



THE YASH BIRLA GROUP

Birla Precision Technologies Limited

25th Annual Report

2011-12



**ISO 9001 : 2000 &
ISO 14001 : 2004
CERTIFIED**

**BIRLA PRECISION TECHNOLOGIES LIMITED****Registered Office**

B-15/4, M.I.D.C., Waluj, Aurangabad – 431 133 (M.S.), Tel. No.: (0240.255.4300, +91-022.661.58392

Visit us at: www.birlaprecision.in Email id: einward.ris@karvy.com

Corporate identity Number (CIN): L29220MH1986PLC041214

Scrip Code (BSE): 522105

BOARD OF DIRECTORS

- : Shri Yashovardhan Birla - Chairman
- : Shri M.S. Arora - Managing Director
- : Shri P.V.R. Murthy - Director
- : Shri Shailesh Sheth - Director
- : Shri M.S. Adige - Director
- : Shri Augustine Kurias - Director
- : Smt. Avanti Birla - Additional Director

COMPANY SECRETARY

- : Ms. Lovelina Cecil Faroz

AUDITORS

- : M/s. Chaturvedi & Shah
- Chartered Accountants
- 714-715, Tulsiani Chambers,
- 212, Nariman Point, Mumbai – 400 021

BANKERS

- : ICICI Bank Limited
- Bank of Maharashtra
- Bank of Baroda
- Oriental Bank of Commerce

REGISTERED OFFICE

- : B-15/4, M.I.D.C.,
- Waluj, Aurangabad – 431 133 (M.S.)

PLANT LOCATIONS

- : Tool Holder Division:
- B- 15/4, M.I.D.C., Waluj, Aurangabad – 431 133
- Tool Division:
- B-15/3/1, M.I.D.C., Waluj, Aurangabad – 431 133
- 62/63, M.I.D.C., Satpur, Nashik – 422 007
- Foundry Division:
- B-15/3/2, M.I.D.C., Waluj, Aurangabad – 431 133

**REGISTRAR & SHARE
TRANSFER AGENSTS**

- : M/s. Karvy Computershare Private Limited
- 17-24, Vittalrao Nagar, Madhapur,
- Hyderabad – 500 081 (A.P.)

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25th Annual General Meeting

at 3.30 p.m.

at Registered Office of the Company at

B-15/4, M.I.D.C., Waluj,

Aurangabad - 431 133 (M.S.)

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 25th ANNUAL GENERAL MEETING OF BIRLA PRECISION TECHNOLOGIES LIMITED will be held on Wednesday - September 26, 2012 at 3.30pm, at the Registered Office of the Company at B-15/4, M.I.D.C., Waluj, Aurangabad - 431 133 to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Statement of Profit and Loss for the year ended on that date together with the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Shailesh Sheth, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri P.V.R. Murthy, who retires by rotation, and being eligible offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountants, (Registration no. 000038N) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company in place of M/s. Chaturvedi & Shah, Chartered Accountants, the retiring Auditors of the Company, who have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting.

RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Statutory Auditors, plus reimbursement of out of pocket expenses.”

SPECIAL BUSINESS:

5. TO APPOINT SMT. AVANTI BIRLA AS A DIRECTOR LIABLE TO RETIRE BY ROTATION:

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Smt. Avanti Birla, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 154 (2) of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

6. REVISION IN THE TERMS OF APPOINTMENT OF SHRI M. S. ARORA, MANAGING DIRECTOR OF THE COMPANY:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:-

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the payment of Commission over and above the remuneration paid to Shri M. S. Arora, Managing Director as per the terms and conditions as set out hereunder, with effect from August 13, 2012 till the expiry of his present term i.e. July 29, 2014, notwithstanding that such remuneration is in excess of the limits specified in Part II of Schedule XIII of the Companies Act, 1956:

COMMISSION

Shri M.S. Arora shall be entitled to commission, over and above the remuneration paid to him, at the rate not exceeding 5% (five percent) of the Net Profit of the Company calculated under Sections 349 and 350 of the Companies Act 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take such steps and to do all other acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution.”



7. CREATION OF CHARGE / MORTGAGE

To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT in supersession to the earlier resolution passed in the Annual General Meeting held on September 30, 2011 the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may constitute for this purpose) under section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force) to mortgage and /or charge the whole or substantially the whole of the undertaking including the immovable or movable properties of the Company wherever situated, both present and future in such form and in such manner as the Board may think fit for securing the financial assistance of upto Rs. 100 Crores (Rupees Hundred Crores only) to be borrowed by the Company and / or a group/ associate Company in one or more tranches on such terms and conditions as the Board may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and are hereby authorized to do and perform all such acts, matters deeds and things as may be necessary, without further referring the matter to the members of the Company, including financing the group/ associate Company on whose behalf the security will be created on the selected undertaking which in turn shall be secured and / or mortgaged, methods and modes in respect thereof, determining the exact effective date, and finalizing and executing necessary documents including agreements, deeds of assignment/conveyance and such other documents as may be necessary or expedient in its own discretion and in the best interest of the Company including the power to delegate, to give effect to this resolution.”

By Order of the Board of Directors

Place: Mumbai

Date: August 13, 2012

Lovelina Cecil Faroz

Company Secretary

NOTES

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No. 4 to Item No. 7 set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The Proxy Form as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS (48 hours) before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued by the member organization.
3. Pursuant to Clause 49 of the Listing Agreement, the details of the Directors seeking re-appointment at the ensuing Annual General Meeting is provided in the Corporate Governance Report.
4. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday – September 18, 2012 to Wednesday – September 26, 2012 (both days inclusive).
5. Pursuant to the provisions of the Companies Act, 1956 dividend declared at the Annual General Meeting of the Company held on July 25, 2006, September 27, 2007, September 18, 2008 and September 30, 2009 if not claimed within seven years of such declaration respectively will be transferred to Investor Education and Protection Fund (IEPF). Members who have not encashed their dividend warrants for the aforesaid years are advised to send requests for issuance of duplicate dividend warrants (in case they have not received the Dividend Warrants) and / or revalidation of unencashed Dividend Warrants still held by them, to the Registrars and Transfer Agents of the Company under the heading “Dividend Revalidation”. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claim shall lie in respect thereof.

6. Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956, the details of the Dividend paid by the Company to the Investor Education and Protection Fund (IEPF), if they remain unclaimed by the shareholders is given below:

Date of Declaration of Dividend	Dividend for the year	Due Date of Transfer
September 20, 2005	2004-05	October 24, 2012

7. Members are requested to:-
- bring their copies of the Annual Report at the time of attending the Annual General Meeting;
 - complete the attendance slip and deliver the same at the entrance of the meeting hall;
 - send their questions atleast 10 days in advance before the Annual General Meeting about any further information on accounts or other related topics in the Annual Report so as to enable the Company to answer their question satisfactorily.
8. Members holding shares in physical form may be aware that trading of the Equity Shares of the Company has to be in demat form. In view of this and several other benefits of holding shares in demat mode, you are requested to have your shares dematerialized to avail the benefits of electronic form of trading.
9. Members are requested to promptly notify immediately any change in their addresses to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form. This will help the Company and its Registrars and Share Transfer Agents to provide efficient and better service to the Members.
10. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail address with M/s. Karvy Computershare Private Limited -Registrar and Transfer Agents of the Company.

By Order of the Board of Directors

Place: Mumbai
Date: August 13, 2012

Lovelina Cecil Faroz
Company Secretary

Registered Office:
B-15/4, M.I.D.C., Waluj,
Aurangabad – 431 133

ANNEXURE TO NOTICE

The following Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 (the Act), sets out all material facts relating to the business mentioned at Item No. 4 to Item No. 7 of the accompanying Notice:

Item No. 4

Appointment of Statutory Auditors:

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai, the present auditors who retire at this Annual General Meeting has informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company at the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountant, as the Statutory Auditors of the Company in place of M/s. Chaturvedi & Shah, Chartered Accountants, the retiring Auditors of the Company, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

The member's approval is being sought for the appointment of M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountants, as



the Statutory Auditors of the Company and to authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the resolution as mentioned in Item no. 4 of the notice.

Item No. 5

Appointment of Smt. Avanti Birla as Director:

The Board of Directors of the Company (the 'Board'), at its meeting held on May 30, 2012 appointed Smt. Avanti Birla as an Additional Director effective from the same date pursuant to the provisions of Section 260 of the Companies Act, 1956 (the 'Act') read with Article 154(2) of the Articles of Association of the Company.

In terms of the provisions of Section 260 of the Act, Smt. Avanti Birla would hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with deposit of Rs. 500/- for proposing the candidature of Smt. Avanti Birla for the office of Director of the Company under the provisions of Section 257 of the Act.

Smt. Avanti Birla is not disqualified from being appointed as Director in terms of Section 274 (1)(g) of the Act. The Company has received the requisite Form DD-A from Smt. Avanti Birla, in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, confirming her eligibility for such appointment.

Smt. Avanti Birla aged 45 years is a M.A. by qualification. She is involved in various businesses of the group and takes care of Business development and Corporate Communications activities. In order to avail the benefit of her enriched expertise and knowledge, it will be in the interest of the Company to appoint her as the Director of the Company.

None of the Directors except for Shri Yashovardhan Birla is interested in the said resolution.

The Board recommends the resolution as mentioned in Item no. 5 of the notice.

Item No. 6

Revision in the terms of appointment of Shri M. S. Arora, Managing Director of the Company:

The Remuneration Committee and the Board of Directors of the Company in their meeting held on August 13, 2012 had recommended paying commission over and above the remuneration paid to Shri M. S. Arora w.e.f. August 13, 2012 subject to the approval of the shareholders of the Company and other statutory authorities, if required.

Shri M. S. Arora, aged 50 years is a qualified BE (Mechanical) from REC, Bhopal. He has more than two decades of experience in the field of Operations, Marketing, Export and General Management. Prior to joining the Company, he was the Chief Operating Officer of Man Industries Limited. He has also held various senior level positions in Welspun Gujarat Stahl Rohren Limited, PSL Limited and Voltas Limited. The Company has benefited from his rich and varied experience and continues to do so.

The commission as mentioned in the notice may be treated as an abstract to the variation of the contract of appointment of Shri M. S. Arora, Managing Director under Section 302 of the Companies Act, 1956.

None of the Directors, except Shri M. S. Arora is concerned or interested in this resolution.

The Board recommends the resolution as mentioned in the item no. 6 of the notice.

Item No. 7

Creation of Charge / Mortgage :

The borrowing of the Company are in general required to be secured by suitable mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and rankings as may be determined by the Board of Directors of the Company from time to time, in consultation with the lender(s)

Under section 293 (1)(a) of the Companies Act, 1956, the Board of Directors, except with the consent of the shareholders in a General Meeting, cannot create mortgage and/or charge the whole or substantially the whole of the undertaking including the immovable or movable properties of the Company to secure the borrowings made by the Company and its group/ associate Companies made in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956 in favour of lender(s).

The Board recommends the resolution set out at Item No. 7 of the Notice for approval of the members.

None of the Directors is concerned and interested in the proposed resolution.

INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION

1. Nature of Industry:

- The Company is a Manufacturer of a comprehensive range of high precision CNC Tooling systems, which form an essential component of the CNC machinery that is used in various manufacturing sectors such as, automobiles, general and heavy engineering and consumer durables. (Defense, Railways and Electrical industry)

2. Date or expected date of commencement of commercial production:

The Company was incorporated on October 13, 1986 and the date of commencement of business is December 16, 1986

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable

4. Financial Performance based on given indicators:

(Rs. in Lakh)

Financial Year ended	2011-12	2010-11	2009-10
Net Sales	19342.86	11135.56	7913.42
Total Income	20213.59	11356.93	8036.27
Total Expenditure	18247.86	9834.96	7885.61
Profit before Tax	1965.73	1521.97	150.66
Profit after Tax	1205.31	659.18	95.66

5. Export performance and net foreign exchange collaborations, if any:

(Rs. in Lakh)

Financial Year ended	2011-12	2010-11	2009-10
Foreign Exchange Earnings (FOB value of Export)	2236.49	2224.18	1449.84

6. Foreign Investments or collaborators, if any:

Not Applicable

II. INFORMATION ABOUT THE APPOINTEE:

1. Background details:

Shri M. S. Arora, aged 50 years is a qualified BE (Mechanical) from REC, Bhopal. He has more than two decades of experience in the field of Operations, Marketing, Export and General Management. Prior to joining the Company, he was the Chief Operating Officer of Man Industries Ltd. He has also held various senior level positions in Welspun Gujarat Stahl Rohren Ltd., PSL Limited and Voltas Limited.

He was appointed as the Executive Director of the Company and Managing Director w.e.f. July 30, 2009.

2. Past Remuneration:

For the year 2011-12	(Rs. in Lakh)
Salary & Allowances	47.98
Total	47.98

3. Recognition or awards:

In the Partner's Meet, 2011 Birla Precision Technologies Limited received acknowledgement in pursuit of delivering quality products ontime competitively from Godrej Toolings. This was possible due to the leadership of Shri M.S. Arora.

4. Job Profile and his suitability:

The Managing Director is entrusted with substantial powers of management in respect of the whole of the affairs of the Company subject to the superintendence, control and direction of the Board of Directors. He will also perform such



duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time.

5. Remuneration Proposed:

As per the details contained in the Notice of the 25th Annual General Meeting.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

The executive remuneration in the industry has increased manifold in the past few years. Having regard to the type of industry, trends in industry, size of the Company, the responsibilities, academic background and capabilities of Shri M. S. Arora, the proposed remuneration is well within the remuneration payable to Directorial personnel holding similar stature/position in the industry.

7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Shri M. S. Arora has no pecuniary relationship with the Company, other than his remuneration as Managing Director of the Company. There are no managerial personnel related to Shri M. S. Arora.

III. OTHER INFORMATION:

1. Reasons of loss or inadequate profit:

The Company has adequate profits for the financial year ending March 31, 2012; however the global slowdown and the rise in price of the raw material may impact the profit margins of the Company in future.

2. Steps Taken or proposed to be taken for improvement

Through better productivity and optimum utilization of capacity.

3. Expected increase in productivity and profits in measurable terms

In the competitive environment, it is difficult to estimate increase in revenue/profit. The management is confident of further increase in revenues and profits in coming years through increase in its productivity and optimum utilization of capacity.

IV. DISCLOSURES

1. Shri M.S. Arora does not hold any interest in the capital of the Company, directly or indirectly or through any other statutory structures. Further, Shri M.S. Arora does not have any direct or indirect interest nor is he related to any other directors or promoters of the Company at any time during last two years before or on the date of appointment.
2. Shri M.S. Arora is also Managing Director of Zenith Birla (India) Limited and he draws remuneration of Rs. 130.78 Lakh per annum from there.

By Order of the Board of Directors

Place: Mumbai

Date: August 13, 2012

Registered Office:

B-15/4, M.I.D.C., Waluj,
Aurangabad – 431 133

**Lovelina Cecil Faroz
Company Secretary**

DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012

To the Members,

Your Directors are pleased to present the Twenty Fifth Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS:

(Rs. in Lakh)

Particulars	2011-12	2010-11
Net sales including other Income	20213.59	11356.93
Profit before Interest, Depreciation and Tax	3630.52	2410.90
Less: Interest & Financial Charges	785.15	314.88
Less: Depreciation & Amortisation	879.64	574.05
Profit before taxation	1965.73	1521.97
Less: Provision for taxation	760.42	862.79
Profit for the year	1205.31	659.18

PERFORMANCE REVIEW

The Sales and Other Income of the Company for the financial year 2011-12 stood at Rs. 20213.59 Lakh as against last year's Rs. 11356.93 Lakh. The Profit before tax is increased to Rs. 1965.73 Lakh as against Rs. 1521.97 Lakh of last year. Profit after tax stood at Rs. 1205.31 Lakh as against Rs. 659.18 Lakh of last year.

DIVIDEND

Your Directors have not recommended dividend for the year ended March 31, 2012 considering the fund requirement for future business expansion.

SCHEME OF AMALGAMATION

The Scheme of Amalgamation between Birla AccuCast Limited (BAL) and Birla Machining & Toolings Limited (BMTL) with the Company and their respective shareholders has been sanctioned by the Hon'ble High Court of Bombay on March 30, 2012. The Scheme has been made effective from May 28, 2012.

The Amalgamation Committee of the Board of Directors has allotted 2,06,23,760 Equity Shares of Rs. 2/- each on July 20, 2012 to the members of BAL and BMTL in the following ratios:

BAL, 7 (Seven) Equity shares of the face value of Rs. 2/- each credited as fully paid up of the Company for every 16 (Sixteen) Equity shares of the face value of Rs. 10/- each credited as fully paid up held in BAL.

BMTL, 2 (Two) Equity shares of the face value of Rs. 2/- each credited as fully paid up of the Company for every 3 (Three) Equity shares of the face value of Rs. 10/- each credited as fully paid up held in BMTL.

SUBSIDIARY COMPANY

Your Company does not have any Subsidiary Company.

PUBLIC DEPOSIT

Your Company has not accepted any fixed deposit from the public. As such, no amount of principal or interest is outstanding as on the Balance Sheet date.

DIRECTORS

Shri Shailesh Sheth, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Shri P.V.R. Murthy, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.



Smt. Avanti Birla was appointed as an Additional Director of the Company with effect from May 29, 2012 and holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956 from the member signifying his intentions to propose the appointment of Smt. Avanti Birla as a Director of the Company. Your Directors recommend her appointment.

The Remuneration Committee and the Board of Directors of the Company in their meeting held on August 13, 2012 have recommended paying commission over and above the remuneration paid to Shri M.S. Arora- Managing Director as mentioned in the notice of the Annual General Meeting subject to the approval of the shareholders of the Company and other statutory authorities.

DIRECTORS RESPONSIBILITY STATEMENT

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statement for the period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that:

- I) In the preparation of the annual accounts, the applicable accounting standards have been followed except for Accounting Standard -2, which has been explained in the para - "Auditors & Auditors' Report";
- II) Appropriate accounting policies have been selected and applied 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 at the end of the financial year and of the profit or loss of the Company for that period;
- III) Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability;
- IV) The annual accounts have been prepared on a "going concern basis".

AUDITORS & AUDITORS' REPORT

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai the Statutory Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Chaturvedi & Shah, Chartered Accountants, expressing their unwillingness to be re-appointed as Auditors.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Thakur, Vaidyanath Aiyer & Co., Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

The Directors recommend the appointment of M/s. Thakur, Vaidyanath Aiyer & Co., to the members at the forthcoming Annual General Meeting.

The Board of Directors explanation to the Auditors adverse remark is as follows:

Auditors Adverse Remark	Directors Explanation
Cost of finished goods and goods under process of Tool Division of the Company is determined by using retail method whereby the cost is computed by reducing from the sale value of the inventory, the global gross margin which is not as per Accounting Standard AS-2 on "valuation of Inventories" referred to in sub-section (3C) of Section 211 of the Act. The impact of this on the profit for the year has not been quantified.	The Tool Division of the Company has been valuing finished goods and goods under process, since inception at lower of estimated cost and net realizable value. Estimated cost is arrived at using retail method which is arrived at by adjusting the selling price by estimated gross margin, globally for all types of products. Since valuation of finished goods and goods under process is done on the same basis followed in the past, there is no effect on the profit and loss account for the year. The company is in the process of complying with Accounting Standard AS – 2 and hopes to do the same in F.Y. 2012-13.