# SANMAR ENGINEERING SERVICES LIMITED

Certified True Copy

For Sanmar Engineering Services Limited

Company Secretary

Annual Report 2015–16

**SANMAR ENGINEERING SERVICES LIMITED**

## Directors Report

The Directors have pleasure in presenting their Twenty First Annual report along with the accounts for the year ended 31st March 2016.

## Corporate Results

| | 2016 | 2015 |
|---|---|---|
| | (In Rs. Million) | |
| Net sales and other income | 49.98 | 50.43 |
| Profit/(Loss) before interest, depreciation and taxes | (45.67) | (34.39) |
| Interest and Finance Charges | 1,892.55 | 914.47 |
| Profit/ (loss) for the year | (1,938.22) | (948.86) |
| Provision for tax withdrawal/(provision)) | | |
| Current | - | - |
| Deferred | (6.99) | 0.36 |
| Profit/ (loss) after Tax | (1,945.21) | (949.22) |

In view of the losses incurred, the Board of Directors has not recommended any dividend on equity shares for the year 2015-16 and no amount has been transferred to General Reserve.

## Operations

Revenue from operations for the current year was higher by 4% .There was a marginal growth in exports to TCI Sanmar Chemicals SAE, Egypt on account of increased spares procurement. The domestic inplant maintenance service income during the current year was higher by 4%. However there was a drop in other income by Rs 2.35 million.

Subsequent to the close of the year, the Company had acquired the entire equity shares of SHL Securities (Alpha) Limited, the holding Company of Sanmar Holdings Limited, Sanmar Speciality Chemicals Limited, Chemplast Sanmar Limited, Sanmar Group International Limited TCI Sanmar Chemicals S.A.E and other intermediate holding Companies. These Companies along with the Company constitute the SHL Chemicals Group.

## Finance

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

In April 2016, the Company had issued and allotted 227,143 equity shares of Rs. 10/- each for cash at a price of Rs. 292.75 per share on private placement basis, constituting 30% of the paid up share capital of the Company, to FIH Mauritius Investments Limited, Mauritius.

In April 2016, the Company had also issued and allotted 16,560 redeemable non-convertible secured debentures of Rs. 10,00,000 each at par aggregating to Rs.1656 Crores, ("Debentures") to FIH Private Investments Limited, Mauritius, on private placement basis. These Debentures were listed in the wholesale debt market segment of BSE Limited. Subsequent to the close of the year, the Company had also availed Term Loan of Rs. 1,220 Crores ("Facility") from Housing Development Finance Corporation Limited. The Company had utilised the net proceeds of the Debentures and the Facility for retiring the Company's existing debt and for meeting the funding requirements of the SHL Chemicals Group business.

**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 2015-16 was carried out by Capri Assurance and Servicies, 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.

**Internal Financial Control Over Financial Reporting**

The Company has in place adequate internal financial controls with reference to the Financial Statements. Such controls have been assessed during the year taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed.

**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 2016, 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 2016.

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 2016**

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 V S Ramesh who was appointed as an Independent Director resigned from the Board in June 2015. The Board place on record the valuable services rendered by him during his tenure as Director of the Company. Mr R Sugavanam who was appointed as an Independent Director in June 2015, resigned from the Board in July 2015. Mr K Venkatsubramanian was appointed as an Independent Director in July 2015.

Subsequent to the close of the year, Mr M Chandrasekar and Mr K Venkatasubramanian have resigned from the Board. The Board place on record the valuable services rendered by them during their tenure as Directors of the Company.

Subsequent to the close of the year, Mr P S Jayaraman, Mr Chandran Ratnaswami and Mr Harsha Raghavan were appointed as Additional Directors in May 2016. They hold office till the date of ensuing Annual General Meeting and are eligible for reappointment, subject to the provisions of Section 160 and other applicable provisions of the Companies Act, 2013.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 read with rules thereunder, Mr S V Mony was appointed by the Board of Directors as an Independent Director of the Company, in July 2016, subject to the approval of the Shareholders at the ensuing Annual General Meeting and subject to the provisions of Section 160 and other applicable provisions of the Companies Act, 2013.

In July 2016, Mrs Lavanya Venkatesh was appointed by the Board of Directors as Independent Director of the Company, 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 and subject to the provisions of Section 160 and other applicable provisions of the Companies Act, 2013.

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.

Subsequent to the close of the year, Mr P S Jayaraman, Mr N Muralidharan and Mr Satya Narayan Nayak were appointed by the Board of Directors, as Key Managerial Personnel of the Company viz. Chief Executive Officer, Chief Financial Officer and Company Secretary respectively, pursuant to the provisions of Section 203 of the Companies Act, 2013 read with the rules thereunder.

**Directors' Responsibility Statement**

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 2016 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 2016 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 laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

f) 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 eleven times.

**Audit Committee**

The Audit Committee of Directors consists of the following Directors:

Mr S V Mony, Chairman
Mr P S Jayaraman
Mrs Lavanya Venkatesh

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 S V Mony
Mrs Lavanya Venkatesh

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.

**Board Evaluation**

Pursuant to the provisions of 177 of the Companies Act, 2013 read with the rules thereunder, as applicable, Nomination and Remuneration Committee has been entrusted with the powers to evaluate the Board of its own performance and that of its committee's and individual Directors.

With the Debentures issued by the Company having been listed in the Whole Sale debt market segment subsequent to the close of the year, the provisions with regard to Board Evaluation are applicable to the Company from the financial year 2016-17 onwards. The Committee is in the process of laying down criteria for evaluating the Board of its own performance and that of its committee's and individual Directors and would implement it in the ensuing financial year.

**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.

**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 2016-17.

**Secretarial Audit Report**

The provisions of Section 204 of the Companies Act, 2013 read with the rules there under with regard to Secretarial Audit are not applicable to the Company for the year under review.

**Extract of Annual Return**

An extract of Annual Return in Form MGT-9 as on 31st March 2016 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 8 of the Companies (Accounts) Rules 2014 is set out in Annexure 1 and forms part of this Report.

Place: Chennai
Date: July 12, 2016

For and on behalf of the Board

P S Jayaraman
Chairman & CEO
DIN: 00011108

**Annexure 1**

**Information under Section 134(3)(m) of the Companies Act, 2013 forming part of the Directors' Report for the year ended March 31, 2016.**

## 1. CONSERVATION OF ENERGY

Not Applicable

## 2. TECHNOLOGY ABSORPTION, ADAPTATION 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 | | |
| 3. In case of imported technology, (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished. | | Not applicable |
| a.Technolgy 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 carried out by the Company | : | Nil |
| 2. | Benefits derived as a result of the above R & D | : | Nil |
| 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 | 16.31 |

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Annexure

**FORM NO. MGT 9**

**EXTRACT OF ANNUAL RETURN**

**As on the financial year ended on 31.03.2016**

**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<br>Cathedral Road 600086<br>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 | Greenvalley Investments (Alpha) Limited<br>No.9 Cathedral Road, Chennai 600 086 | U65991TN1991PTC021008 | 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-2015] | | | | No. of Shares held at the end of the year [As on 31-March-2016] | | | | % 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) FIIs | - | - | - | 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 | Greenvalley Investments (Alp[ha) Ltd* | | | | 5,30,000 | 100.00% | - | 100.00% |
| 2 | Sanmar Consolidations Limited** | 5,30,000 | 100.00% | - | - | - | - | -100.00% |

** Includes 6 equity shares held as nominees of Greenvalley Investments (Alpha) Limited*

*** 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 |
| 1 | Sanmar Consolidations Llimited | | | | | | |
| | At the beginning of the | | | 530,000 | 100.00% | 530,000 | 100.00% |
| | Changes during the year | 31.03.2016 | Transfer | (530,000) | | | |
| | At the end of the year | | | - | | | |
| | | | | | | | |
| 2 | Greenvalley Investments (Alpha Limited | | | | | | |
| | At the beginning of the | | | - | 0.00% | | |
| | Changes during the year | 31.03.2016 | Transfer | 530,000 | | | |
| | At the end of the year | | | 530,000 | 100.00% | 530,000 | 100.00% |
| | | | | | | | |

### (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 | | | | | | |
| | Changes during the year | | | No Change during 2015-16 | | | |
| | 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 | K Venkatasubramanian* | | | | | | |
| | At the beginning of the | | | - | 0.00% | 1 | 0.00% |
| | Changes during the year | | | - | 0.00% | | 0.00% |
| | At the end of the year | | | - | 0.00% | - | 0.00% |
| 2 | N Muralidharan** | | | | | | |
| | At the beginning of the | | | - | 0.00% | 1 | 0.00% |
| | Changes during the year | | | - | 0.00% | | 0.00% |
| | At the end of the year | | | - | 0.00% | - | 0.00% |

* Holding 1 equity share as a nominee of Greenvalley Investments (Alpha) Limited. He has no beneficial shareholding interest in this share. Ceased to be the Director w.e.f. 12.07.2016.

* Holding 1 equity share as a nominee of Greenvalley Investments (Alpha) Limited. He has no beneficial shareholding interest in this share. Appointed as CFO w.e.f. 12.07.2016.

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 | 55,000.00 | | - | 55,000.00 |
| ii) Interest due but not paid | - | | | - |
| iii) Interest accrued but not due | 13,404.24 | - | - | 13,404.24 |
| **Total (i+ii+iii)** | 68,404.24 | - | - | 68,404.24 |
| **Change in Indebtedness during the financial year** | | | | |
| * Addition | - | | - | - |
| * Reduction | - | - | | - |
| Net Change | | - | - | - |
| **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 | 28,355.70 | - | - | 28,355.70 |
| Total (i+ii+iii) | 83,355.70 | - | - | 83,355.70 |

## 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/WTD/ Manager | Total Amount |
|---|---|---|---|
| | Name | | |
| | 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 | NIL | |
| 2 | Stock Option | | |
| 3 | Sweat Equity | | |
| 4 | Commission<br>- as % of profit<br>- 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 | | |
| | 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 | NIL | |
| 2 | Stock Option | | |
| 3 | Sweat Equity | | |
| 4 | Commission<br>- as % of profit<br>- 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.** | | | NIL | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| **C. OTHER OFFICERS IN DEFAULT : N.A.** | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

**Annexure 3**

## 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.

**PRASAD & SRINATH**
*Chartered Accountants*
Phone : 044 2498 2995 Email : prasad@sprasad.org website: www.sprasad.org
New No.7, Old No.5, Ground Floor, Abhiramapuram 1st Street, Abhiramapuram, Chennai - 600 018

**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, 2016, 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 the 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 issued by the Institute of Chartered Accountants of India 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**

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. 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, 2016, 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, 2016 ("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 Annexure 1, 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 it 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 March 31, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report.

PRASAD & SRINIVASAN CHARTERED ACCOUNTANTS CHENNAI-18

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

(g) 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: 3rd May 2016

**ANNEXURE - 1 referred to in paragraph 1 of the section on report on legal and regulatory requirements in our report of even date.**

**Re: Sanmar Engineering Services Limited ("the Company")**

(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) The Company had no immovable properties during the year.

(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, provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with in respect of loans and advances given, investments made, guarantees and securities given.

(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) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it. According to the information and explanations given to us, there were no outstanding undisputed dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues.

**<u>ANNEXURE - 1</u> referred to in paragraph 1 of the section on report on legal and regulatory requirements in our report of even date.**

(b) According to the information and explanations given to us, there are no outstanding dues in respect of income tax or sales tax or service tax or customs duty or excise duty or value added tax which have not been deposited with the appropriate authorities on account of any dispute.

(viii) According to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture-holders. The Company did not have any outstanding loans from government during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money during the year by way of initial public offer / further public offer. No term loans were raised during the year.

(x) According to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the provisions of Section 197 read with Schedule V of the Act is not applicable to the Company for the current year as there is no managerial person and hence reporting under Clause 3(xi) are not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**<u>ANNEXURE - 2</u> to the Independent Auditor's Report of even date on the Financial Statements of Sanmar Engineering Services Limited**

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Sanmar Engineering Services Limited

We have audited the internal financial controls over financial reporting of Sanmar Engineering Services Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**<u>ANNEXURE - 2</u> to the Independent Auditor's Report of even date on the Financial Statements of Sanmar Engineering Services Limited**

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For PRASAD & SRINATH**
Chartered Accountants
Firm Registration Number: 005826S

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**S PRASAD**
Partner
Membership Number: 12847
Place of Signature: Chennai
Date: 30th May 2016.

**Sanmar Engineering Services Limited**

**Statement of Profit and Loss for the Year ended Mar 31, 2016**

| | Notes | 2015-16 Rs. | 2014-15 Rs. |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations (gross) | 2 | 49,076,991 | 47,177,874 |
| Other income | 3 | 901,025 | 3,250,235 |
| **Total Revenue** | | 49,978,016 | 50,428,109 |
| **EXPENSES** | | | |
| Purchase of traded goods | 4 | 14,975,050 | 14,409,958 |
| Employee benefit expense | 5 | 56,257,107 | 56,325,977 |
| Other expenses | 6 | 24,414,756 | 14,076,710 |
| Finance costs | 7 | 1,892,550,644 | 914,473,359 |
| **Total Expenses** | | 1,988,197,557 | 999,286,004 |
| **Profit / (Loss) before tax** | | (1,938,219,541) | (948,857,895) |
| **Tax Expenses** | | | |
| Current | | - | - |
| Deferred | | (6,990,000) | (363,143) |
| **Total Tax expense** | | (6,990,000) | (363,143) |
| **Profit / (Loss) after tax** | | (1,945,209,541) | (949,221,038) |
| Earnings Per Share - basic & diluted ( Nominal value of share Rs.10/-, 31st March 2015 Rs.10/- ) | | (3,670.21) | (1,790.98) |
| 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 : May 30, 2016

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

**M RAMAN**
*Company Secretary*
Membership No. ACS-6248

**S SANKARAN**
*Director*
DIN : 00009172

**K VENKATASUBRAMANIAN**
*Director*
DIN : 07271679

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**Sanmar Engineering Services Limited**

**Balance Sheet as at March 31, 2016**

| | Notes | 31.03.2016 Rs. | Rs. | 31.03.2015 Rs. | Rs. |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' Funds** | | | | | |
| Share capital | 8 | 5,300,000 | | 5,300,000 | |
| Reserves and surplus | 9 | (3,780,080,561) | (3,774,780,561) | (1,834,871,020) | (1,829,571,020) |
| **Non Current Liabilities** | | | | | |
| Long term borrowings | 10 | 5,500,000,000 | | 5,500,000,000 | |
| Other Long term liabilities | 11 | 1,809,106,372 | 7,309,106,372 | 1,145,722,124 | 6,645,722,124 |
| **Current Liabilities** | | | | | |
| Trade payables: | | | | | |
| Total outstanding dues of micro enterprises and small enterprises | 24 | - | | - | |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 12 | 7,033,609 | | 3,017,065 | |
| Other current liabilities | 13 | 1,374,016,891 | 1,381,050,500 | 270,255,134 | 273,272,199 |
| | | | 4,915,376,311 | | 5,089,423,303 |
| **ASSETS** | | | | | |
| **Non current assets** | | | | | |
| Fixed Assets | 14 | | | | |
| Tangible assets | | 2,528 | | 2,528 | |
| Capital work in progress | | - | 2,528 | - | 2,528 |
| Non current investments | 15 | 4,558,269,500 | | 4,956,950,000 | |
| Deferred Tax Asset - net | 16 | - | | 6,990,000 | |
| Long term loan and advances | 17 | 51,096 | | 3,369,725 | |
| Other non current assets | 20 | 248,742,702 | 4,807,063,298 | 51,379,652 | 5,018,689,377 |
| **Current Assets** | | | | | |
| Trade receivables | 18 | 14,640,880 | | 16,266,255 | |
| Cash and bank balances | 19 | 2,404,761 | | 22,780,053 | |
| Short term loans and advance | 17 | 15,596,281 | | 17,105,254 | |
| Other current assets | 20 | 75,668,563 | 108,310,485 | 14,579,836 | 70,731,398 |
| | | | 4,915,376,311 | | 5,089,423,303 |

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 : May 30, 2016

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

**M RAMAN**
*Company Secretary*
Membership No. ACS-6248

**S SANKARAN**
*Director*
DIN : 00009172

**K VENKATASUBRAMANIAN**
*Director*
DIN : 07271679

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**Sanmar Engineering Services Limited**

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

| | | 2015-16 | 2014-15 |
|---|---|---|---|
| | | Rs. | Rs. |
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES :** | | |
| | **NET PROFIT BEFORE TAX** | (1,938,219,541) | (948,857,895) |
| | Adjustments for: | | |
| | Depreciation and amortisation | - | - |
| | Difference in exchange | 900,254 | (854,826) |
| | Interest and finance charges | 1,892,550,644 | 914,473,359 |
| | Share of income from partnership firm | (877,124) | (898,756) |
| | Interest received | - | - |
| | **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | (45,645,767) | (36,138,118) |
| | Adjustments for changes in: | | |
| | Trade and other receivables | (250,281,695) | 19,947,863 |
| | Trade and other payables | 275,116,154 | 3,024,917 |
| | **CASH GENERATED FROM OPERATIONS** | (20,811,308) | (13,165,338) |
| | Income taxes paid | (3,779,788) | (2,329,471) |
| | **NET CASH FROM OPERATING ACTIVITIES** | (24,591,096) | (15,494,809) |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | Purchase of fixed assets and capital advances | - | - |
| | Share of income from partnership firm | 877,124 | 898,756 |
| | Investments | 398,680,500 | (811,059,900) |
| | **NET CASH FROM / USED IN INVESTING ACTIVITIES** | 399,557,624 | (810,161,144) |
| **C.** | **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| | Interest and finance charges paid | (395,341,820) | (234,317,253) |
| | Proceeds from long term borrowings | - | 2,000,000,000 |
| | Proceeds/ (repayment) of short term borrowings | - | (1,000,000,000) |
| | **NET CASH USED IN FINANCING ACTIVITIES** | (395,341,820) | 765,682,747 |
| | **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | (20,375,292) | (59,973,206) |
| | Cash and cash equivalents at the beginning of the year | 22,780,053 | 82,753,259 |
| | Cash and cash equivalents at the end of the year | 2,404,761 | 22,780,053 |

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 : May 30, 2016

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

**M RAMAN**
*Company Secretary*
Membership No. ACS-6248

**S SANKARAN**
*Director*
DIN : 00009172

**K VENKATASUBRAMANIAN**
*Director*
DIN : 07271679

PRASAD & SRINATH CHARTERED ACCOUNTANTS CHENNAI-18

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

**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. The financial statements have been prepared on an accrual basis and under the historical cost convention.

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.

Service income is recognised when services are rendered in accordance with agreements entered into with customers.

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
Inventories of traded goods are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises all applicable costs incurred for bringing the inventories to their present location and condition and include appropriate overheads wherever applicable.

b. Fixed assets are valued at cost.

c. Long term investments are valued at cost or lower of cost where there has been diminution in the value other than temporary.

1.5 Depreciation / 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.

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

**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 certainity, and virtual certainty with respect to unabsorbed depreciation and business loss, that they will be realised.

1.9 Provisions and Contingent Liabilities

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

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

1.10 Use of Estimates

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

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

| | 31.03.2016 | 31.03.2015 |
|---|---|---|
| **Note 2** | **Amount Rs.** | **Amount Rs.** |
| **Revenue from operations** | | |
| **Sale of Products** | | |
| Export of Traded goods | 16,311,473 | 15,051,997 |
| **Service Income** | 31,251,320 | 29,938,758 |
| **Other Operating revenue** | | |
| Export incentives | 1,514,198 | 2,187,119 |
| **Total Revenue from operations** | 49,076,991 | 47,177,874 |
| **Details of Products Sold** | | |
| Mechanical seals | 14,637,755 | 10,404,595 |
| Safety valves | 273,794 | 81,694 |
| Rupture disks | 727,115 | 4,396,815 |
| On/Off valves | 672,809 | 168,893 |
| | 16,311,473 | 15,051,997 |
| **Details of Services Rendered** | | |
| Repair, testing and reconditioning of mechanical seals & safety valves | 31,251,320 | 29,938,758 |
| | 31,251,320 | 29,938,758 |

**Note 3**

**Other Income**

| | | 31.03.2016 | | 31.03.2015 |
|---|---|---|---|---|
| Other non-operating income | | 877,124 | | 898,756 |
| Difference in exchange (net) | | - | | 543,102 |
| Bad debts | - | | 6,524 | |
| Less :- recovery of debts written off | - | - | 134,581 | 128,057 |
| Liabilities/provisions no longer required | | 481 | | 1,680,320 |
| | | 901,025 | | 3,250,235 |

**Note 4**

**In respect of Traded Goods**

| | 31.03.2016 | 31.03.2015 |
|---|---|---|
| Inventory at the beginning of the year | - | - |
| Add: Purchases | 14,975,050 | 14,409,958 |
| Less: Inventory at the end of the year | - | - |
| | 14,975,050 | 14,409,958 |
| **Details of Purchases - Traded Goods** | | |
| Mechanical seals | 13,424,147 | 10,404,595 |
| Safety valves | 255,785 | 81,694 |
| Rupture disks | 624,852 | 3,923,669 |
| On/Off valves | 670,266 | - |
| | 14,975,050 | 14,409,958 |

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

| | | 2015-16 Rs. | | 2014-15 Rs. |
|---|---|---|---|---|
| **Note 5** | | | | |
| **Employee benefits expense** | | | | |
| Salaries, wages and bonus | | 55,430,618 | | 54,815,306 |
| Contribution to provident fund | | 535,498 | | 575,373 |
| Gratuity | | 70,078 | | 766,723 |
| Staff welfare expenses | | 220,913 | | 168,575 |
| | | 56,257,107 | | 56,325,977 |
| **Note 6** | | | | |
| **Other Expenses** | | | | |
| Rent | | 12,000 | | 12,000 |
| Insurance | | 16,309 | | 20,925 |
| Rates and taxes | | 15,782,486 | | 2,266,114 |
| Repairs to machinery | | - | | 3,982 |
| Repairs to others | | 32,289 | | 36,995 |
| Travelling and conveyance | | 2,449,999 | | 2,101,532 |
| Information technology expenses | | 1,086,145 | | 1,553,791 |
| Payments to auditor (refer details below) | | 225,000 | | 201,500 |
| Bad debts | 53,010 | | - | |
| Less : Recovery of debts written off | - | 53,010 | - | - |
| Legal & professional expenses | | 3,545,402 | | 6,804,638 |
| Difference in exchange (Net) | | 573,053 | | - |
| Miscellaneous expenses | | 639,063 | | 1,075,233 |
| | | 24,414,756 | | 14,076,710 |
| **Payment to Auditors** | | | | |
| **as Auditor** | | | | |
| Audit fee | | 175,000 | | 142,000 |
| Tax Audit fee | | 50,000 | | 39,000 |
| Certification fee | | - | | 20,500 |
| | | 225,000 | | 201,500 |
| **Note 7** | | | | |
| **Finance costs** | | | | |
| Interest | | 1,831,052,160 | | 899,813,890 |
| Other borrowing cost | | | | |
| Finance charges | | 61,388,682 | | 14,507,037 |
| Bank Charges | | 109,802 | | 152,432 |
| | | 1,892,550,644 | | 914,473,359 |

Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2016

| | 31.03.2016 Rs. | 31.03.2015 Rs. |
|---|---|---|
| **Note 8** | | |
| **Share Capital** | | |
| **AUTHORISED** | | |
| 18, 12 % cumulative redeemable preference shares of Rs 100/- each. | 1,800 | 1,800 |
| 799,820 (previous year 599,820) equity shares of Rs 10/- each | 7,998,200 | 5,998,200 |
| | 8,000,000 | 6,000,000 |
| **ISSUED, SUBSCRIBED AND PAID-UP** | | |
| 530,000 (previous year 530,000) equity shares of Rs. 10 each fully paid-up | 5,300,000 | 5,300,000 |
| | 5,300,000 | 5,300,000 |

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

| | 31.03.2016 In No | 31.03.2016 Rs. | 31.03.2015 In No | 31.03.2015 Rs. |
|---|---|---|---|---|
| **Equity Shares** | | | | |
| At the beginning of the period | 530,000 | 5,300,000 | 530,000 | 5,300,000 |
| Issued during the years | - | - | - | - |
| Outstanding at the end of the year | 530,000 | 5,300,000 | 530,000 | 5,300,000 |

**B: Shares Held by Holding company and its subsidiaries**
The entire paid up Equity Share Capital is held by the holding company, Greenvalley Investments (Alpha) 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.

| **D: Details of Share holders holding more than 5% shares in the company** | 31.03.2016 In Nos | 31.03.2016 % of holding | 31.03.2015 In Nos | 31.03.2015 % of holding |
|---|---|---|---|---|
| Geenvalley Investments (Alpha) Limited | 530,000 | 100 | - | - |
| Sanmar Consolidations Limited | - | - | 530,000 | 100 |

**Note 9**

**Reserves and Surplus**

| | 31.03.2016 | | 31.03.2015 | |
|---|---|---|---|---|
| **Surplus/(deficit) in the statement of profit and loss** | | | | |
| Balance as per last financial statements | (1,834,871,020) | | (885,644,042) | |
| Adjustment on account of depreciation (net of taxes), also refer note 16. | - | | (5,940) | |
| Add :Profit /(loss) for the year | (1,945,209,541) | | (949,221,038) | |
| **Net surplus/(deficit) in statement of profit and loss** | | (3,780,080,561) | | (1,834,871,020) |
| **Total reserve and surplus** | | (3,780,080,561) | | (1,834,871,020) |

| **Note 10** | Non current 31.03.2016 | Current 31.03.2016 | Non current 31.03.2015 | Current 31.03.2015 |
|---|---|---|---|---|
| **Long term borrowings** | | | | |
| Term loan from others (Secured*) | 4,650,000,000 | - | 4,650,000,000 | |
| 8500 (previous year 8500) optionally convertible and redeemable debentures of Rs.100,000/- each issued to body corporates (Secured*) | 850,000,000 | - | 850,000,000 | |
| | 5,500,000,000 | - | 5,500,000,000 | - |

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

Term loan Rs.350 crores to be repaid as a single instalment on August 2019
Term loan Rs.115 crores (previous year Rs. 115 crores) 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, 2016**

| | 31.03.2016 Rs. | 31.03.2015 Rs. |
|---|---|---|

**Note 11**

**Other Long term liabilities**

| | | |
|---|---|---|
| Accrued salaries and benefits | 416,401 | - |
| Sales tax payable | 308,877 | 288,830 |
| Provision for expenses | 2,627,623 | 2,518,752 |
| Interest accrued but not due on loan | 1,805,753,471 | 1,142,909,182 |
| Other payables | - | 5,360 |
| | 1,809,106,372 | 1,145,722,124 |

**Note 12**

| | | |
|---|---|---|
| **Trade payables** | 7,033,609 | 3,017,065 |
| | 7,033,609 | 3,017,065 |

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

**Note 13**

**Other Current liabilities**

| | | |
|---|---|---|
| Accrued salaries and benefits | 4,399,238 | 7,161,949 |
| Withholding and other tax payables | 62,270,017 | 64,638,636 |
| Provision for expenses | 7,025,488 | 936,122 |
| Interest accrued but not due on loan | 1,029,816,916 | 197,515,064 |
| Other payables | 270,505,232 | 3,363 |
| | 1,374,016,891 | 270,255,134 |

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

**Note 14**

**Tangible Assets**

| | GROSS BLOCK | | | | DEPRECIATION AND AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.2015 | Additions | Deductions | As at 31.03.2016 | As at 31.03.2015 | Disposal | For the year * | Upto 31.03.2016 | As at 31.03.2016 | As at 31.03.2015 |
| | Rs. | Rs. | Rs. | Rs. | | | Rs. | Rs. | Rs. | Rs. |
| Plant and machinery | 272,337 | - | - | 272,337 | 270,912 | - | - | 270,912 | 1,425 | 1,425 |
| Furniture and 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** | 334,095 | - | - | 334,095 | 331,567 | - | - | 331,567 | 2,528 | 2,528 |
| Previous year | 334,095 | - | - | 334,095 | 322,484 | - | 9,083 | 331,567 | 2,528 | 2,528 |

**Intangible Assets**

| | GROSS BLOCK | | | | DEPRECIATION AND AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.2015 | Additions | Deductions | As at 31.03.2016 | As at 31.03.2015 | Disposal | For the year | Upto 31.03.2016 | As at 31.03.2016 | As at 31.03.2015 |
| Intangible assets | | | | | | | | | | |
| (a) Software | 1,535,876 | - | - | 1,535,876 | 1,535,876 | - | - | 1,535,876 | - | - |
| **Toal** | 1,535,876 | - | - | 1,535,876 | 1,535,876 | - | - | 1,535,876 | - | - |
| Previous year | 1,535,876 | - | - | 1,535,876 | 1,535,876 | - | - | 1,535,876 | - | - |

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

**Note 15**

| **Non Current Investment**<br>Long term (at cost non- trade - unquoted) | 31.03.2016<br>Rs. | 31.03.2015 |
|---|---|---|
| 45,582,695 (49,569,500) Zero coupon compulsorily convertible unsecured debentures of Rs.100/- each issued by a fellow subsidiary ) | 4,558,269,500 | 4,956,950,000 |
| | 4,558,269,500 | 4,956,950,000 |

**Note 16**

**Deferred Tax Asset - Net**

| | | |
|---|---|---|
| The composition of deferred tax ( liability) / asset | | |
| -On account of timing difference relating to depreciation | - | 18,621 |
| -On account of provision for special adhoc compensation | - | 2,013,185 |
| -Others | - | 4,958,194 |
| | - | 6,990,000 |

**Note 17**

| **Loans and advances**<br>(Unsecured, considered good) | Non current 31.03.2016 | Current 31.03.2016 | Non current 31.03.2015 | Current 31.03.2015 |
|---|---|---|---|---|
| Advances recoverable in cash or in kind or for value to be received | - | 1,138,474 | 149,861 | 9,812 |
| Advance given to creditors | - | 547,131 | - | 4,225 |
| Prepaid expenses | - | 136,921 | - | 188,383 |
| Trade deposits | 51,096 | - | 81,596 | - |
| Balances with customs and excise authorities | - | 19,473 | - | 6,928,339 |
| Works contract tax deducted at source (net) | - | - | 3,138,268 | - |
| Advance tax and tax deducted at source | - | 20,136,844 | - | 23,110,458 |
| Less : Provision for current tax | - | (6,391,934) | - | (13,145,335) |
| Advance for fringe benefit tax | - | 9,372 | - | 126,026 |
| Less : Provision for fringe benefit tax | - | - | - | (116,654) |
| | 51,096 | 15,596,281 | 3,369,725 | 17,105,254 |

**Note 18**

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

| | | |
|---|---|---|
| Debts outstanding for a period of less than six months | 14,640,880 | 16,266,255 |
| | 14,640,880 | 16,266,255 |

**Note 19**

| **Cash and Bank balances** | Non current 31.03.2016 | Current 31.03.2016 | Non current 31.03.2015 | Current 31.03.2015 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash on hand | - | 26,360 | - | 69,687 |
| Balance with scheduled banks | | | | |
| -on current account | - | 2,378,401 | - | 22,710,366 |
| **Other Bank balances** | | | | |
| -on Margin deposit | - | 5,000 | - | 5,000 |
| Amount disclosed under non current assets (Note 20) | - | (5,000) | - | (5,000) |
| | - | 2,404,761 | - | 22,780,053 |

**Note 20**

| **Other Assets**<br>(Unsecured, considered good) | Non current 31.03.2016 | Current 31.03.2016 | Non current 31.03.2015 | Current 31.03.2015 |
|---|---|---|---|---|
| Claims receivable | - | 198,748 | - | 72,799 |
| Other receivables | - | - | 1,811,490 | - |
| Margin Money deposit (refer note 19 ) | 5,000 | - | 5,000 | - |
| Unamortised expenses | 248,737,702 | 75,469,815 | 49,563,162 | 14,507,037 |
| | 248,742,702 | 75,668,563 | 51,379,652 | 14,579,836 |

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

| **Note 21** | **2015-16** | **2014-15** |
|---|---|---|
| | **Rs.** | **Rs.** |
| **Earnings in foreign exchange.** | | |
| FOB value of exports | 1,63,11,473 | 1,50,51,997 |

**Note 22**

**A. Investment in debentures of a fellow subsidiary (as on 31.03.2016)**

SHL Securities (Alpha) Limited

4,65,82,695 Zero Coupon Fully Convertible Debentures are compulsorily convertible into equity shares at par of the company on the expiry of 9(nine) years from the date of allotment (March 31, 2016) .

**Note 23**

**Unamortised Expenditure**
Unamortised expenditure to the extent not written off or adjusted represents unamortised balance of ancillary costs related to borrowings, which is being amortised over the currency of the borrowing commencing from the first withdrawal of the amount 'borrowed.

**Note 24**

Dues to micro, small and medium enterprises:
As at March 31, 2016, there is no interest payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Act, 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

| **Note 25** | **2015-16** | 2014-15 |
|---|---|---|
| **Earnings per share** | | |
| Profit/(Loss) after taxation as per statement of profit and loss | (1,94,52,09,541) | (94,92,21,038) |
| Weighted average number of equity shares outstanding | 5,30,000 | 5,30,000 |
| Earnings per share(In Rupees) * | | |
| (Nominal value of shares of Rs 10/- each) | (3,670.21) | (1,790.98) |

**Note 26**
**Segment Reporting**
The Company has considered business segment as the primary segment.

The business activities reflected in the financial statements comprise of sale and repair, testing and reconditioning service of mechanical seals & safety valves. 'Accordingly, there is no separate reportable primary business segment as per Accounting Standard 17 (Segment Reporting)

The Company has considered geographical segment as the secondary segment, based on the location of the customers.

Information about the secondary geographical segments (Figures in Rupees)

| | 2015-16 | | | 2014-15 | | |
|---|---|---|---|---|---|---|
| Description | India | Outside India | Total | India | Outside India | Total |
| Sales and Service | 3,12,51,320 | 1,63,11,473 | 4,75,62,793 | 2,99,38,758 | 1,50,51,997 | 4,49,90,755 |
| Assets * | 4,90,89,47,100 | 64,29,211 | 4,91,53,76,311 | 5,08,18,24,974 | 75,98,329 | 5,08,94,23,303 |
| Capital expenditure | - | - | - | - | - | - |

**Note 27**

As required under section 186(4) under the Companied Act 2013 Investments made are given under relevant notes.

**Sanmar Engineering Services Limited**

**Notes to financial statements for the year ended March 31, 2016**

**Note 28**

**Disclosure as per AS15 revised - Defined Benefit Plans**

| | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 |
|---|---|---|---|---|---|
| **Present value of obligation at the beginning of the year** | 2,274,645 | 4,315,372 | 6,994,368 | 5,872,088 | 4,823,724 |
| Interest cost | 182,884 | 345,230 | 559,549 | 469,767 | 385,898 |
| Current service cost | 227,758 | 187,938 | 400,791 | 618,153 | 659,426 |
| Benefits paid | - | (2,941,200) | (3,490,200) | (30,690) | (20,700) |
| Transfer of obligations during the year | - | - | 48,090 | 22,950 | 986,400 |
| Actuarial (gain) / loss on obligation | (141,762) | 367,305 | (197,226) | 42,100 | (962,660) |
| **Present value of obligation as at the end of the year** | 2,543,524 | 2,274,645 | 4,315,372 | 6,994,368 | 5,872,088 |
| | | | | | |
| **Fair value of planned assets at the beginning of the year** | 2,295,953 | 4,341,403 | 7,117,444 | 6,116,276 | 4,841,971 |
| Expected return on plan assets | 198,801 | 133,750 | 347,389 | 673,708 | 561,734 |
| Contributions | 58,358 | 762,000 | 470,090 | 347,950 | - |
| Contributions from others - Transferred in | - | - | - | - | 986,400 |
| Benefits paid direct | - | (2,941,200) | (3,490,200) | (30,690) | (20,700) |
| Actuarial gain / (loss) on plan assets | - | - | (103,320) | 10,200 | - |
| **Fair value of plan assets at the end of the year** | 2,553,112 | 2,295,953 | 4,341,403 | 7,117,444 | 6,369,405 |
| | | | | | |
| **Amounts recognised in the balance sheet** | | | | | |
| Present value of obligation as at the end of the year | 2,543,524 | 2,274,645 | 4,315,372 | 8,116,648 | 6,994,368 |
| Fair value of plan assets at the end of the year | 2,553,112 | 2,295,953 | 4,341,403 | 7,117,444 | 7,117,444 |
| **Funded status of the plan - (asset) / liability** | (9,588) | (21,308) | (26,031) | 999,204 | (123,076) |
| | | | | | |
| **Amounts recognised in the statement of profit and loss** | | | | | |
| Current service cost | 227,758 | 187,938 | 400,791 | 618,153 | 618,153 |
| Interest cost | 182,884 | 345,230 | 559,549 | 469,767 | 469,767 |
| Expected return on plan assets | (198,801) | (133,750) | (347,389) | (673,708) | (673,708) |
| Net actuarial (gain) / loss recognised in the year | (141,762) | 367,305 | (93,906) | 31,900 | 31,900 |
| **Expenses recognised in the statement of profit and loss** | 70,078 | 766,723 | 519,045 | 446,112 | 446,112 |
| | | | | | |
| **Principal actuarial assumptions** | | | | | |
| Discount rate | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Salary escalation | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Attrition rate | 1%-3% | 1%-3% | 1%-3% | 1%-3% | 1%-3% |

Note 29

**Related party disclosures :**

| **a) List of parties where control exists** | **Nature of relationship** |
|---|---|
| Greenvalley Investments (Alpha) Limited | Holding Company (From 31st March 2016) |
| Sanmar Consolidations Limited | Holding Company (Upto 30th March 2016) |

| **b) Associates / Fellow Subsidiaries** | |
|---|---|
| Sanmar Engineering Technologies Limited | Fellow Subsidiary (Upto 30th March 2016) |
| Flowserve Sanmar Limited | Fellow Subsidiary (Upto 30th March 2016) |
| Pentair Sanmar Limited | Fellow Subsidiary (Upto 30th March 2016) |
| Xomox Sanmar Limited | Fellow Subsidiary (Upto 30th March 2016) |
| BS&B Safety Systems (India) Limited | Fellow Subsidiary (Upto 30th March 2016) |
| TCI Sanmar Chemicals S.A.E. | Fellow Subsidiary (From 31st March 2016) |
| Sanmar Speciality Chemicals Limited | Fellow Subsidiary (From 31st March 2016) |
| Chemplast Sanmar Limited | Fellow Subsidiary (From 31st March 2016) |
| SHL Securities (Alpha) Limited | Fellow Subsidiary (From 31st March 2016) |

**c) i List of transactions with related parties during the year ended March 31, 2016**

| Description | Controlling parties | | Associates/Fellow Subsidiaries | |
|---|---|---|---|---|
| | 2015-16 | 2014-15 | 2015-16 | 2014-15 |
| **Transactions during the year** | | | | |
| **Purchases** | | | | |
| Flowserve Sanmar Limited | | | 13,424,146 | 9,991,437 |
| Pentair Sanmar Limited | | | 255,785 | 73,440 |
| Xomox Sanmar Limited | | | 624,852 | - |
| BS&B Safety Systems (India) Limited | | | 670,267 | 4,175,669 |
| **Total** | | | 14,975,050 | 14,240,546 |
| **Investments** | | | | |
| Sanmar Engineering Technologies Limited | | | - | 811,080,000 |
| **Investments redeemed during the year** | | | | |
| Sanmar Engineering Technologies Limited | | | 4,956,950,000 | |
| **Balance as at 31st March 2016** | | | | |
| Investments | | | 4,558,269,500 | 4,956,950,000 |
| Trade and other Receivables | | | 6,429,211 | - |
| Other Payables | | | 8,298,704 | - |
| Finance costs payable | | | 1,092,095,776 | - |

Previous year's figures have been regrouped wherever necessary.

Note 30 (Signatories to Note 1 to 30)

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 : May 30, 2016

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

**M RAMAN**
*Company Secretary*
Membership No. ACS-6248

**S SANKARAN**
*Director*
DIN : 00009172

**K VENKATASUBRAMANIAN**
*Director*
DIN : 07271679

**Sanmar Engineering Services Limited**
(CIN: U65993TN1995PLC030445)

**DEBENTURE TRUSTEE FOR NON-CONVERTIBLE DEBENTURES (NCDs)**

IDBI Trusteeship Services Limited
Asian Building, Ground Floor
17 R Kamani Marg
Ballard Estate
Mumbai 400 001
Telephone: 022- 40807022

**RELATED PARTY DISCLOSURE AS SPECIFIED IN PARA A OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

NIL