

SANMAR ENGINEERING SERVICES LIMITED

Annual Report 2014–15

SANMAR ENGINEERING SERVICES LIMITED

Directors Report

The Directors have pleasure in presenting their Twentieth Annual report along with the accounts for the year ended 31st March 2015.

Corporate Results

	2015	2014
	(In Rs. Million)	
Net sales and other income	50.43	130.12
Profit before interest, depreciation and taxes	(34.39)	(11.98)
Interest and Finance Charges	914.47	626.59
Profit/ (loss) for the year	(948.86)	(638.57)
Provision for tax withdrawal/ (provision))		
Current	-	0.42
Deferred	(0.36)	3.83
Profit/ (loss) after Tax	(949.22)	(634.32)

In view of the losses incurred, the Directors do not recommended any dividend on equity shares for the year 2014-15 and transfer to reserves.

Operations

Revenue for the current year, including other income, was lower by 61.2% mainly due to reduction in exports to TCI Sanmar Chemicals SAE, Egypt on account of decreased project activities. The domestic inplant maintenance service income during the current year was higher by 7%.

Finance

Your company has established a good track record with the bankers and financial institutions, thereby enjoying their full confidence.

Risk Assessment and Management

The Company has a well defined Risk Management System. The System ensures that all risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, legal, regulatory, IT, reputational and other risks are identified, impact assessed, mitigation plans are drawn up and these plans are effectively implemented.

Internal Control Systems

Adequate internal controls, systems, and checks are in place, commensurate with the nature of the Company's business and size. The management exercises financial control on the operations through a well defined budget monitoring process and other standard operating procedures.

Internal audit for the year 2014-15 was carried out by Capri Assurance and Services, Chennai covering all significant areas of operations. All significant observations of the Internal Auditors are placed before the Board together with corrective actions

The Internal Auditors monitor and evaluate the efficacy and adequacy of internal control in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of Internal Auditors, the management undertakes appropriate corrective action in their respective areas.

Deposits

During the year under review, the Company has not accepted any public deposit within the meaning of the provisions of Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 and as on 31st March 2015, the Company did not have any outstanding public deposit.

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

Particulars of investments under Section 186 of the Companies Act, 2013 are given in the Notes forming part of the Financial Statements for the year ended 31st March 2015.

The Company has not given any loans or provided guarantees under the provisions of Section 186 of the Companies Act, 2013.

Subsidiary/ Associate Companies:

No company has become/ ceased to be the subsidiary or associate company of the Company during the year under review.

Particulars of contracts or Arrangement under Section 188 of the Companies Act, 2013

During the year under review, there was no contract or arrangements as defined under Section 188 of the Companies Act, 2013, with related parties.

Significant and Material Orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the company

There were no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the company and Company's operations in future.

Material Changes and Commitment affecting the financial position of Company that occurred after 31st March 2015

No material changes and commitments affecting the financial position of the Company has occurred between the end of the financial year to which this financial relate and on the date of this report.

Directors and Key Managerial Personnel

Mr B Natraj resigned from the Board in March 2015. The Board placed on record the valuable services rendered by him during their tenure as Director of the Company.

Mr M Chandrasekar was appointed as a Director in March 2015, in the casual vacancy arising out of the resignation of Mr B Natraj and he holds office till the date of ensuing Annual General Meeting. A notice under the provisions of the Companies Act, 2013 has been received from a shareholder of the Company, proposing his appointment as a Director of the Company.

Mr V S Ramesh who was appointed as an Independent Director in March 2015, resigned from the Board in June 2015.

Mr R Sugavanam who was appointed as an Independent Director in June 2015, resigned from the Board in July 2015.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 read with rules thereunder, Mr S Sankaran was appointed by the Board of Directors as an Independent Director of the Company, in March 2015, subject to the approval of the Shareholders at the ensuing Annual General Meeting. A notice under the provisions of the Companies Act, 2013 has been received from a shareholder of the Company, proposing his appointment as a Director of the Company not liable retire by rotation.

Subsequent to the close of the year, Mr K Venkatasubramanian was appointed by the Board of Directors as Independent Director of the Company, in July 2015 pursuant to the provisions of Section 149 of the Companies Act, 2013 read with rules thereunder, subject to the approval of the Shareholders at the ensuing Annual General Meeting. A notice under the provisions of the Companies Act, 2013 has been received from a shareholder of the Company, proposing his appointment as a Director of the Company not liable retire by rotation.

The Independent Directors have submitted declarations stating that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

The provisions of Section 203 of the Companies Act, 2013 and the rules thereunder, relating to appointment of Key Managerial Personnel are not applicable to the Company.

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013.

- a) In the preparation of the annual accounts for the year ended 31st March 2015 the applicable accounting standards have been followed by the company.
- b) 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 2015 and of the loss of the company for the year ended that date.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) The accounts of the company have been prepared on a going concern basis.
- e) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Number of Board Meetings

During the year, the Board of Directors met eight times.

Audit Committee

The Audit Committee of Directors consists of the following Directors:

Mr S Sankaran, Chairman
Mr M Chandrasekar
Mr K Venkatasubramanian

The composition of the Audit Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 read with the rules thereunder. The scope of the activities of the Audit Committee is as set out in Section 177 of the Companies Act, 2013.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following directors:

Mr S Sankaran, Chairman
Mr M Chandrasekar
Mr K Venkatasubramanian

The composition of the Committee is in compliance with the provisions of Section 178 of the Companies Act, 2013. The Committee adheres to the provisions of the Companies Act, 2013 read with Rules thereunder in terms of its functioning, roles and powers.

The Company's Policy on appointment of Directors and Remuneration policy is attached as Annexure 3 to this Report and forms part of this Report.

Personnel

Employee relations remain cordial throughout the year. The Directors look forward to continued support from employees in the years to come.

Particulars of employees

There was no employee drawing remuneration in excess of the limits prescribed under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

During the year, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Vigil Mechanism/ Whistle Blower Policy

The Company has a Vigil Mechanism Policy to deal with an instance of fraud or mismanagement, if any.

The Company had adopted an ethical code of conduct for the highest degree of transparency, integrity, accountability and corporate social responsibility. Any actual or potential violation of the Code would be a matter of serious concern for the Company.

This policy has been formulated with a view:

- To provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee, any instance of unethical behaviour, actual or suspected fraud or violation of the Company's Ethics Policy.
- To safeguard the confidentiality and interest of such employees / other persons dealing with the Company against victimization, who notice and report any unethical or improper practices, and
- To appropriately communicate the existence of such mechanism, within the organization and to outsiders.
- No personnel has been denied access to the Chairman of the Audit Committee in respect of reporting any of above instances.

Corporate Social Responsibility

The Company has all along attached utmost importance to sustainable development.

The provisions of the Companies Act, 2013 and the rules framed thereunder, relating to Corporate Social Responsibility are not applicable to the Company.

The provisions of the Companies Act, 2013 and the rules framed thereunder, relating to Corporate Social Responsibility are not applicable to the Company.

Auditors

Prasad & Srinath, Chartered Accountants, Chennai, retire at the close of this Annual General Meeting and are eligible for reappointment. The Company has received confirmation from the firm regarding their consent and eligibility under Section 139 and 141 of the Companies Act, 2013 (Accounts) and rules framed thereunder for appointment as the Auditors of the Company.

The Audit Committee and the Board of Directors have recommended the appointment of the Auditors for the financial year 2015-16.

Extract of Annual Return

An extract of Annual Return in Form MGT-9 as on 31st March 2015 is attached as Annexure 2 to this Report and forms part of this Report.

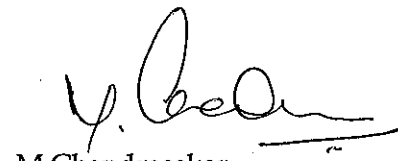
Other Particulars

Additional information on conservation on energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of section 134(3)(m) of the Companies Act, 2013, read with Rule 9 of the Companies (Accounts) Rules 2014 is set out in Annexure 1 and forms part of this Report.

For and on behalf of the Board

Place: Chennai
Date: September 5, 2015


S Sankaran
Director
DIN: 00009172


M Chandrasekar
Director
DIN: 07136910

Information under Section 134(3)(m) of the Companies Act, 2013 forming part of the Directors' Report for the year ended March 31, 2015.

1. CONSERVATION OF ENERGY

Not Applicable

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards : Not applicable
technology absorption, adaptation
and innovation

2. Benefits derived as a result of the
above efforts, e.g. product
improvement, cost reduction, import
substitution, etc

3. In case of imported technology, Not applicable
(imported during the last 5 years
reckoned from the beginning of the
financial year), following information
may be furnished.

a. Technology Imported

Not applicable

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

3 Research and Development

1. Specific areas in which R & D : Nil
carried out by the Company

2. Benefits derived as a result of the : Nil
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

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. Million)

a. Foreign exchange outgo	Nil
b. Foreign exchange earnings	15.05

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U65993TN1995PLC030445
2	Registration Date	10-March-1995
3	Name of the Company	Sanmar Engineering Services Limited
4	Category/Sub-category of the Company	Public Limited Company having share capital
5	Address of the Registered office & contact details	9 Cathedral Road Cathedral Road 600086 TEL: 044 2812 8722 EMAIL: mr1@sanmargroup.com
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N A

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)			
S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Repair and maintenance of pumps and related equipment, fluid power equipment, valves	33122	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Sanmar Consolidations Limited No.9 Cathedral Road, Chennai 600 086	U29199TN2001PLC047307	Holding Company	100.00%	2(46)

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity - Equity Shares of face value of Rs.10 each)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Bodies Corporate*	-	5,29,994	5,29,994	100.00%	-	5,29,994	5,29,994	100.00%	0.00%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Any other	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (1)	-	5,29,994	5,29,994	100.00%	-	5,29,994	5,29,994	100.00%	0.00%

(2) Foreign									
a) NRI Individuals	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Other Individuals	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) Bodies Corp.	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Any other	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
TOTAL (A)	-	5,29,994	5,29,994	100.00%	-	5,29,994	5,29,994	100.00%	0.00%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
e) Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Insurance Companies	-	-	-	0.00%	-	-	-	0.00%	0.00%
g) FIs	-	-	-	0.00%	-	-	-	0.00%	0.00%
h) Foreign Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
i) Others (specify)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(1):-	-	-	-	0.00%	-	-	-	0.00%	0.00%

2. Non-Institutions									
a) Bodies Corp.									
i) Indian			-	0.00%			-	0.00%	0.00%
ii) Overseas		-	-	0.00%		-	-	0.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh		6	6	0.00%		6	6	0.00%	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh			-	0.00%			-	0.00%	0.00%
c) Others (specify)									
Non Resident Indians			-	0.00%			-	0.00%	0.00%
Overseas Corporate Bodies			-	0.00%			-	0.00%	0.00%
Foreign Nationals			-	0.00%			-	0.00%	0.00%
Clearing Members			-	0.00%			-	0.00%	0.00%
Trusts			-	0.00%			-	0.00%	0.00%
Foreign Bodies - D R			-	0.00%			-	0.00%	0.00%
Sub-total (B)(2):-	-	6	6	0.00%	-	6	6	0.00%	0.00%
Total Public (B)	-	6	6	0.00%	-	6	6	0.00%	0.00%
C. Shares held by Custodian for GDRs & ADRs			-	0.00%				0.00%	0.00%
Grand Total (A+B+C)	-	5,30,000	5,30,000	100.00%	-	5,30,000	5,30,000	100.00%	0.00%
* 6 Equity Shares held by 6 nominees of a body corporate									

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Sanmar Consolidations Limited*	5,30,000	100.00%	-	5,30,000	100.00%	-	0.00%

* Includes 6 equity shares held as nominees of Sanmar Consolidations Limited

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year			No Change during 2014-15			
	Changes during the year						
	At the end of the year						

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	NIL			-	0.00%	-	0.00%
	At the beginning of the			No Change during 2014-15			
	Changes during the year						
	At the end of the year						
				-	0.00%	-	0.00%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	S Sankaran*						
	At the beginning of the			1	0.00%	1	0.00%
	Changes during the year			-	0.00%		0.00%
	At the end of the year			1	0.00%	1	0.00%

* Holding 1 equity share as nominees of Sanmar Consolidations Limited. He has no beneficial shareholding interest in this share.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. Rs./Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	35,000.00		-	35,000.00
ii) Interest due but not paid	-			-
iii) Interest accrued but not due	5,691.83	-	-	5,691.83
Total (i+ii+iii)	40,691.83	-	-	40,691.83
Change in Indebtedness during the financial year				
* Addition	20,000.00		-	20,000.00
* Reduction	-	-		-
Net Change		-	-	20,000.00
Indebtedness at the end of the financial year				
i) Principal Amount	55,000.00		-	55,000.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	11,429.09	-	-	11,429.09
Total (i+ii+iii)	66,429.09	-	-	66,429.09

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WT/ Manager	Total Amount
	Name	NIL	
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission - as % of profit - others, specify		
5	Others (Contribution to PF and Gratuity)		
	Total (A)		
	Ceiling as per the Act		

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors			Total Amount
					(Rs/Lac)
1	Independent Directors	NIL			
	Fee for attending board/ committee meetings				-
	Commission				-
	Others, please specify				-
	Total (1)				-
2	Other Non-Executive Directors	NIL			
	Fee for attending board/ committee meetings				-
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)	-	-	-	-
	Total (B)=(1+2)	-	-	-	-
	Total Managerial Remuneration				-
	Overall Ceiling as per the Act				

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN.	Particulars of Remuneration	Name of Key Managerial Personnel	Total Amount
	Name	The provision of Section 203 relating to appointment of Key Managerial Personnel is not applicable to the Company	
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission - as % of profit - others, specify		
5	Others (contribution to PF and Gratuity)		
	Total		

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY : N.A.					
Penalty					
Punishment					
Compounding					
B. DIRECTORS : N.A.					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT : N.A.					
Penalty					
Punishment					
Compounding					

Policy on appointment of Directors and Remuneration policy:

The Company's policy on Directors appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and policy relating to remuneration for the directors, Key Managerial Personnel and other Senior Executives of the Company as approved by the Nomination and Remuneration Committee of Directors and by the Board of Directors, is set out hereunder.

(a) Appointment of Directors

The Nomination and Remuneration Committee of Directors of the Company (the Committee) shall recommend to the Board of Directors, for appointment as Directors, persons who have the background and experience relevant for the Company's operations. In so recommending the Committee may taken to account factors such as understanding of the Company's business, dynamics, educational and professional background, personal and professional ethics, integrity and values.

The proposed appointee shall also fulfill the following requirements:

1. Shall possess a Director Identification Number.
2. Shall not be disqualified under the Companies Act, 2013.
3. Shall give his written consent to act as a Director.
4. Shall endeavor to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings.
5. Shall abide by the Code of Conduct established by the Company for Directors and Senior Management Personnel.
6. Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made.
7. Such other requirements as may be prescribed, from time to time under the Companies Act, 2013 and other relevant laws.

(b) Criteria of Independence

The Committee shall assess the independence of Directors at the time of appointment and re-appointment. Independence shall also be re-assessed when any new interests or relationships are disclosed by Director. The criteria of independence laid down by the Companies Act, 2013 shall be guiding factor. Independent Director shall abide by the Code for Independent Directors as specified in Schedule IV of the Companies Act, 2013.

(c) Remuneration Policy

The Company's Remuneration Policy shall be in keeping with the following objectives:

- (i) Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the company successfully.

- (ii) Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
- (iii) Ensuring that remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.
- (d) Remuneration to Whole-time Directors

The Board on the recommendation of this Committee, shall review and approve the remuneration payable to the Whole-time Directors of the Company within the overall limits approved by the Shareholders.

The remuneration structure to the Whole-time Directors shall comprise of:

- (i) Basic pay,
- (ii) Allowances,
- (iii) Retiral benefits, and
- (iv) Performance related payments
- (e) Remuneration to other employees including Key Managerial Personnel

Employees shall be assigned grades according to their qualifications and work experience, competences as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

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, 2015, the statement of profit and loss and the 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

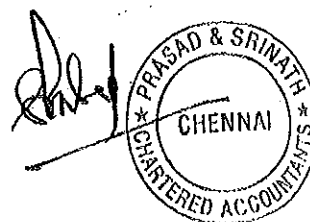
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.



Independent Auditor's Report**To the members of Sanmar Engineering Services Limited****Page 2 of 3**

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

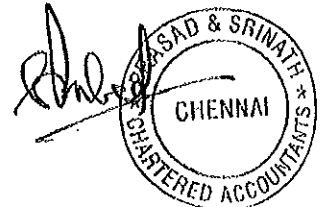
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2015, its loss and its 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, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we enclose in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the said Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of written representations received from the directors as on 31 March 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act.



Independent Auditor's Report**To the members of Sanmar Engineering Services Limited****Page 3 of 3**

- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i The Company does not have any pending litigations which would impact its financial position.
 - ii The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **PRASAD & SRINATH**

Chartered Accountants

Firm Registration Number: 005826S

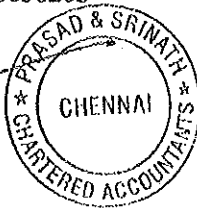
S Prasad

Partner

Membership No. 12847

Place: Chennai

Date: September 5, 2015



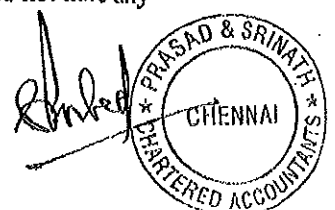
Annexure to the Independent Auditor's Report to the members of Sanmar Engineering Services Limited for the year ended March 31, 2015

Page 1 of 2

- (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.
- (ii) The Company did not hold inventory during the year. Accordingly paragraph 3(ii) is not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register required under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of fixed assets. The Company did not have any transactions relating to purchase of inventory and sale of goods and services in the current year.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013 for the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including, income tax and other material dues have been generally deposited on a regular basis during the period by the company with appropriate authorities. As explained to us, the Company did not have any dues on account of provident fund, employees' state insurance, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax and other material statutory dues were in arrears as at March 31, 2015 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax which have not been deposited with the appropriate authorities on account of any dispute.
- (c) According to the information and explanations given to us, the Company did not have any dues on account of investor education and protection fund.



Annexure to the Independent Auditor's Report to the members of Sanmar Engineering Services Limited for the year ended March 31, 2015

Page 2 of 2

- (viii) The accumulated losses of the company as at March 31, 2015 are more than fifty percent of its net worth and the company has incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to its bankers or any financial institutions during the year. The company does not have any outstanding debentures.
- (x) The company has not given guarantees for loans taken by others from banks or financial institutions. Thus paragraph 3(x) is not applicable.
- (xi) In our opinion, the term loan taken by the company was applied for the purpose for which the loan was obtained.
- (xii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **PRASAD & SRINATH**

Chartered Accountants

Firm Registration Number: 005826S

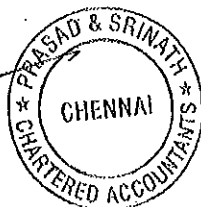
S Prasad

Partner

Membership No. 12847

Place: Chennai

Date: September 5, 2015



Sanmar Engineering Services Limited

Statement of Profit and Loss for the year ended March 31 2015

	Notes	2014-15 Rs.	2013-14 Rs.
INCOME			
Revenue from operations (gross)	2	44,990,755	123,824,052
Other income	3	5,437,354	6,300,824
Total Revenue		50,428,109	130,124,876
EXPENSES			
Purchase of traded goods	4	14,409,958	80,559,771
Employee benefit expense	5	56,325,977	54,694,652
Other expenses	6	14,076,710	6,846,945
Finance costs	7	914,473,359	626,590,623
Depreciation and amortization expense	15	-	4,653
Total Expenses		999,286,004	768,696,644
Profit / (Loss) before tax		(948,857,895)	(638,571,768)
Tax Expenses			
Current		-	-
Excess Tax provision of previous year reversed		-	416,883
Deferred		(363,143)	3,830,000
Total Tax expense		(363,143)	4,246,883
Profit / (Loss) for the year		(949,221,038)	(634,324,885)
Earnings Per Share - basic & diluted (Nominal value of share Rs.10/-, 31st March 2014 Rs.10/-)		(1,790.98)	(1,196.84)

Significant accounting policies

1

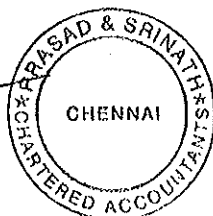
The accompanying notes are an integral part of the financial statements

As per our report of even date

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

S Prasad
Partner
Membership No : 12847

Place: Chennai
Date : September 5, 2015



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

S SANKARAN
Director
DIN : 00009172

Place: Chennai
Date : September 5, 2015

M CHANDRASEKAR
Director
DIN : 07136910

Place: Chennai
Date : September 5, 2015

Sanmar Engineering Services Limited

Balance Sheet as at March 31, 2015

	Notes	31.03.2015	31.03.2014
		Rs.	Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	8	5,300,000	5,300,000
Reserves and surplus	9	(1,834,871,020)	(885,644,042)
Non Current Liabilities			
Long term borrowings	10	5,500,000,000	3,500,000,000
Other Long term liabilities	11	1,145,722,124	574,764,782
Current Liabilities			
Short term borrowings	12	-	1,000,000,000
Trade payables	13	3,017,065	25,282,955
Other current liabilities	14	270,255,134	147,127,426
		<u>5,089,423,303</u>	<u>4,366,831,121</u>
ASSETS			
Non current assets			
Fixed Assets			
Tangible assets	15	2,528	11,611
Capital work in progress		-	-
		<u>2,528</u>	<u>11,611</u>
Non current investments	16	4,956,950,000	4,145,890,100
Deferred Tax Asset - net	17	6,990,000	7,350,000
Long term loan and advances	18	3,369,725	3,369,725
Other non current assets	21	51,379,662	62,410,498
		<u>5,018,689,377</u>	<u>4,219,020,323</u>
Current Assets			
Trade receivables	19	16,266,255	34,515,467
Cash and bank balances	20	22,780,053	82,753,259
Short term loans and advance	18	17,105,254	16,321,036
Other current assets	21	14,579,836	14,209,425
		<u>70,731,398</u>	<u>147,799,187</u>
		<u>5,089,423,303</u>	<u>4,366,831,121</u>

Significant accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

for Prasad & Srinath

Chartered Accountants

Firm Registration Number : 005826S

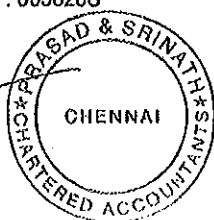
S Prasad

Partner

Membership No : 12847

Place : Chennai

Date : September 5, 2015



[Signature]
S SANKARAN
Director

DIN : 00009172

Place : Chennai

Date : September 5, 2015

[Signature]
M CHANDRASEKAR
Director

DIN : 07136910

Place : Chennai

Date : September 5, 2015

Sanmar Engineering Services Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

A. CASH FLOW FROM OPERATING ACTIVITIES :

NET PROFIT BEFORE TAX

Adjustments for:

Depreciation and amortisation

Difference in exchange

Interest and finance charges

Share of income from partnership firm

Interest received

OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

Adjustments for changes in:

Trade and other receivables

Trade and other payables

CASH GENERATED FROM OPERATIONS

Income taxes paid

NET CASH FROM OPERATING ACTIVITIES

B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets and capital advances

Share of income from partnership firm

Investments

NET CASH FROM / USED IN INVESTING ACTIVITIES

C. CASH FLOW FROM FINANCING ACTIVITIES:

Interest and finance charges paid

Proceeds from long term borrowings

Proceeds/ (repayment) of short term borrowings

NET CASH USED IN FINANCING ACTIVITIES

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

2014-15	2013-14
Rs.	Rs.
(948,857,895)	(638,571,768)
	4,653
(854,826)	(24,042)
914,473,369	626,590,623
(898,756)	(3,915,263)
	-
(36,138,118)	(15,915,797)
19,947,863	1,004,027
3,024,917	12,697,992
(13,165,338)	(2,213,778)
(2,329,471)	(4,032,952)
(15,494,809)	(6,246,730)
	(3,300)
898,756	3,915,263
(811,069,900)	(772,390,000)
(810,161,144)	(768,478,037)
(234,317,263)	(218,974,140)
2,000,000,000	
(1,000,000,000)	1,000,000,000
765,682,747	781,025,860
(59,973,206)	6,301,093
82,753,259	76,452,166
22,780,053	82,753,259

Note: Figures in brackets indicate cash outflow

The accompanying notes are an integral part of the financial statements

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

S Prasad
Partner
Membership No : 12847

Place: Chennai
Date : September 5, 2015

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

S SANKARAN
Director
DIN : 00009172

Place: Chennai
Date : September 5, 2015

M CHANDRASEKAR
Director
DIN : 07136910

Place: Chennai
Date : September 5, 2015

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

Note 1 Significant accounting policies:

1.1 Basis of Preparation

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with rule 7 of the Companies (Accounts) Rules 2014.

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 straight line method as per useful life specified in Schedule II to the Companies Act, 2013.

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.



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

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.

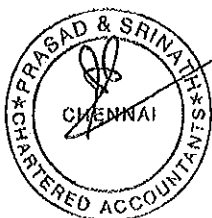
Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises 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.

1.11 Leased Assets

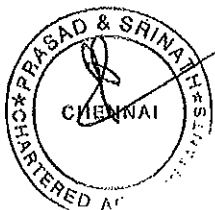
Operating lease charges are charged to Statement of Profit and loss on straight line basis.



Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

	31.03.2015	31.03.2014
Note 2	Amount Rs.	Amount Rs.
Revenue from operations		
Sale of Products		
Traded goods	15,051,997	95,814,646
Sale of Services	29,938,758	28,009,406
Total Revenue from operations	<u>44,990,755</u>	<u>123,824,052</u>
Details of Products Sold		
Mechanical seals	10,404,595	20,710,905
Safety valves	81,694	4,300,974
Rupture disks	4,396,815	2,079,652
Control valves	-	6,910,404
On/Off valves	168,893	61,812,711
	<u>15,051,997</u>	<u>95,814,646</u>
Details of Services Rendered		
Repair, testing and reconditioning of mechanical seals & safety valves	<u>29,938,758</u>	<u>28,009,406</u>
	<u>29,938,758</u>	<u>28,009,406</u>
Note 3		
Other Income		
Share of income from partnership firm	898,756	3,915,263
Export incentives	2,187,119	44,883
Difference in exchange (net)	543,102	736,501
Bad debts	6,524	45,764
Less :- recovery of debts written off	<u>134,581</u>	<u>1,437,894</u>
Liabilities/provisions no longer required	1,680,320	1,392,130
Miscellaneous income	-	24,586
		187,461
	<u>5,437,354</u>	<u>6,300,824</u>
Note 4		
In respect of Traded Goods		
Inventory at the beginning of the year	-	-
Add: Purchases	14,409,958	80,559,771
Less: Inventory at the end of the year	-	-
	<u>14,409,958</u>	<u>80,559,771</u>
Details of Purchases - Traded Goods		
Mechanical seals	10,404,595	20,710,905
Safety valves	81,694	4,300,974
Rupture disks	3,923,669	2,079,652
Control valves	-	6,910,404
On/Off valves	-	46,557,836
	<u>14,409,958</u>	<u>80,559,771</u>



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

	2014-15	2013-14
	Rs.	Rs.
Note 5		
Employee benefits expense		
Salaries, wages and bonus	54,815,306	53,236,374
Contribution to provident fund	575,373	852,689
Gratuity expenses	660,232	395,668
Staff welfare expenses	275,066	209,921
	<u>56,325,977</u>	<u>54,694,652</u>

Note 6

Other Expenses

Rent	12,000	204,000
Insurance	20,925	18,405
Rates and taxes	2,266,114	89,849
Repairs to machinery	3,982	1,606
Repairs to others	36,995	35,553
Travelling and conveyance	2,101,532	2,319,357
Information technology expenses	1,553,791	1,179,686
Payments to auditor (refer details below)	201,500	219,000
Legal & professional expenses	6,804,638	1,876,447
Miscellaneous expenses	1,075,233	903,042
	<u>14,076,710</u>	<u>6,846,945</u>

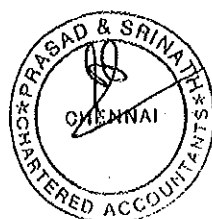
Payment to Auditors

as Auditor		
Audit fee	142,000	150,000
Tax Audit fee	39,000	50,000
Certification fee	20,500	19,000
	<u>201,500</u>	<u>219,000</u>

Note 7

Finance costs

Interest - fixed	899,813,890	607,393,728
Finance charges	14,659,469	19,191,292
Interest on income tax	-	5,603
	<u>914,473,359</u>	<u>626,590,623</u>



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

Note 8

Share Capital

AUTHORISED

10, 12 % cumulative redeemable preference shares of Rs 100/- each.
599,820 (previous year 599,820) equity shares of Rs 10/- each

31.03.2015 Rs.	31.03.2014 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

	31.03.2015 In No	In Rs.	31.03.2014 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	<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

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

	31.03.2015	31.03.2014
Balance as per last financial statements	(885,644,042)	(251,319,157)
Adjustment on account of depreciation (net of taxes), also refer note 16.	(5,940)	-
Add :Profit /(loss) for the year	<u>(949,221,038)</u>	<u>(634,324,885)</u>
Net surplus in statement of profit and loss	(1,834,871,020)	(885,644,042)
Total reserve and surplus	<u>(1,834,871,020)</u>	<u>(885,644,042)</u>

Note 10

Long term borrowings

	Non current 31.03.2015	Current 31.03.2015	Non current 31.03.2014	Current 31.03.2014
Term loan from others (Secured*)	4,650,000,000	-	3,500,000,000	-
8500 (previous year Nil) optionally convertible and redeemable debentures of Rs.100,000/- each issued to body corporates (Secured*)	850,000,000	-	-	-
	<u>5,500,000,000</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 a body corporate and also Secured by Corporate guarantee from a fellow subsidiary.

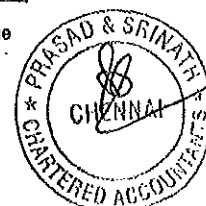
Term loan Rs.25 crores to be repaid as a single instalment on August 2019

Term loan Rs.250 crores to be repaid as a single instalment on August 2019

Term loan Rs.75 crores to be repaid as a single instalment on August 2019

Term loan Rs.115 crores (previous year Nil) to be repaid as a single instalment on April 2021

The debentures are optionally convertible into equity shares of the company on final redemption date if such a right is exercised by the debenture holders and the conversion price is agreed to by the debenture holders and the board of directors of the company. If not converted, then the debentures are redeemable on maturity date 25th April 2021.



Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

	31.03.2015 Rs.	31.03.2014 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	1,142,909,182	569,183,125
Other payables	5,360	1,441,775
	<u>1,145,722,124</u>	<u>574,764,782</u>

Note 12

Short term borrowings

Loan from others (Secured*)	-	1,000,000,000
	<u>-</u>	<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 a fellow subsidiary.

Note 13

Trade payables	<u>3,017,065</u>	<u>25,282,955</u>
	<u>3,017,065</u>	<u>25,282,955</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	7,161,949	5,880,220
Withholding and other tax payables	64,638,636	38,471,431
Provision for expenses	936,122	971,676
Interest accrued but not due on loan	197,515,064	101,592,052
Other payables	3,363	1,997
Advance received from customers	-	210,050
	<u>270,255,134</u>	<u>147,127,426</u>



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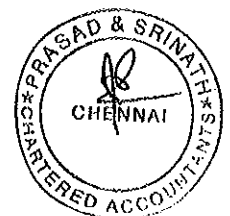
Tangible Assets

Intangible Assets		GROSS BLOCK			DEPRECIATION AND AMORTISATION			NET BLOCK		
	As at 31.03.2014	Additions	Deductions	As at 31.03.2015	As at 31.03.2014	Disposal	For the year *	Upto 31.03.2015	As at 31.03.2015	As at 31.03.2014
	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	Rs.	Rs.
Plant and machinery Furniture and fixtures Office equipments Vehicles	272,337	-	-	272,337	261,829	-	9,083	270,912	1,425	10,508
	53,408	-	-	53,408	52,558	-	-	52,558	850	850
	5,050	-	-	5,050	4,797	-	-	4,797	253	253
	3,300	-	-	3,300	3,300	-	-	3,300	-	-
Total	334,095	-	-	334,095	322,484	-	9,083	331,567	2,528	11,611
Previous year	330,795	3,300	-	334,095	317,831	-	4,653	322,484	11,611	12,964

Intangible Assets

Intangible Assets	GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 31.03.2014	Additions	Deductions	As at 31.03.2015	Disposal	For the year	Upto 31.03.2015	As at 31.03.2015	As at 31.03.2014
<u>Intangible assets</u>									
(a) Software	1,535,876	-	-	1,535,876	-	-	1,535,876	-	-
Total	1,535,876	-	-	1,535,876	-	-	1,535,876	-	-
Previous year	1,535,876	-	-	1,535,876	-	-	1,535,876	-	-

As regards the assets, which are depreciated based on useful life as specified in Schedule II to the Companies Act, 2013 / technical evaluation, and whose useful life are exhausted as on April 1, 2014, the net book value amounting to Rs.5,940/- (net of deferred tax of Rs.3,143/-) has been adjusted against reserves and surplus.



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

Note 16

Non Current Investment	31.03.2015	31.03.2014
Long term (at cost non-trade - unquoted) *	Rs.	Rs.
Investment in the capital of a partnership firm (refer note 23 B)	-	100
49,569,500 (41,458,900) Zero coupon compulsorily convertible unsecured debentures of Rs.100/- each issued by a body corporate (refer note 23 A)	4,956,950,000	4,145,890,000
	<u>4,956,950,000</u>	<u>4,145,890,100</u>

Note 17

Deferred Tax Asset - Net

The composition of deferred tax (liability) / asset		
-On account of timing difference relating to depreciation	18,621	17,280
-On account of provision for special adhoc compensation	2,013,185	411,681
-Others	4,958,194	6,921,060
	<u>6,990,000</u>	<u>7,350,021</u>

Note 18

Loans and advances (Unsecured, considered good)	Non current 31.03.2015	Current 31.03.2015	Non current 31.03.2014	Current 31.03.2014
Advances recoverable in cash or in kind or for value to be received	149,861	9,812	149,861	147,636
Advance given to creditors	-	4,225	-	4,522
Prepaid expenses	-	188,383	-	159,470
Trade deposits	81,596	-	81,596	-
Balances with customs and excise authorities	-	6,928,339	-	8,364,385
Works contract tax deducted at source (net)	3,138,268	-	3,138,268	-
Advance tax and tax deducted at source	-	23,110,458	-	20,780,987
Less : Provision for current tax	-	(13,145,335)	-	(13,145,335)
Advance for fringe benefit tax	-	126,026	-	126,026
Less : Provision for fringe benefit tax	-	(116,654)	-	(116,654)
	<u>3,369,725</u>	<u>17,105,254</u>	<u>3,369,725</u>	<u>16,321,036</u>

Note 19

Trade Receivables
(Unsecured, considered good)

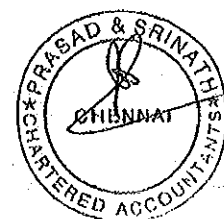
Debts outstanding for a period of less than six months	16,266,255	34,515,467
	<u>16,266,255</u>	<u>34,515,467</u>

Note 20

Cash and Bank balances	Non current 31.03.2015	Current 31.03.2015	Non current 31.03.2014	Current 31.03.2014
Cash and cash equivalents	-	69,687	-	12,038
Cash on hand	-	-	-	9,824,901
Cheques and drafts on hand	-	-	-	-
Balance with scheduled banks	-	22,710,386	-	72,916,320
-on current account	-	-	-	-
Other Bank balances	-	5,000	-	5,000
-on Margin deposit	-	(5,000)	-	(5,000)
Amount disclosed under non current assets (Note 21)	-	-	-	-
	<u>-</u>	<u>22,700,053</u>	<u>-</u>	<u>82,753,259</u>

Note 21

Other Assets (Unsecured, considered good)	Non current 31.03.2015	Current 31.03.2015	Non current 31.03.2014	Current 31.03.2014
Claims receivable	-	72,799	-	224,530
Interest receivable	-	-	-	1,667
Other receivables	1,811,490	-	1,811,490	-
Margin Money deposit (refer note 20)	5,000	-	5,000	-
Unamortised expenses	49,563,162	14,507,037	60,594,008	13,983,228
	<u>51,379,652</u>	<u>14,579,836</u>	<u>62,410,498</u>	<u>14,209,425</u>



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

Note 22

	2014-15	2013-14
	Rs.	Rs.
Earnings in foreign exchange.		
FOB value of exports	15,051,997	95,814,646

Note 23

A. Investment in debentures of a body corporate

31.03.2015 31.03.2014

Sanmar Engineering Technologies Limited

3,37,35,000 debentures are compulsorily convertible into equity shares of the company on the expiry of 9(nine) years from the date of allotment (March 28,2013)
77,23,900 debentures are compulsorily convertible into equity shares of the company on the expiry of 9(nine) years from the date of allotment (March 28,2014)
81,10,600 debentures are compulsorily convertible into equity shares of the company on the expiry of 9(nine) years from the date of allotment (March 28,2015)

B. Details of Investment - Long Term

31.03.2015 31.03.2014

Investment in the capital of a Partnership firm

100

Name of the firm
Total Capital (as mutually agreed)

Cathedral Corporate Finance
- Nil -(Previous year Rs.1,400/-)

Partner's Name	Profit Sharing Ratio	Capital Rs	Capital Rs
BS&B Safety Systems (India) Limited)		-	100
B Sec Services Limited)		-	100
Cabot Sanmar Limited)		-	100
Flowserve Sanmar Limited)		-	100
Kalamkriya Ltd)		-	100
Sanmar Consolidations Ltd)		-	100
Sanmar Engineering Services Limited)		-	100
Sanmar Engineering Technologies Ltd)		-	100
Sanmar Foundries Limited)		-	100
Sanmar Shipping Limited)		-	100
SHL Property Holdings Ltd)		-	100
SHL Trading Ltd)		-	100
Tyco Sanmar Limited)		-	100
Xomox Sanmar Limited)		-	100
			1,400

Note 24

Tax provision for the year includes Rs Nil (Previous year withdrawal of provision - Rs.416,883/-).

Note 25

Dues to micro, small and medium enterprises:

As at March 31, 2015, 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.



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Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2015

Note 26

Disclosure as per AS15 revised - Defined Benefit Plans

	2014-15	2013-14	2012-13	2011-12	2010-11
Present value of obligation at the beginning of the year	4,315,372	6,994,368	5,872,088	4,823,724	1,736,375
Interest cost	345,230	559,549	469,767	385,888	138,910
Current service cost	187,938	400,791	618,153	659,426	404,417
Benefits paid	(2,941,200)	(3,490,200)	(30,690)	(20,700)	(106,800)
Transfer of obligations during the year	-	48,090	22,950	986,400	2,039,700
Actuarial (gain) / loss on obligation	367,305	(197,228)	42,100	(962,660)	611,122
Present value of obligation as at the end of the year	2,274,645	4,315,372	6,994,368	5,872,088	4,823,724
Fair value of planned assets at the beginning of the year	4,341,403	7,117,444	6,116,276	4,841,971	1,736,375
Expected return on plan assets	133,750	347,389	673,708	561,734	342,697
Contributions	762,000	470,090	347,950	-	2,929,700
Contributions from others - Transferred in	-	-	-	986,400	-
Benefits paid direct	(2,941,200)	(3,490,200)	(30,690)	(20,700)	(106,800)
Actuarial gain / (loss) on plan assets	-	(103,320)	10,200	-	(60,001)
Fair value of plan assets at the end of the year	2,295,953	4,341,403	7,117,444	6,369,405	4,841,971
Amounts recognised in the balance sheet					
Present value of obligation as at the end of the year	2,274,645	4,315,372	6,116,648	6,994,368	4,823,724
Fair value of plan assets at the end of the year	2,295,953	4,341,403	7,117,444	7,117,444	6,369,405
Funded status of the plan - (asset) / liability	(21,308)	(26,031)	999,204	(123,076)	(1,545,681)
Amounts recognised in the statement of profit and loss					
Current service cost	187,938	400,791	618,153	618,153	404,417
Interest cost	345,230	559,549	469,767	469,767	138,910
Expected return on plan assets	(133,750)	(347,389)	(673,708)	(673,708)	(342,697)
Net actuarial (gain) / loss recognised in the year	367,305	(93,906)	31,900	31,900	671,123
Expenses recognised in the statement of profit and loss	766,723	519,045	446,112	446,112	871,753
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%



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Note 27

Related party disclosures :

- (a) **Controlling Parties**
Sanmar Consolidations Limited
- (b) **Fellow Subsidiaries**
Sanmar Engineering Technologies Limited
Kalamkriya Limited
- (d) List of transactions with related parties during the year ended March 31, 2015

Description	Controlling Parties		Fellow Subsidiaries	
	31.03.2015		31.03.2015	31.03.2014
Transactions during the year				
Investments				
Sanmar Engineering Technologies Limited			811,060,000	772,380,000
Expenses Paid				
Kalamkriya Limited			9,918	12,810
Balances as at 31st March				
Investments			4,956,960,000	4,145,890,000
Guarantee of borrowing o/s - Sanmar Engineering Technologies Limited			5,500,000,000	4,500,000,000

Note 28 Figures in brackets indicate deductions.

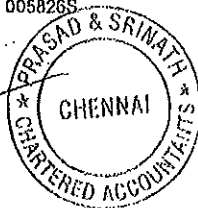
(Signatories to Note 1 to 28)

As per our report of even date

for Prasad & Srinath
Chartered Accountants
Firm Registration Number : 0058268

S Prasad
Partner
Membership No : 12847

Place: Chennai
Date : September 4, 2015



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

S SANKARAN
Director
DIN : 00009172

Place: Chennai
Date : September 4, 2015

M CHANDRASEKAR
Director
DIN : 07136910

Place: Chennai
Date : September 4, 2015