31st March,2012 (Amount in Rs.)
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before extraordinary items and tax	56196541	56791152
Adjustment for:		
Depreciation and amortisation	28203265	32711597
(Profit)/ Loss on Sale of Fixed Assets	(234892)	131887
Finance Costs	23219990	40908061
Interest Income	(1824361)	(1790186)
Dividend Income	(19385)	(16345)
Operating Profit/(Loss) before Working Capital Changes	105541158	128736166
Adjustments for (increase)/ decrease in operating assets:		
- Inventories	46964983	77258206
- Trade and Other Receivables	24490605	(27122423)
Adjustments for increase/ (decrease) in operating Liabilities:		
- Trade Payables	(55869458)	(57047522)
Cash generated from Operations	121127287	121824427
Income Tax Paid	(18498722)	(21008197)
Net Cash generated from Operating Activities (A)	**102628565**	**100816230**
B. Cash Flow from Investing Activities		
Capital Expenditure on Fixed Assets	(27324321)	(22747519)
Proceeds from sale of Fixed Assets	658453	1140000
Interest Received	1824361	1790186
Dividend Received	19385	16345
Net Cash generated from Investing Activities (B)	**(24822122)**	**(19800988)**
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	19785327	40716000
Repayment of Long Term Borrowings	(47323511)	(68967242)
Short term Borrowings	(20464894)	(8243890)
Finance Cost Paid	(23219990)	(40908061)
Dividends Paid	(8526949)	(4424760)
Tax on Dividend Paid	(1303510)	(658140)
Net Cash generated from Financing Activities (C)	**(81053526)**	**(82486093)**
Net	(3247083)	(1470851)
Cash and Cash Equivalents at the Beginning of the Year	21746953	23217804
Cash and Cash Equivalents at the End of the Year*	18499870	21746953

Notes:

(i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing operations.
(ii) All figures in brackets are outflows/ decrease.
(iii) Previous years figures have been regrouped/restated wherever necessary.
(iv) *Cash and Cash Equivalents are Cash and Bank balances as mentioned in Note No. 15

As per our Report of even date
For GSK & Associates LLP
Chartered Accountants
Firm Reg. No.: 013838N

Anil Somani
Designated Partner
Membership No. : 093521
Place : New Delhi
Date : 27.-07-2013

For & on Behalf of the Board of Directors

Ravinder Mohan Juneja
Managing Director

Deepak Arneja
Managing Director

Sunil Mishra
GM (Finance & Taxation)

Madhu Kaushik
(Company Secretary)

Mohindra Fasteners Ltd. DELHI

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