SANMAR ENGINEERING SERVICES LIMITED

Annual Report 2012–13

Sanmar Engineering Services Limited

Directors' Report

The Directors have pleasure in presenting their eighteenth Annual Report along with the audited accounts for the year ended March 31, 2013

Corporate Results

	2013	2012
	(in Rs. Million)	
Net sales and other income	**76.38**	**35.38**
Profit before interest, depreciation and taxes	**16.12**	**8.35**
Interest and Finance charges	**348.35**	**0.31**
Profit / (Loss) before tax	**(332.23)**	**8.04**
Profit / (Loss) after tax	**(334.95)**	**6.98**

Operations

Revenue for the current year, including other income, was higher by 115.9% mainly due to 176.7% increase in exports to TCI Sanmar Chemicals SAE on account of increased project activities. Also the domestic service income during the current year was higher by 49.5% mainly due to the addition of Hazira site of Reliance Industries Limited and Jamnagar site of ESSAR.

Personnel

The employee relations remained satisfactory and the Directors look forward to their continued support in the years to come.

Directors

Mr M N Radhakrishnan and Mr S Sankaran retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Auditors

Prasad & Srinath, Chartered Accountants, Chennai are the retiring Auditors and are eligible for reappointment.

Statutory Information

Information as required under Section 217 of the Companies Act, 1956 to the extent applicable and relevant, and the Compliance Certificate under Section 383A are furnished in annexures forming part of the report.

Directors' Responsibility Statement

(i) In the preparation of the annual accounts for the year ended 31st March 2013, the applicable accounting standards have been followed by the Company;

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2013 and of the loss of the Company for the year ended that date;

(iii) The Directors have taken proper and sufficient care 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 accounts of the Company have been prepared on a going concern basis.

Chennai
August 23, 2013

For and on behalf of the Board

M N Radhakrishnan
Director

S Sankaran
Director

Sanmar Engineering Services Limited

Annexure to Directors' Report

Statement containing particulars as per Section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2013.

A) Conservation of Energy

All the machines are maintained in good operating condition by regular upkeep and maintenance leading to energy saving.

Form A is not applicable to the Company as it does not fall under the list of industries specified in the schedule attached to Rule 2.

B) Technology Absorption, Research and Development

1.	Specific areas in which R & D carried out by the Company	: -
2.	Benefits derived as a result of the above R & D	: -
3.	Future plan of action	: -
4.	Expenditure on R & D	: Nil

A) Capital
B) Recurring
C) Total
D) Total R & D expenditure as a percentage of total turnover

Technology Absorption and Innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	: Not applicable.
2.	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, import substitution, etc.	: Not applicable
3.	In case of imported technology, (imported during the last 5 years reckoned from the beginning of the financial year), following information	: Not applicable.

may be furnished.

a. Technology imported

b. Year of import

c. Has technology been fully absorbed

d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action -

C) Foreign Exchange Earnings and Outgo

	(in Rs. million)
a) Foreign Exchange earnings	34.79
b) Foreign Exchange outgo	-

Chennai
August 23, 2013

For and on behalf of the Board

M N Radhakrishnan
Director

S Sankaran
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Sanmar Engineering Services Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

2. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

(e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Prasad & Srinath
Chartered Accountants
ICAI Firm Registration Number: 005826S

PRASAD & SRINATH
CHENNAI
CHARTERED ACCOUNTANTS

S Prasad
Partner
Membership Number: 12847

Place: Chennai
Date: August 23, 2013

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date to the members of Sanmar Engineering Services Limited on the financial statements for the year ended March 31, 2013)

i.. a) The company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

b) The fixed assets have been physically verified during the year by the management and no discrepancies between the book records and the physical inventory have been noticed.

c) None of the fixed assets has been disposed off during the year.

ii. a) The management has conducted physical verification of inventory at reasonable intervals during the year.

b) 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) The Company is maintaining proper records of inventory. No discrepancies were noted on physical verification of inventories.

iii. a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

b) The company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the register maintained under section 301 of the Act.

iv. In our opinion, there is an adequate Internal control system commensurate with the size of the company and the nature of its business. We have not observed any major weaknesses in the aforesaid internal control system during the course of our audit.

v. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year that are required to be entered in the register to be maintained under that section. Accordingly the question on commenting on the transactions made in pursuance of such contracts or arrangements does not arise.

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

vi. The company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed thereunder.

vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the manufacture of the Company's products, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

ix. a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, as applicable, with the appropriate authorities in India. Statutory dues in respect of investor education and protection fund are not applicable to the Company.

b) According to the information and explanations given to us and the records of the company examined by us, as at March 31, 2013 there were no dues of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value Added tax, Wealth tax,, Service tax, Customs duty, Excise duty, Cess and other material statutory dues as applicable, which have not been deposited on account of any dispute.

x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks/financial institutions.

xii. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause

PRASAD & SRINATH CHARTERED ACCOUNTANTS

4(xiv) of the Companies (Auditor's Report) Order,2003 (as amended) are not applicable to the Company.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money from public issues and accordingly Clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xxi. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Prasad & Srinath
Chartered Accountants
ICAI Firm Registration Number: 005826S

PRASAD & SRINATH
CHENNAI
CHARTERED ACCOUNTANTS

S Prasad
Partner
Membership Number: 12847

Place : Chennai
Date : August 23, 2013

Sanmar Engineering Services Limited

Statement of Profit and Loss for the year ended March 31, 2013

	Notes	2012-13 Rs.	2011-12 Rs.
INCOME			
Revenue from Operations (gross)	2	60,956,355	30,073,650
Other income	3	15,422,780	5,304,886
Total Revenue		76,379,135	35,378,536
EXPENSES			
Purchase of traded goods	4	31,591,022	11,226,663
Employee benefit expense	5	16,705,372	10,338,039
Other expenses	6	11,962,486	5,466,268
Finance costs	7	348,349,876	308,538
Depreciation and amortization expense	14	1,353	2,373
Total Expenses		408,610,109	27,341,881
Profit / (Loss) before tax		(332,230,974)	8,036,655
Tax Expenses			
Current		(2,715,215)	(2,147,072)
Deferred		-	1,088,000
Total Tax expense		(2,715,215)	(1,059,072)
Profit / (Loss) for the year		(334,946,189)	6,977,583
Earnings Per Share - Basic & Diluted (Nominal value of share Rs.10/-, 31st March 2012 Rs.10/-)		(631.97)	13.17
Significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Prasad & Srinath
Chartered Accountants
Firm Registration Number : 005826S

S Prasad
Partner
Membership No.: 12847

Chennai
Date : August 23, 2013

For and on behalf of the Board of Directors

M N RADHAKRISHNAN
Director

Chennai
Date : August 23, 2013

S SANKARAN
Director

Chennai
Date : August 23, 2013

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

Sanmar Engineering Services Limited

Balance Sheet as at March 31, 2013

	Notes	31.03.2013 Rs.	Rs.	31.03.2012 Rs.	Rs.
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	8	5,300,000		5,300,000	
Reserves and surplus	9	(251,319,157)	(246,019,157)	83,627,032	88,927,032
Non Current Liabilities					
Long term borrowings	10	3,500,000,000		-	
Other Long term liabilities	11	208,906,465	3,708,906,465	6,745,926	6,745,926
Current Liabilities					
Trade payables	12	15,306,024		10,785,390	
Other current liabilities	13	116,655,449	131,961,473	7,187,341	17,972,731
			3,594,848,801		113,645,689
ASSETS					
Non current assets					
Fixed Assets	14				
Tangible Assets		12,964		14,317	
Capital work in progress		-	12,964	-	14,317
Non current investments	15	3,373,500,100		100	
Deferred Tax Asset - Net	16	3,520,000		3,520,000	
Long term loan and advances	17	3,369,725		3,228,629	
Other non current assets	20	76,393,726	3,456,783,551	1,816,490	8,565,219
Current Assets					
Trade receivables	18	32,476,641		15,641,996	
Cash and bank balances	19	76,452,166		84,601,311	
Short term loans and advance	17	14,707,646		4,821,179	
Other current assets	20	14,415,833	138,052,286	1,667	105,066,153
			3,594,848,801		113,645,689

Significant accounting policies 1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Prasad & Srinath
Chartered Accountants
Firm Registration Number : 006826S

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

S Prasad
Partner
Membership No.: 12847

Chennai
Date : August 23, 2013

For and on behalf of the Board of Directors

M N RADHAKRISHNAN
Director

Chennai
Date : August 23, 2013

S SANKARAN
Director

Chennai
Date : August 23, 2013

Sanmar Engineering Services Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		2012-13	2011-12
A.	CASH FLOW FROM OPERATING ACTIVITIES :	Rs.	Rs.
	NET PROFIT BEFORE TAX	(332,230,974)	8,036,665
	Adjustments for:		
	Depreciation and amortisation	1,353	2,373
	Difference in exchange	(69,445)	22,495
	Interest and finance charges	348,349,876	308,538
	Share of income from partnership firm	(13,384,792)	(4,694,220)
	Interest received	-	-
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,666,018	3,675,841
	Adjustments for changes in:		
	Trade and other receivables	(116,088,458)	1,563,648
	Trade and other payables	316,218,746	7,339,039
	CASH GENERATED FROM OPERATIONS	202,796,306	12,578,528
	Income taxes paid	(2,480,367)	257,437
	NET CASH FROM OPERATING ACTIVITIES	200,315,939	12,835,965
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Share of income from partnership firm	13,384,792	4,694,220
	Investments	(3,373,500,000)	-
	NET CASH FROM / USED IN INVESTING ACTIVITIES	(3,360,115,208)	4,694,220
C.	CASH FLOW FROM FINANCING ACTIVITIES:		
	Interest and finance charges paid	(348,349,876)	(308,538)
	Proceeds from long term borrowings	3,500,000,000	-
	NET CASH USED IN FINANCING ACTIVITIES	3,151,650,124	(308,538)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,149,145)	17,221,647
	Cash and cash equivalents at the beginning of the year	84,601,311	67,379,664
	Cash and cash equivalents at the end of the year	76,452,166	84,601,311

Notes: 1. Figures in brackets indicate cash outflow

2. Previous year's figures have been regrouped wherever necessary.

The accompanying notes are an integral part of the financial statements

For Prasad & Srinath
Chartered Accountants
Firm Registration Number : 005826S

PRASAD & SRINATH CHENNAI CHARTERED ACCOUNTANTS

S Prasad
Partner
Membership No.: 12847

Chennai
Date : August 23, 2013

For and on behalf of the Board of Directors

M N RADHAKRISHNAN
Director

Chennai
Date : August 23, 2013

S SANKARAN
Director

Chennai
Date : August 23, 2013

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 1 Significant accounting policies:

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis and to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

1.2 The Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

1.3 Revenue recognition:
Revenue is recognised on despatch of the products to the customers, which generally coincides with transfer of ownership. Sales are net of returns, trade discounts and allowances.

Export benefits are recognised on export of products/on availment of benefits, as applicable.

1.4 Valuation of assets:

a. Inventories

Stores and spares:	At weighted average cost
Raw Materials & components:	At lower of weighted average cost or net realisable value
Semi-finished components	At lower of cost or net realisable value.
Work in progress:	At lower of cost or net realisable value.
Finished goods	At lower of cost or net realisable value.

b. Fixed assets	At cost
c. Long term investments	At cost or lower of cost where there has been any diminution in value, other than temporary.

1.5 Depreciation and amortisation
Depreciation on fixed assets is provided on a straight line basis at the rates (other than the assets stated below) specified in Schedule XIV to the Companies Act, 1956:

i) On all assets whose actual cost does not exceed Rs 5,000/-:	100%
ii) On computers and peripherals (included under plant and machinery) and motor cars	33.33%
iii) On jigs, tools, dies, moulds and patterns included under plant and machinery	33.33%
iv) On furniture, fixtures and office equipment	20%
v) Intangible assets	
a) Software	33.33%
b) On technical know-how fees, over the period of agreement or 10 years, whichever is lower.	

1.6 Employee Benefits

Short term employee benefits including accumulated compensated absence are recognized as an expense as per the Company's Scheme based on expected obligations on undiscounted basis.

Post Retirement benefits comprise of employees provident fund and gratuity which are accounted for as follows:

(a) Provident Fund

This is a defined contribution plan and contributions made to the fund are charged to revenue.
The Company has no further obligations for future provident fund benefits other than monthly contributions.

(b) Gratuity

This is a defined benefit plan and the Company's Scheme is administered by Life Insurance Corporation of India. The liability is determined based on the actuarial valuation using projected unit credit method as at Balance Sheet date.

Actuarial gains and losses, comprising experience adjustments and the effects of changes in actuarial assumptions, are recognized immediately in the Statement of Profit and Loss as income or expense.

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 1 Significant accounting policies:

1.7 Foreign currency transactions:

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions.

Monetary assets and liabilities denominated in foreign currency are converted at contracted/year end rates as applicable.

Exchange differences arising on settlement/conversion are adjusted to Statement of Profit and Loss.

Wherever forward contracts are entered into, the exchange difference is dealt with in the Statement of Profit and 'Loss over the period of the contracts. Realised gains or losses on cancellation of forward contracts are recognized in the Statement of Profit and Loss of the year in which they are cancelled.

1.8 Income Tax

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Deferred tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates enacted or substantively enacted by the Balance sheet date. Deferred tax assets are recognised only if there is a reasonable / virtual certainty that they will be realised.

1.9 Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

1.10 Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in India requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the Balance Sheet date, reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the Balance Sheet date. The estimates and assumptions used in these financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates.

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

		31.03.2013	31.03.2012
Note 2		Amount Rs.	Amount Rs.
Revenue from operations			
Sale of Products			
Traded goods		34,785,750	12,571,529
Finished goods		-	-
Sale of Services		26,170,605	17,502,121
Total Revenue from operations		60,956,355	30,073,650
Details of Products sold			
Mechanical Seals		10,918,087	11,567,224
Safety Valves		5,211,646	452,238
Rupture disks		3,317,454	552,067
Control valves		1,480,294	-
On/Off valves		13,858,269	-
		34,785,750	12,571,529
Details of Services Rendered			
Repair, Testing and Reconditioning of Mechanical seals & Safety valves		26,170,605	17,502,121
Service of control valves		-	-
		26,170,605	17,502,121
Note 3			
Other Income			
Share of income from partnership firm		13,384,792	4,694,220
Export incentives		548,669	74,502
Difference in exchange (Net)		986,403	51,812
Bad debts	306,464		
Less :- Recovery of debts written off	486,285	179,821	408,749
Miscellaneous Income		323,095	75,603
		15,422,780	5,304,886
Note 4			
In respect of Traded Goods			
Inventory at the beginning of the year		-	-
Add: Purchases		31,591,022	11,226,663
Less: Inventory at the end of the year		-	-
		31,591,022	11,226,663
Details of Purchases - Traded Goods			
Mechanical Seals		10,918,087	10,273,957
Safety Valves		5,211,646	431,613
Rupture disks		3,317,454	521,093
Control valves		1,480,294	-
On/Off valves		10,663,541	-
		31,591,022	11,226,663

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

	2012-13 Rs.	2011-12 Rs.
Note 5		
Employee benefits expense		
Salaries, wages and bonus	15,135,407	10,153,608
Contribution to provident fund	831,968	595,780
Gratuity Expense / (Reversal)	587,723	(610,870)
Staff welfare expenses	150,274	199,621
	16,705,372	10,338,039
Note 6		
Other Expenses		
Rent	204,000	204,000
Insurance	15,651	12,588
Rates and taxes	205,115	21,263
Repairs to Others	19,911	17,723
Travelling and conveyance	2,519,218	2,423,675
Information Technology expenses	1,054,870	785,292
Payments to Auditor (Refer details below)	202,400	216,250
Legal & Professional Expenses	6,920,108	2,169,379
Miscellaneous expenses	821,213	(383,902)
	11,962,486	5,466,268
Payment to Auditors		
as Auditor		
Audit fee	150,000	160,000
Tax Audit Fee	50,000	50,000
Reimbursement of expenses	2,400	6,250
	202,400	216,250
Note 7		
Finance costs		
Interest - Fixed	339,728,763	-
Finance charges	8,570,764	78,538
Interest on income tax	50,349	230,000
	348,349,876	308,538

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

	31.03.2013 Rs.	31.03.2012 Rs.
Note 8		
Share Capital		
AUTHORISED		
18, 12 % Cumulative Redeemable Preference Shares of Rs 100/- each.	1,800	1,800
599,820 (previous year 599,820) Equity Shares of Rs 10/- each	5,998,200	5,998,200
	6,000,000	6,000,000
ISSUED, SUBSCRIBED AND PAID-UP		
530,000 (previous year 530,000) equity shares of Rs. 10 each fully paid-up	5,300,000	5,300,000
	5,300,000	5,300,000

A : Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	31.03.2013		31.03.2012	
	In No	In Rs.	In No	In Rs.
Equity Shares				
At the beginning of the period	530,000	5,300,000	530,000	5,300,000
Issued during the years	-	-	-	-
Outstanding at the end of the year	530,000	5,300,000	530,000	5,300,000

B: Shares Held by Holding company and its subsidiaries
The entire paid up Equity Share Capital is held by the holding company, Sanmar Consolidations Limited and its nominees.

C: Rights, Preferences and Restrictions attached to shares
The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of the liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Note 9

Reserves and Surplus	31.03.2013		31.03.2012	
Surplus/(deficit) in the statement of profit and loss				
Balance as per last financial statements	83,627,032		76,649,449	
Add :Profit for the year	(334,946,189)		6,977,583	
Net surplus in statement of profit and loss		(251,319,157)		83,627,032
Total reserve and surplus		(251,319,157)		83,627,032

Note 10	Non current 31.03.2013	Current 31.03.2013	Non current 31.03.2012	Current 31.03.2012
Long term borrowings				
Term loan from others (Secured*)	3,500,000,000	-	-	-
	3,500,000,000	-	-	-

* Secured by hypothecation of Payment Account of the Company and all rights, title , interest, benefits of the Company under and in respect of the Payment Account and by equitable mortgage of lands owned by the associate company and also Secured by Corporate guarantee from the associate company.

Term loan R.25 crores (previous year Nil) to be repaid as a single instalment on August 2019
Term loan R.250 crores (previous year Nil) to be repaid as a single instalment on August 2019
Term loan R.75 crores (previous year Nil) to be repaid as a single instalment on August 2019

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

	31.03.2013 Rs.	31.03.2012 Rs.

Note 11

Other Long term liabilities

Accured Salaries and benefits	-	2,328,001
Withholding and other tax payables	268,830	172,257
Provision for expenses	2,912,019	2,803,893
Interest Accrued but not Due on Loan	204,263,861	-
Other payables	1,441,776	1,441,775
	208,906,486	6,745,926

Note 12

Trade payables	15,306,024	10,785,390
	15,306,024	10,785,390

Note :
Includes dues for payment to Micro, Small and Medium enterprises Rs. Nil (Previous year Rs. Nil)

Note 13

Other Current liabilities

Accured Salaries and benefits	10,417,587	5,432,626
Withholding and other tax payables	32,886,292	1,098,848
Provision for expenses	238,118	412,762
Interest Accrued but not Due on Loan	72,878,061	-
Other payables	25,341	33,065
Advance received from Customers	210,050	210,050
	116,655,449	7,187,341

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 14

Tangible Assets

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 31.03.2012	Additions	Deductions	As at 31.03.2013	As at 31.03.2012	Disposal	For the year	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	Rs.	Rs.
Plant and machinery	272,337	-	-	272,337	259,123	-	1,353	260,476	11,861	13,214
Furniture, fixtures	53,408	-	-	53,468	52,558	-	-	52,558	850	850
Office equipments	5,050	-	-	5,050	4,797	-	-	4,797	253	253
Total	330,795	-	-	330,795	316,478	-	1,353	317,831	12,964	14,317
Previous year	330,795	-	-	330,795	314,105	-	2,373	316,478	14,317	16,690

Intangible Assets

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
.....	As at 31.03.2012	Additions	Deductions	As at 31.03.2013	As at 31.03.2012	Disposal	For the year	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Intangible assets										
(a) Software	1,535,876	-	-	1,535,876	1,535,876	-	-	1,535,876	-	-
Toal	1,535,876	-	-	1,535,876	1,535,876	-	-	1,535,876	-	-
Previous year	1,535,876	-	-	1,535,876	1,535,876	-	-	1,535,876	-	-

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 15

Non Current Investment Long term (at cost non- trade - Unquoted) *	31.03.2013 Rs.	31.03.2012 Rs.
Investment in the capital of a partnership firm (refer note 22 B)	100	100
Long term investment in share of body corporate (refer note 22 A)	3,373,500,000	-
	3,373,500,100	100

Note 16

Deferred Tax Asset - Net

The composition of Deferred Tax (Liability) / Asset	31.03.2013	31.03.2012
-On account of timing difference relating to depreciation	24,172	24,172
-On account of provision for special adhoc compensation	1,964,778	1,964,778
-Others	1,531,050	1,531,050
	3,520,000	3,520,000

Note 17

Loans and advances (Unsecured, considered good)	Non current 31.03.2013	Current 31.03.2013	Non current 31.03.2012	Current 31.03.2012
Advances recoverable in cash or in kind or for value to be received	149,861	694,991	25,718	769,041
Prepaid expenses	-	214,456	-	611,854
Deposite	81,596	-	64,643	-
Balances with customs and excise authorities	-	10,603,010	-	10,247
Works contract tax deducted at source (Net)	3,138,268	-	3,138,268	-
Provision for current tax	-	(15,409,290)	-	(12,694,075)
Less : Advance tax and tax deducted at source	-	18,595,107	-	16,114,740
Provision for fringe benefit tax	-	(116,654)	-	(116,654)
Less : Advance for fringe benefit tax	-	126,026	-	126,026
	3,369,725	14,707,646	3,228,629	4,821,179

Note 18

Trade Receivables (Unsecured, considered good)	31.03.2013	31.03.2012
Debts outstanding for a period of less than six months	32,476,641	15,641,986
	32,476,641	15,641,986

Note 19

Cash and Bank balances	Non current 31.03.2013	Current 31.03.2013	Non current 31.03.2012	Current 31.03.2012
Cash and cash equivalents				
Cash on hand	-	22,280	-	27,072
Cheques and Drafts on hand	-	13,384,792	-	-
Balance with scheduled banks				
-on current account	-	63,045,094	-	84,574,239
Other Bank balances				
-on Margin deposit	-	5,000	-	5,000
Amount disclosed under non current assets (Note 20)	-	(5,000)	-	(5,000)
	-	76,452,166	-	84,601,311

Note 20

Other Assets (Unsecured, considered good)	Non current 31.03.2013	Current 31.03.2013	Non current 31.03.2012	Current 31.03.2012
Claims receivable	-	430,938	-	-
Interest receivable	-	1,667	-	1,667
Other receivables	1,811,490	-	1,811,490	-
Margin Money deposit (refer note 19)	5,000	-	5,000	-
Unamortised expenses	74,577,236	13,983,228	-	-
	76,393,726	14,415,833	1,816,490	1,667

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 21

	2012-13	2011-12
	Rs.	Rs.
Earnings in foreign exchange.		
FOB value of exports	34,785,750	12,571,529
Service Income	-	-
	34,785,750	12,571,529

Note 22

	31.03.2013	31.03.2012
A. Investment in shares of a body corporate		
Sanmar Engineering Technologies Limited		
3,37,35,000 Zero coupon compulsorily convertible unsecured debentures of Rs.100/- each convertible into equity shares of the company at par on 28.03.2022.	3,373,500,000	-

	31.03.2013	31.03.2012
B. Details of Investment - Long Term		
Investment in the capital of a Partnership firm	100	100

Name of the firm: Cathedral Corporate Finance

Total Capital (as mutually agreed): Rs.1,400/-

Partner's Name	Profit Sharing Rs	Capital Rs	Capital Rs
BS&B Safety Systems (India) Limited		100	100
B Sec Services Limited		100	100
Cabot Sanmar Limited		100	100
Flowserve Sanmar Limited	Profits are shared b	100	100
Kalamkriya Ltd	partners with positi	100	-
Sanmar Consolidations Ltd	aggregate daily	100	100
Sanmar Engineering Services Limited	balances in the	100	100
Sanmar Engineering Technologies Ltd	equally by all partne	100	100
Sanmar Foundries Limited		100	100
Sanmar Shipping Limited		100	100
SHL Property Holdings Ltd		100	100
SHL Trading Ltd		100	100
Tyco Sanmar Limited		100	100
Xomox Sanmar Limited		100	100
		1,400	1,300

Note 23

Earnings Per Share		31.03.2013 Rs.	31.03.2012 Rs.
Profit after taxation as per statement of Profit & Loss account	(A)	-334,946,189	6,977,583
Number of equity shares outstanding	(B)	530,000	530,000
Earnings per share (in Rs.)	(A) / (B)	-631.97	13.17

Note 24

Tax provision for the year includes Rs.684,785 /- withdrawal of provision relating to earlier years (Previous year withdrawal of provision - Rs.52,926/-).

Note 25

Contingent Liabilities	31.03.2013 Rs.	31.03.2012 Rs.
a) Others	-	-

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2013

Note 26

Dues to micro, small and medium enterprises:
As at March 31, 2013, there is no interest payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Act, 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Note 27

Disclosure as per AS15 revised - Defined Benefit Plans

	2012-13	2011-12	2010-11	2009-10	2008-09
Present value of obligation at the beginning of the year	5,872,088	4,823,724	1,736,375	1,221,894	753,002
Interest cost	469,767	385,898	138,910	97,752	56,010
Current service cost	618,153	659,426	404,417	172,105	151,621
Benefits paid	(30,690)	(20,700)	(106,800)	(16,873)	(285,756)
Transfer of obligations during the year	22,950	986,400	2,039,700	-	776,610
Actuarial (gain) / loss on obligation	42,100	(962,660)	611,122	261,497	(231,594)
Present value of obligation as at the end of the year	6,994,368	5,872,088	4,823,724	1,736,375	1,221,894
Fair value of planned assets at the beginning of the year	6,116,276	4,841,971	1,736,375	1,027,639	311,306
Expected return on plan assets	673,708	561,734	342,697	92,610	61,935
Contributions	347,950	-	2,929,700	633,000	981,610
Contributions from others - Transferred In	-	986,400		-	-
Benefits paid direct	(30,690)	(20,700)	(106,800)	16,875	(285,755)
Actuarial gain / (loss) on plan assets	10,200	-	(60,001)	1	(41,457)
Fair value of plan assets at the end of the year	7,117,444	6,369,405	4,841,971	1,770,125	1,027,639
Amounts recognised in the balance sheet					
Present value of obligation as at the end of the year	6,994,368	5,872,088	4,823,724	1,736,375	1,221,894
Fair value of plan assets at the end of the year	7,117,444	6,369,405	4,841,971	1,736,375	1,027,639
Funded status of the plan - (asset) / liability	(123,076)	(497,317)	(18,247)	-	194,255
Amounts recognised in the statement of profit and loss					
Current service cost	618,153	659,426	404,417	172,105	151,621
Interest cost	469,767	385,898	138,910	97,752	56,010
Expected return on plan assets	(673,708)	(561,734)	(342,697)	(92,610)	(61,935)
Net actuarial (gain) / loss recognised in the year	31,900	(962,660)	671,123	261,496	(190,137)
Expenses recognised in the statement of profit and loss	446,112	(479,070)	871,753	438,743	(42,441)
Principal actuarial assumptions					
Discount rate	8.00%	8.00%	8.00%	8.00%	8.00%
Salary escalation	8.00%	8.00%	8.00%	8.00%	8.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%	8.00%
Attrition rate	1%-3%	1%-3%	1%-3%	1%-3%	1%-3%

Note 28

Related party disclosures :

(a) Controlling Parties
Sanmar Consolidations Limited

(b) Associates / Fellow Subsidiaries

BS&B Safety Systems (India) Limited
Cathedral Corporate Finance
Chemplast Sanmar Limited
Flowserve Sanmar Limited
Kalamkriya Limited
Sanmar Foundries Limited
Sanmar Engineering Technologies Limited
TCI Sanmar Chemicals SAE
Tyco Sanmar Limited
Xomox Sanmar Limited

(c) List of transactions with related parties during the year ended March 31, 2013

Description	Controlling Parties		Associates / Fellow Subsidiaries	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Transactions during the year				
Purchases				
Xomox Sanmar Limited	-	-	11,635,344	-
Flowserve Sanmar Limited	-	-	9,716,819	10,270,649
Tyco Sanmar Limited	-	-	4,717,699	431,613
BS&B Safety Systems (India) Limited	-	-	3,128,432	521,093
Total	-	-	29,198,294	11,223,355
Sales				
TCI Sanmar Chemicals SAE	-	-	11,134,982	12,571,529
Total	-	-	11,134,982	12,571,529
Investments				
Sanmar Engineering Technologies Limited			3,373,500,000	-
Total			3,373,500,000	-
Share of income from partnership firm				
Cathedral Corporate Finance	-	-	13,384,792	4,694,220
Expenses Paid				
Chemplast Sanmar Limited	-	-	439,640	45,854
Tyco Sanmar Limited	-	-	-	12,412
Sanmar Speciality Chemicals Limited	-	-	-	-
Sanmar Foundries Limited	-	-	12,834	6,309
Kalamkriya Limited	-	-	10,030	13,401
Total	-	-	462,504	77,976
Balances as at March 31, 2013				
Investments			3,373,500,000	
Trade Receivables	-	-	14,580,856	11,134,982
Trade Payables	-	-	12,507,339	9,871,726

Note 29 Figures in brackets indicate deductions.

Note 30 Prior year figures have been reclassified / regrouped wherever necessary to conform to current year's classification.

(Signatories to Note 1 to 30)

As per our report of even date

For Prasad & Srinath
Chartered Accountants
Firm Registration Number : 0068[illegible]

PRASAD & SRINATH
CHENNAI
CHARTERED ACCOUNTANTS

S Prasad
Partner
Membership No.: 12847

Chennai
Date : August 23, 2013

For and on behalf of the Board of Directors

M N RADHAKRISHNAN
Director

Chennai
Date : August 23, 2013

S SANKARAN
Director

Chennai
Date : August 23, 2013