

SANMAR ENGINEERING SERVICES LIMITED

Annual Report 2013–14

Sanmar Engineering Services Limited

Directors' Report

The Directors have pleasure in presenting their nineteenth Annual Report along with the audited accounts for the year ended March 31, 2014

Corporate Results

	2014	2013
	(In Rs. Million)	
Net sales and other Income	130.12	76.38
Profit before interest, depreciation and taxes	(11.98)	16.12
Interest and Finance charges	626.59	348.35
Profit / (Loss) before tax	(638.57)	(332.23)
Profit / (Loss) after tax	(634.32)	(334.95)

Operations

Revenue for the current year, including other income, was higher by 70.4% mainly due to 175.5% 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 7%.

Personnel

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

Directors

During the year Mr M N Radhakrishnan and Mr B Visweswaran resigned from the Board and Mr V S Ramesh was co-opted to the Board in the resultant casual vacancy arising out of the resignation of Mr B Visweswaran.

Mr B Natraj retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

Auditors

Prasad & Srinath, Chartered Accountants, Chennai retire 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 2014, 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 2014 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 27, 2014

For and on behalf of the Board


VS Ramesh
Director
DIN : 00013521


S Sankaran
Director
DIN : 00009172

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, 2014.

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

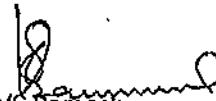
C) Foreign Exchange Earnings and Outgo

(in Rs. million)

- | | |
|------------------------------|-------|
| a) Foreign Exchange earnings | 95.81 |
| b) Foreign Exchange outgo | - |

Chennai
August 27, 2014

For and on behalf of the Board


VS Ramesh
Director
DIN : 00013521


S Sankaran
Director
DIN: 00009172

S. PRASAD, F.C.A.**T. ANNAMALAI, F.C.A., DISA.****R. MOHAN, F.C.A., DISA.****R. SATYANARAYANAN, F.C.A., DISA.**

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, 2014, 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.



S. PRASAD, F.C.A.**T. ANNAMALAI, F.C.A., DISA.****R. MOHAN, F.C.A., DISA.****R. SATYANARAYANAN, F.C.A., DISA.**

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, 2014;
- (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 read with the General Circular 8/2014 dated April 04, 2014 of the Ministry of Corporate Affairs;



PRASAD & SRINATH

Chartered Accountants

Phone : 044 2498 2995 Email : prasad_s48@rediffmail.com

New No.7, Old No.5, Ground Floor, Abhiramapuram 1st Street, Abhiramapuram, Chennai - 600 018

S. PRASAD, F.C.A.

T. ANNAMALAI, F.C.A., DISA.

R. MOHAN, F.C.A., DISA.

R. SATYANARAYANAN, F.C.A., DISA.

- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

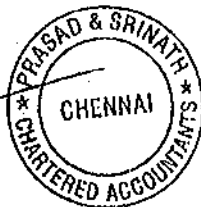
For Prasad & Srinath
Chartered Accountants

ICAI Firm Registration Number: 005826S

S Prasad

Partner

Membership Number: 12847



Place: Chennai

Date: August 27, 2014

S. PRASAD, F.C.A.

T. ANNAMALAI, F.C.A., DISA.

R. MOHAN, F.C.A., DISA.

R. SATYANARAYANAN, F.C.A., DISA.

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, 2014)

- 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.



S. PRASAD, F.C.A.
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R. SATYANARAYANAN, F.C.A., DISA

- 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.
- 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, 2014 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's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses in the current and immediately preceding financial year.



S. PRASAD, F.C.A.

T. ANNAMALAI, F.C.A., DISA.

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- 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 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.



PRASAD & SRINATH

Chartered Accountants

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New No.7, Old No.5, Ground Floor, Abhiramapuram 1st Street, Abhiramapuram, Chennai - 600 018

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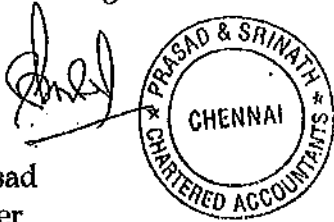
R. SATYANARAYANAN, F.C.A., DISA.

- 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



S Prasad
Partner

Membership Number: 12847

Place : Chennai

Date : August 27, 2014

Statement of Profit and Loss for the year ended March 31 2014

	Notes	2013-14 Rs.	2012-13 Rs.
INCOME			
Revenue from Operations (gross)	2	123,824,052	60,966,355
Other Income	3	6,300,824	15,422,780
Total Revenue		130,124,876	76,379,135
EXPENSES			
Purchase of traded goods	4	80,559,771	31,591,022
Employee benefit expense	5	54,694,652	16,705,372
Other expenses	6	6,846,946	11,982,486
Finance costs	7	626,590,623	348,349,876
Depreciation and amortization expense	15	4,653	1,353
Total Expenses		768,696,644	408,610,109
Profit / (Loss) before tax		(638,571,768)	(332,230,974)
Tax Expenses			
Current		-	(2,715,215)
Excess Tax provision of previous year reversed		416,883	-
Deferred		3,830,000	-
Total Tax expense		4,246,883	(2,715,215)
Profit / (Loss) for the year		(634,324,885)	(334,946,189)
Earnings Per Share - Basic & Diluted (Nominal value of share Rs.10/-, 31st March 2013 Rs.10/-)		(1,196.84)	(631.97)

Significant accounting policies

1

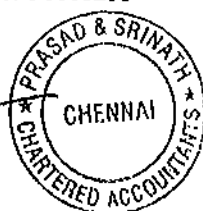
The accompanying notes are an integral part of the financial statements

As per our report of even date

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

S Prasad
Partner
Membership No : 12847

Chennai
Date : August 27, 2014



For and on behalf of the Board of Directors
Sanmar Engineering Services Limited

V S RAMESH
Director
DIN : 00013521

Chennai
Date : August 27, 2014

S SANKARAN
Director
DIN : 00009172

Chennai
Date : August 27, 2014

Balance Sheet as at March 31, 2014

	Notes	31.03.2014		31.03.2013	
		Rs.	Rs.	Rs.	Rs.
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	8	5,300,000		5,300,000	
Reserves and surplus	9	(885,844,042)	(880,344,042)	(251,319,157)	(246,019,157)
Non Current Liabilities					
Long term borrowings	10	3,500,000,000		3,500,000,000	
Other Long term liabilities	11	574,764,782	4,074,764,782	208,513,218	3,708,513,218
Current Liabilities					
Short term borrowings	12	1,000,000,000			
Trade payables	13	25,282,955		15,306,024	
Other current liabilities	14	147,127,426	1,172,410,381	117,048,716	132,354,740
			4,366,831,121		3,594,848,801
ASSETS					
Non current assets					
Fixed Assets					
15					
Tangible Assets		11,811		12,964	
Capital work in progress		-	11,811	-	12,964
Non current investments	16	4,146,890,100		3,373,500,100	
Deferred Tax Asset - Net	17	7,350,000		3,520,000	
Long term loan and advances	18	3,369,726		3,369,726	
Other non current assets	21	62,410,498	4,219,020,323	78,393,726	3,456,783,551
Current Assets					
Trade receivables	19	34,515,467		32,476,641	
Cash and bank balances	20	82,753,259		78,452,168	
Short term loans and advance	18	18,321,036		14,707,646	
Other current assets	21	14,209,425	147,799,187	14,415,833	138,052,286
			4,366,831,121		3,594,848,801

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 : 0058268

S Prasad
Partner
Membership No : 12847

Chennai
Date : August 27, 2014



For and on behalf of the Board of Directors
Sanmar Engineering Services Limited

V S RAMESH
Director
DIN : 00013521

Chennai
Date : August 27, 2014

S SANKARAN
Director
DIN : 00009172

Chennai
Date : August 27, 2014

Sanmar Engineering Services Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	2012-13
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	(638,571,768)	(332,230,974)
Adjustments for:		
Depreciation and amortisation	4,653	1,353
Difference in exchange	(24,042)	(69,446)
Interest and finance charges	626,690,623	348,349,876
Share of income from partnership firm	(3,915,263)	(13,384,792)
Interest received	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(15,916,797)	2,666,018
Adjustments for changes in:		
Trade and other receivables	1,004,027	(27,527,994)
Trade and other payables	12,697,992	39,076,824
CASH GENERATED FROM OPERATIONS	(2,213,778)	14,214,848
Income taxes paid	(4,032,952)	(2,480,367)
NET CASH FROM OPERATING ACTIVITIES	(6,246,730)	11,734,481
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Capital Advances	(3,300)	-
Share of income from partnership firm	3,915,263	13,384,792
Investments	(772,390,000)	(3,373,600,000)
NET CASH FROM / USED IN INVESTING ACTIVITIES	(768,478,037)	(3,360,115,208)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest and finance charges paid	(218,974,140)	(159,768,418)
Proceeds from long term borrowings	-	3,500,000,000
Proceeds from short term borrowings	1,000,000,000	-
NET CASH USED IN FINANCING ACTIVITIES	781,025,860	3,340,231,582
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6,301,093	(8,149,145)
Cash and cash equivalents at the beginning of the year	76,462,166	84,601,311
Cash and cash equivalents at the end of the year	82,763,259	76,452,166

- 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: 006826S

S Prasad
Partner
Membership No : 12847

Chennai
Date : August 27, 2014

For and on behalf of the Board of Directors
Sanmar Engineering Services Limited

V S RAMESH
Director
DIN : 00013521

Chennai
Date : August 27, 2014

S SANKARAN
Director
DIN : 00009172

Chennai
Date : August 27, 2014

Notes to financial statements for the year ended March 31, 2014

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.

Share of income from partnership firm is recognized on receipt of the partnership firms audited statement of profit and loss account for the year, disclosing the companies share of income after income tax.

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.

Notes to financial statements for the year ended March 31, 2014

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 compounding 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.

1.11 Leased Assets

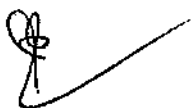
Operating lease charges are charged to Statement of Profit and loss on straight line basis.



Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2014

	31.03.2014	31.03.2013
Note 2	Amount	Amount
	Rs.	Rs.
Revenue from operations		
Sale of Products		
Traded goods	95,814,846	34,785,750
Sale of Services	28,009,406	26,170,605
Total Revenue from operations	<u>123,824,052</u>	<u>60,956,355</u>
Details of Products sold		
Mechanical Seals	20,710,905	10,918,087
Safety Valves	4,300,974	5,211,646
Rupture disks	2,079,652	3,317,454
Control valves	6,910,404	1,480,294
On/Off valves	61,812,711	13,868,269
	<u>95,814,846</u>	<u>34,785,750</u>
Details of Services Rendered		
Repair, Testing and Reconditioning of Mechanical seals & Safety valves	28,009,406	26,170,605
	<u>28,009,406</u>	<u>26,170,605</u>
Note 3		
Other Income		
Share of income from partnership firm	3,915,263	13,384,792
Export incentives	44,883	548,669
Difference in exchange (Net)	736,501	986,403
Bad debts	45,764	
Less :- Recovery of debts written off	<u>1,437,894</u>	179,821
Miscellaneous income	212,047	323,095
	<u>6,300,824</u>	<u>15,422,780</u>
Note 4		
In respect of Traded Goods		
Inventory at the beginning of the year	-	-
Add: Purchases	80,559,771	31,591,022
Less: Inventory at the end of the year	-	-
	<u>80,559,771</u>	<u>31,591,022</u>
Details of Purchases - Traded Goods		
Mechanical Seals	20,710,905	10,918,087
Safety Valves	4,300,974	5,211,646
Rupture disks	2,079,652	3,317,454
Control valves	6,910,404	1,480,294
On/Off valves	46,557,836	10,663,541
	<u>80,559,771</u>	<u>31,591,022</u>



Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2014

	2013-14	2012-13
	Rs.	Rs.
Note 5		
Employee benefits expense		
Salaries, wages and bonus	63,236,374	15,135,407
Contribution to provident fund	852,689	831,988
Gratuity Expense / (Reversal)	395,868	587,723
Staff welfare expenses	209,921	150,274
	<u>64,694,852</u>	<u>16,705,372</u>

Note 6**Other Expenses**

Rent	204,000	204,000
Insurance	18,405	15,851
Rates and taxes	88,849	205,115
Repairs to Machinery	1,808	-
Repairs to Others	35,553	19,911
Travelling and conveyance	2,319,357	2,519,218
Information Technology expenses	1,179,886	1,054,870
Payments to Auditor (Refer details below)	200,000	202,400
Legal & Professional Expenses	1,895,447	6,920,108
Miscellaneous expenses	903,042	821,213
	<u>6,848,945</u>	<u>11,862,486</u>

Payment to Auditors**as Auditor**

Audit fee	150,000	150,000
Tax Audit Fee	50,000	50,000
Reimbursement of expenses	-	2,400
	<u>200,000</u>	<u>202,400</u>

Note 7**Finance costs**

Interest - Fixed	607,393,728	339,728,763
Finance charges	19,191,292	8,570,764
Interest on income tax	5,603	50,349
	<u>626,590,623</u>	<u>348,349,876</u>

Note 8

Share Capital

AUTHORISED

18, 12 % Cumulative Redeemable Preference Shares of Rs 100/- each.
599,820 (previous year 599,820) Equity Shares of Rs 10/- each

31.03.2014
Rs.

31.03.2013
Rs.

1,800	1,800
5,998,200	5,998,200
<u>6,000,000</u>	<u>6,000,000</u>

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
<u>5,300,000</u>	<u>5,300,000</u>

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

	31.03.2014		31.03.2013	
	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 year	-	-	-	-
Outstanding at the end of the year	<u>530,000</u>	<u>5,300,000</u>	<u>530,000</u>	<u>5,300,000</u>

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

31.03.2014

31.03.2013

Surplus/(deficit) in the statement of profit and loss

Balance as per last financial statements	(251,319,167)	83,627,032
Add : Profit for the year	<u>(834,324,885)</u>	<u>(334,946,189)</u>
Net surplus in statement of profit and loss	(885,644,042)	(251,319,167)
Total reserve and surplus	<u>(885,644,042)</u>	<u>(251,319,167)</u>

Note 10

Non current Current Non current Current
31.03.2014 31.03.2014 31.03.2013 31.03.2013

Long term borrowings

Term loan from others (Secured*)	3,500,000,000	-	3,500,000,000	-
	<u>3,500,000,000</u>	<u>-</u>	<u>3,500,000,000</u>	<u>-</u>

* 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

Notes to financial statements for the year ended March 31, 2014

	31.03.2014 Rs.	31.03.2013 Rs.
Note 11		
Other Long term liabilities		
Accrued Salaries and benefits	1,332,300	
Withholding and other tax payables	288,830	288,830
Provision for expenses	2,518,752	2,518,752
Interest Accrued but not Due on Loan	569,183,125	204,263,861
Other payables	1,441,775	1,441,775
	<u>674,784,782</u>	<u>208,513,218</u>

Note 12**Short term borrowings**

Loan from others (Secured*)	1,000,000,000
	<u>1,000,000,000</u>

* 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.

Note 13**Trade payables**

25,282,955	15,306,024
<u>25,282,955</u>	<u>15,306,024</u>

Note :

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

Note 14**Other Current liabilities**

Accrued Salaries and benefits	5,880,220	10,417,587
Withholding and other tax payables	38,471,431	32,886,282
Provision for expenses	971,676	631,385
Interest Accrued but not Due on Loan	101,692,052	72,878,061
Other payables	1,997	25,341
Advance received from Customers	210,050	210,050
	<u>147,127,426</u>	<u>117,048,716</u>



Sannar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2014

Note 15

Tangible Assets

	GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at 31.03.2013	Additions	Deductions	As at 31.03.2014	As at 31.03.2013	Disposal	For the year	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	Rs.	Rs.
Plant and machinery	272,337	-	-	272,337	260,476	-	1,353	261,829	10,508	11,861
Furniture, fixtures	53,408	-	-	53,408	52,558	-	-	52,558	850	850
Office equipments	5,050	-	-	5,050	4,797	-	-	4,797	253	253
Vehicles	-	3,300	-	3,300	-	-	3,300	3,300	-	-
Total	330,795	3,300	-	334,095	317,831	-	4,653	322,484	11,611	12,964

Previous year

14,317

12,964

317,831

1,353

-

316,478

330,795

-

-

-

330,795

-

-

Intangible Assets

Intangible Assets		GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 31.03.2013	Additions	Deductions	As at 31.03.2014	As at 31.03.2013	Disposal	For the year	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Intangible assets (a) Software	1,535,876	-	-	1,535,876	1,535,876	-	-	1,535,876	-	-
Total	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, 2014
Note 16

Non Current Investment	31.03.2014	31.03.2013
Long term (at cost non-trade - Unquoted) *	Rs.	Rs.
Investment in the capital of a partnership firm (refer note 23 B)	100	100
Long term investment in share of body corporate (refer note 23 A)	4,148,890,000	3,373,600,000
	<u>4,148,890,100</u>	<u>3,373,600,100</u>

Note 17
Deferred Tax Asset - Net

The composition of Deferred Tax (Liability) / Asset

-On account of timing difference relating to depreciation	17,260	24,172
-On account of provision for special adhoc compensation	411,881	1,984,778
-Others	6,921,060	1,631,060
	<u>7,360,000</u>	<u>3,620,000</u>

Note 18
**Loans and advances
(Unsecured, considered good)**

	Non current 31.03.2014	Current 31.03.2014	Non current 31.03.2013	Current 31.03.2013
Advances recoverable in cash or in kind or for value to be received	149,861	147,836	149,861	694,991
Advance given to creditors	-	4,622	-	-
Prepaid expenses	-	169,470	-	214,466
Deposits	81,586	-	81,599	-
Balances with customs and excise authorities	-	8,384,385	-	10,603,010
Works contract tax deducted at source (Net)	3,138,268	-	3,138,268	-
Provision for current tax	-	(13,145,335)	-	(15,409,290)
Less : Advance tax and tax deducted at source	-	20,780,987	-	18,695,107
Provision for fringe benefit tax	-	(118,664)	-	(118,664)
Less : Advance for fringe benefit tax	-	126,028	-	129,028
	<u>3,369,725</u>	<u>16,321,036</u>	<u>3,369,725</u>	<u>14,707,646</u>

Note 19
**Trade Receivables
(Unsecured, considered good)**

Debt outstanding for a period of less than six months	34,616,467	32,476,641
	<u>34,616,467</u>	<u>32,476,641</u>

Note 20
Cash and Bank balances

	Non current 31.03.2014	Current 31.03.2014	Non current 31.03.2013	Current 31.03.2013
Cash and cash equivalents				
Cash on hand	-	12,038	-	22,260
Cheques and Drafts on hand	-	9,824,901	-	13,384,792
Balance with scheduled banks				
-on current account	-	72,916,320	-	83,046,094
Other Bank balances				
-on Margin deposit	-	6,000	-	6,000
Amount disclosed under non current assets (Note 20)	-	(6,000)	-	(6,000)
	-	<u>82,783,259</u>	-	<u>76,462,166</u>

Note 21
**Other Assets
(Unsecured, considered good)**

	Non current 31.03.2014	Current 31.03.2014	Non current 31.03.2013	Current 31.03.2013
Claims receivable	-	224,530	-	430,938
Interest receivable	-	1,867	-	1,867
Other receivables	1,811,490	-	1,811,490	-
Margin Money deposit (refer note 19)	5,000	-	5,000	-
Unamortised expenses	60,894,008	13,993,228	74,677,238	13,993,228
	<u>62,410,498</u>	<u>14,209,428</u>	<u>76,393,728</u>	<u>14,416,833</u>

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2014

Note 22

Earnings in foreign exchange.

FOB value of exports
Service Income

2013-14	2012-13
Rs.	Rs.
95,814,848	34,785,750
<u>95,814,848</u>	<u>34,785,750</u>

Note 23

A. Investment in shares of a body corporate

Sanmar Engineering Technologies Limited

3,37,36,000 Zero coupon compulsorily convertible unsecured debentures of Rs.100/- each convertible into equity shares of the company at par on 28.03.2022.

31.03.2014	31.03.2013
3,373,600,000	3,373,600,000

77,23,900 Zero coupon compulsorily convertible unsecured debentures of Rs.100/- each convertible into equity shares of the company at par on 28.03.2023.

772,380,000	-
-------------	---

B. Details of Investment - Long Term

Investment in the capital of a Partnership firm

31.03.2014	31.03.2013
100	100

Name of the firm
Total Capital (as mutually agreed)

Cathedral Corporate Finance
Rs.1,400/-

Partner's Name	Profit Sharing Ratio	Capital Rs	Capital Rs
BS&B Safety Systems (India) Limited	Profits are shared by partners with positive aggregate daily balances in the accounts in the equally by all partners.	100	100
B Sec Services Limited		100	100
Cabot Sanmar Limited		100	100
Flowserve Sanmar Limited		100	100
Kalamkriya Ltd		100	100
Sanmar Consolidations Ltd		100	100
Sanmar Engineering Services Limited		100	100
Sanmar Engineering Technologies Ltd		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
Xomex Sanmar Limited		100	100
		<u>1,400</u>	<u>1,400</u>

Note 24

Earnings Per Share

Profit after taxation as per statement of Profit & Loss account (A)

Number of equity shares outstanding (B)

Earnings per share (in Rs.) (A)/(B)

31.03.2014	31.03.2013
Rs.	Rs.
-634,324,885	-334,948,189
530,000	530,000
-1,196.84	-631.97

Note 25

Tax provision for the year includes Rs.416,883/- withdrawal of provision relating to earlier years (Previous year withdrawal of provision - Rs.684,785/-).

Note 28
Contingent Liabilities

31.03.2014
Rs.

31.03.2013
Rs.

a) Others

Note 27

Dues to micro, small and medium enterprises:

As at March 31, 2014, there is no interest payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Act, 2008. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Note 28

Disclosure as per AS16 revised - Defined Benefit Plans

	2013-14	2012-13	2011-12	2010-11	2009-10
Present value of obligation at the beginning of the year	6,994,388	5,872,088	4,823,724	1,736,375	1,221,894
Interest cost	559,549	469,767	385,898	138,910	97,762
Current service cost	400,791	616,153	659,426	404,417	172,105
Benefits paid	(3,480,200)	(30,690)	(20,700)	(106,800)	(16,873)
Transfer of obligations during the year	48,090	22,950	986,400	2,039,700	-
Actuarial (gain) / loss on obligation	(167,226)	42,100	(962,660)	611,122	261,497
Present value of obligation as at the end of the year	4,315,372	6,994,368	6,872,088	4,823,724	1,736,375
Fair value of planned assets at the beginning of the year	7,117,444	8,116,276	4,841,971	1,736,375	1,027,639
Expected return on plan assets	347,389	673,708	561,734	342,697	92,610
Contributions	470,090	347,950	-	2,929,700	633,000
Contributions from others - Transferred in	-	-	986,400	-	-
Benefits paid direct	(3,490,200)	(30,690)	(20,700)	(106,800)	16,875
Actuarial gain / (loss) on plan assets	(103,320)	10,200	-	(60,001)	1
Fair value of plan assets at the end of the year	4,341,403	7,117,444	6,369,405	4,841,971	1,770,125
Amounts recognised in the balance sheet					
Present value of obligation as at the end of the year	4,315,372	6,994,368	6,872,088	4,823,724	1,736,375
Fair value of plan assets at the end of the year	4,341,403	7,117,444	7,117,444	6,369,405	1,736,375
Funded status of the plan - (asset) / liability	(26,031)	999,204	(123,076)	(1,545,681)	-
Amounts recognised in the statement of profit and loss					
Current service cost	400,791	616,153	616,153	404,417	172,105
Interest cost	559,549	469,767	469,767	138,910	97,762
Expected return on plan assets	(347,389)	(673,708)	(673,708)	(342,697)	(92,610)
Net actuarial (gain) / loss recognised in the year	(93,906)	31,900	31,900	671,123	261,498
Expenses recognised in the statement of profit and loss	519,045	448,112	448,112	871,763	438,743
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%

Related party disclosures :

(a) Controlling Parties
Sanmar Consolidations Limited

(b) Associates

BS&B Safety Systems (India) Limited
Cathedral Corporate Finance
Chemplast Sanmar Limited
TCI Sanmar Chemicals SAE

(c) Fellow subsidiaries

Flowserve Sanmar Limited
Kalamkriya Limited
Sanmar Foundries Limited
Sanmar Engineering Technologies Limited
Tyco Sanmar Limited
Xomox Sanmar Limited

(d) List of transactions with related parties during the year ended March 31, 2014

Description	Controlling Parties		Associates / Fellow Subsidiaries	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Transactions during the year				
Purchases				
Xomox Sanmar Limited	-	-	49,036,929	11,835,344
Flowserve Sanmar Limited	-	-	18,041,754	9,718,819
Tyco Sanmar Limited	-	-	3,872,500	4,717,899
BS&B Safety Systems (India) Limited	-	-	1,892,984	3,128,432
Total	-	-	72,644,167	29,198,294
Sales				
TCI Sanmar Chemicals SAE	-	-	95,814,648	34,785,750
Total	-	-	95,814,648	34,785,750
Investments				
Sanmar Engineering Technologies Limited	-	-	772,380,000	3,373,500,000
Total	-	-	772,380,000	-
Share of Income from partnership firm				
Cathedral Corporate Finance	-	-	3,915,263	13,384,792
Expenses Paid				
Chemplast Sanmar Limited	-	-	77,344	439,840
Tyco Sanmar Limited	-	-	8,594	-
Sanmar Foundries Limited	-	-	-	12,834
Kalamkriya Limited	-	-	12,810	10,030
Total	-	-	88,748	462,604
Balances as at 31st March				
Investments	-	-	4,146,880,000	3,373,500,000
Trade Receivables	-	-	27,182,433	14,580,856
Trade Payables	-	-	23,278,084	12,507,339

Note 30 Figures in brackets indicate deductions.

Note 31 Prior year figures have been reclassified / regrouped wherever necessary to conform to current year's classification.

(Signatories to Note 1 to 31)

As per our report of even date

For Prasad & Srinath
Chartered Accountants
Firm Registration Number : 0058288

S Prasad
Partner
Membership No : 12847

Chennai
Date : August 27, 2014



For and on behalf of the Board of Directors
Sanmar Engineering Services Limited

V S RAMESH
Director
DIN : 00013621

Chennai
Date : August 27, 2014

S SANKARAN
Director
DIN : 00009172

Chennai
Date : August 27, 2014