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FLUIDOMAT LIMITED

36th Annual Report

2011-12

CK

Board of Directors :

ASHOK JAIN *Chairman and Managing Director*
KUNAL JAIN *Executive Director*
M.K. SHAH
K.C. JAIN
NARENDRA KATHED
PRAFUL R. TURAKHIA

Vice President and Compliance officer :

PRAMOD JAIN

Auditors :

J.P. SARAF & CO.
Chartered Accountants

Corporate Law Advisor :

D.K. JAIN & COMPANY
Company Secretaries

Bankers :

CENTRAL BANK OF INDIA

Registered Office :

117, 1st Floor, 'Navneet Darshan',
16/2, Old Palasia, INDORE-452 018 (M.P.)
Tel.: 0731-2564820

Registrar and Transfer Agents :

Ankit Consultancy Pvt. Ltd.
Plot No. 60,
Electronic Complex
Pardeshipura, Indore (M.P.) -452010
Tel. : 91-731-3198601, 3198602
Fax : 91-731-4065798
E-mail : ankit_4321@yahoo.com

Works & Head Office :

7C-8J, I.S. Gajra Industrial Area,
Agra-Bombay Road,
DEWAS-455 001 (M.P.)
Tel.: 07272-258582, 258583, 268100
Fax : 07272-258581
e-mail : fludomat@sancharnet.in
info@fluidomat.com
Website : www.fluidomat.com

36th Annual General Meeting

Date	:	26th September, 2012
Day	:	Wednesday
Time	:	2.00 p.m.
Place	:	117, 1st Floor 'Navneet Darshan' 16/2, Old Palasia, Indore - 452 018 (M.P.)
Book Closure	:	24.09.2012 to 26.09.2012 (Both days inclusive)

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NOTICE

NOTICE is hereby given that 36th Annual General Meeting of the Members of FLUIDOMAT LIMITED will be held at the Registered Office of the Company at 117, 1st Floor, "NAVNEET DARSHAN", 16/2 Old Palasia, Indore (M.P.) 452018 on Wednesday, September 26, 2012 at 2.00 p.m. to transact the following businesses:

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended March 31, 2012 and the Balance Sheet as at that date and report of the Directors and Auditors thereon.
2. To declare dividend on equity share capital of the Company.
3. To appoint a Director in place of Shri Ashok Jain who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Praful R. Turakhia who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint the Auditors and to fix their remuneration and in this regard to pass with or without modification the following resolution as an **Ordinary Resolution:**
   RESOLVED THAT M/s J.P.Saraf & Co., Chartered Accountants (Firm Registration No. 006430C) be and is hereby appointed as Auditors of the Company, to hold office from conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company on such remuneration as shall be fixed by the Board of Directors.

II. SPECIAL BUSINESS BY SPECIAL RESOLUTION:

6. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION:**
   RESOLVED THAT pursuant to the provisions of the section 198, 199, 268, 302, 309, 310 & 311 read with the provisions of Schedule XIII of Companies Act, 1956 and other applicable provisions, and subject to the approval of the Central Government if any, including any statutory modifications or re-enactment thereof for the time being enforced. The approval of the members of the Company be and is hereby granted for the re-appointment of Shri Ashok Jain, as the Chairman & Managing Director of the Company for a further period of 3 years w.e.f.1st July, 2013 on the total monthly remuneration not exceeding Rs.2,50,000/- per month and on following terms conditions and Perquisites:
   OTHER BENEFITS/PEQUISITES:
   1. Employers Contribution: to the Provident Fund as per the Rules of the Company.
   2. Gratuity: As per rules of the Company, subject to a maximum ceiling as may be prescribed under the Payment of Gratuity Act from time to time.
   3. Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year of completed services at the end of the tenure.
   4. Car: The Company shall provide car with driver for the Company's business and if no car is provided, reimbursement of the conveyance shall be made as per actual on the basis of claims submitted by him.
   5. Telephone & Cell: Free use of telephone and internet at his residence and Cell phone, provided that the personal long distance calls on the telephone shall be billed by the Company to the Chairman and Managing Director.

   FURTHER RESOLVED THAT in the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Ashok Jain shall be the minimum remuneration payable by the Company.
   FURTHER RESOLVED THAT there shall be clear relation of the Company with Shri Ashok Jain as "the Employer-Employee" and each party may cancel the above said appointment with the six months notice in writing or salary in lieu thereof.
   RESOLVED FURTHER THAT Shri Ashok Jain, the Chairman & Managing Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/ amenities and other privileges, as may from time to time, be available to other Senior Executives of the Company.
   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things and to decide break up of his remuneration within the permissible limits in its absolute discretion as may considered necessary, expedient or desirable and to vary, modify the terms and conditions and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company.
7. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION**:
   RESOLVED THAT pursuant to the provisions of section 314(1)(b) and other applicable provisions if any of the Companies Act, 1956, the approval of members of the Company be and is hereby accorded for increase in the salary and allowances payable to Mrs. Pramila Jain as the Manager (Corporate Affairs) of the Company w.e.f. 1st June, 2012 subject to the maximum of Rs.2,00,000 P.M. as may be decided by the Company from time to time and that she will also be entitled for the reimbursement of traveling, conveyance and other actual out of pocket expenses as per the rules of the Company as applicable to other executives of the same grade for attending the works/assignments of the Company.
8. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION:**
   RESOLVED THAT pursuant to the provisions of section 314(1)(b) and other applicable provisions if any of the Companies Act, 1956, the approval of members of the Company be and is hereby accorded for increase in the salary and allowances payable to Mrs. Radhica Sharma w.e.f. 1st September, 2012 subject to the maximum of Rs.1,00,000 P.M. as may be decided by the Company from time to time and that she will also be entitled for the reimbursement of traveling, conveyance and other actual out of pocket expenses as per the rules of the Company as applicable to other executives of the same grade for attending the works/assignments of the Company.
9. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION:**
   RESOLVED THAT pursuant to the provisions of section 314(1)(b) and other applicable provisions if any of the Companies Act, 1956, the approval of members of the Company be and is hereby accorded for increase in the salary and allowances payable to Mr. Sundeep Sharma w.e.f. 1st September, 2012 subject to the maximum of Rs.1,00,000 P.M. as may be decided by the Company from time to time and that he will also be entitled for the reimbursement of traveling, conveyance and other actual out of pocket expenses as per the rules of the Company as applicable to other executives of the same grade for attending the works/assignments of the Company.
10. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION**:
    RESOLVED THAT pursuant to the provisions of section 314(1)(b) and other applicable provisions if any of the Companies Act, 1956, the approval of members of the Company be and is hereby accorded for the appointment of Mrs. Monica Jain as the Manager (Financial Analyst) of the Company on a total remuneration not exceeding Rs.50,000/- p.m., w.e.f. 1st Sept., 2012, who is a relative of Directors of the Company and that she will also be entitled for the reimbursement of traveling, conveyance and other actual out of pocket expenses as per the rules of the Company as applicable to other executives of the same grade for attending the works/assignments of the Company.

BY ORDER OF THE BOARD

Place: Indore
Date: 13th August, 2012

ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Company has already notified closure of Register of Members and Share Transfer Books from 24th Sept., 2012 to 26th Sept., 2012 (both days inclusive) for the determining the names of members eligible for dividend on equity shares, if declared at the meeting. The Dividend on equity shares if declared at the meeting, will be credited/dispatched to those members whose names shall appear on the Company's Register of Members on 26th Sept., 2012 in respect of the shares held in dematerlised form, the dividend will be paid to members, those names are furnished by NSDL/ CDSL as beneficial owners as on that date.
3. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend, the Company or its Registrar and Transfer Agent cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates, such changes are to be advised only to the depository participant of the members.
4. (a) Members are requested to notify immediately any change of address;
   - i) To their Depository Participants (DPs) in respect of their electronic share accounts; and
   - ii) To the Company to its Share Transfer Agents in respect of their physical share folios, if any.

   (b) In case the mailing address on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.

   (c) Non-resident Indian Shareholders are requested to inform Share Transfer Agents immediately:
   - i) Change in the residential status on return to India for permanent settlement.
   - ii) The particulars of NRE Account with Bank in India, if not furnished earlier.
5. All documents referred to in the accompanying notice are open for inspection at the Registered office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
6. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
7. Members desires of obtaining any information concerning Accounts and Operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
8. The Company has connectivity from the CDSL & NSDL and equity shares of the Company may also be held in the Electronic form with any Depository Participant (DP) with whom the members/ investors having their depository account. The ISIN No. for the Equity Shares of the Company is INE459C01016. In case of any query/difficulty in any matter relating thereto may be addressed to the Share Transfer Agents Ankit Consultancy Pvt. Ltd., 60, Electronic Complex, Pardeshipura, Indore (M.P.) 452010.
9. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down loaded from the website of the Ministry of Company affairs.
10. Pursuant to the provisions of section 205A(5) and 205C of the Companies Act, 1956, the Company is having unpaid/unclaimed dividend for the financial year 2010-11 Rs.2,38,613/- . Members are requested to please submit their request for obtaining dividend. The amount if any remains unpaid after 7 years from the date of declaration shall be transferred to the Investors Education and Protection Fund of the Central Government.
11. The SEBI has mandated the submission of PAN by every participant in securities market, members holding shares in electronic form are therefore, requested to submit the PAN to their depository participant with whom they are maintaining their Demat Accounts. Members holding shares in physical form can submit their PAN details to the Company's Share Transfer Agent, M/s Ankit Consultancy Pvt. Ltd.
12. Pursuant to the Clause No.49 of the Listing Agreement, profile of the Directors proposed for appointment/re-appointment being given in a statement containing details of the concerned Directors is attached hereto.
13. **GREEN INITIATIVE:**

    The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011, has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

    Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to please promptly provide their details (name, folio no., e-mail id) to the Registrar and Transfer Agent of the company. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

    The annual report and other communications/documents sent electronically would also be displayed on the Company's website: www.fluidomat.com. As a Member of the Company, you will be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you.

    We request you to support this initiative and opt for the electronic mode of communication by submitting your e-mail address to your DP or to the Company's Registrar, in the interest of the environment.

STATEMENT REGARDING THE DIRECTORS PROPOSED FOR APPOINTMENT

Name and Designation	Age / Years	Qualification	Expertise/ Experience	Date of Appointment	Other Directorships	No. of Shares Held & %
Shri Ashok Jain (CMD) Promoter	63 years	BE (Elec.)	42 years in manufacturing of fluid couplings.	01.12.1975	Red Wood Packaging Pvt. Ltd.	1097119 Shares 22.27%
Mr. Praful R. Turakhia Independent/ NED	64 Years	B.E. (Mech.)	39 years in Engineering, Pharma Bulk Drugs & Chemical Industries.	30.01.2009	Ratilal Chemark Pvt. Ltd.	Nil

ANNEXUERE TO THE NOTICE

Explanatory Statement u/s 173(2) of the Companies Act, 1956.

ITEM NO.6:

Shri Ashok Jain was re-appointed as the Chairman Cum Managing Director of the Company w.e.f. 01.07.2010 for a period of three years, therefore his tenure shall be over on 30th June, 2013. Upon the recommendation of the Remuneration Committee, the Board of Directors at their meeting held on 13th August, 2012 has re-appointed him for a further period of 3 years w.e.f. 1st July, 2013 and seek approval of the members by way of special resolution for his re-appointment.

Shri Ashok Jain is a technocrat and is a qualified graduate electrical engineer with more than 42 years alround experience of design, development of fluid couplings and management of industry. He has developed the fluid coupling technology indigenously and brought India amongst few select companies in the world possessing this technology. At present he is considered best expert in India on fluid couplings including its application, usages and energy saving. He is also recognized internationally by all the competitors and many users/buyers of fluid couplings in many places of world. He is thus key asset of the company and is fully capable to take the company on progressive path with his knowledge and management skills.

Upon the recommendation of the Remuneration Committee, your Board of Directors has considered for his re- appointment at their meeting held on 13th August, 2012 for a further period of three year w.e.f. 1st July, 2013 on the same remuneration, terms and conditions including remuneration as are set out in the draft agreement to be entered into by the Company with Shri Ashok Jain, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board of Directors and Chairman & Managing Director, Shri Ashok Jain. The Board considered that the terms and conditions of the agreement, the salary & perquisites as given in the notice of the meeting, which is commensurate with his sincere efforts and high responsibilities, status and image of the Company. The Board recommend to pass necessary special resolution as set out in Item No. 6 of the notice.

This should be considered also as an abstract of the terms of the re-appointment of Shri Ashok Jain as the Chairman & Managing Director of the Company and a memorandum as to the nature of the concern or interest of the Directors in the said re- appointment as required u/s 302 of the Companies Act, 1956.

The requisite details in respect of the Directors/ Managerial persons as required to be provided to Shareholders of the Company in terms of the provisions of Schedule XIII of the Act are stated below:

Information as required in terms of Schedule XIII of the Companies Act, 1956

(I) GENERAL INFORMATION

1	Nature of Industry:	Engineering
2	Date or expected date of commencement of commercial production:	Not applicable-the Company is an existing Company
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 of the Company:	Financial Performance of the Company for the year ended 31st March, 2012 Total Income- Rs.2711.56 Lakhs Total Expenditure- Rs.2179.52 Lakhs Profit Before Tax- Rs.532.04 Lakhs Profit after Tax- Rs.357.87 Lakhs
5	Export performance and net foreign exchanges collaborations, if any	Foreign Exchange earnings on FOB basis amounted to Rs. 147.12 Lakhs as against foreign Exchange outgo for Rs. 1.82 Lakhs for the financial year ending 31st March, 2012.
6	Foreign Investments or collaborators, if any	Not Applicable
(II)	**INFORMATION ABOUT APPOINTEE**	
1	Background details	Mr. Ashok Jain, aged about 64 years is the Chairman and Managing Director and a core promoter of the Company since its incorporation. He has developed the fluid coupling technology indigenously and brought India amongst few select companies in the world possessing this technology. Mr. Jain is a qualified graduate engineer with more than 42 years alround experience of design, development and overall management of the company

		As a Chairman he provides strategic direction to the Company. He has been the driving force behind the Company's growth. With his knowledge and management skills, company is on growth path and making profits consistently.
2	Past Remuneration	Rs 29,85,273 p.a
3	Recognitions or awards	N.A.
4	Job Profile and his suitability	As above, He is the key asset for the company and his contributions and directions are compulsorily required for the growth and success of the Company.
5	Remuneration Proposed	Rs. 30,00,000 p.a.
6	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	The remuneration payable is as per general industry norms and commensurate with the operation of the Company and job responsibilities.
7	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial person. If any	Mr. Ashok Jain is a Promoter Directors and has been instrumental in bringing significant growth in the volume of business since inception. He is having pecuniary relationship with the Company in his capacity as the Chairman & Managing Director and Promoters. Mr. Ashok Jain is related to Mr. Kunal Jain, Whole Time Director of the Company.
(III)	**OTHER INFORMATION**	
1	Reasons for loss or inadequate profits	The turnover and profits are lower due to over all market conditions.
2	Steps taken for improvement	The Company is taking efforts on implementing other marketing strategies to help increase the sales and thereby increasing profits of the Company.
3	Expected increase in productivity and profits in measurable terms	The productivity and profits are expected to increase by 10-20%.
(IV)	**DISCLOSURES**	
1	The Shareholders of the Company shall be informed of the remuneration package of the managerial person.	The remuneration paid to Mr. Ashok Jain and Mr. Kunal Jain was as stated in the Corporate Governance Report for the year 2011-12.

Except, Shri Ashok Jain and Shri Kunal Jain none of the other Directors are concerned or interested in this Resolution.

ITEM NO.7 to 9:

Mrs. Pramila Jain is working with the Company since more than 25 years handling responsibility of Manager Corporate Affairs. Looking into her long experience with the Company, the present remuneration payable to Mrs. Pramila Jain is inadequate and needs to be increased suitably from time to time. Therefore the remuneration committee of the Board has considered and approved for increase her remuneration suitably from time to time subject to the maximum of Rs. 2,00,000 p.m.

Mrs. Radhica Sharma and Mr. Sundeep Sharma are working with the Company since more than 6 years in the capacity of Vice President (Purchase) and Vice President (International Marketing) respectively. Looking into their experience with the Company, the present remuneration payable to them is inadequate and needs to be increased suitably from time to time. Therefore the remuneration committee of the Board has considered and approved for increase their remuneration suitably from time to time subject to the maximum of Rs. 1,00,000 p.m.

Since Mrs. Pramila Jain, Mrs. Radhica Sharma and Shri Sundeep Sharma are relatives of Directors Shri Ashok Jain and Shri Kunal Jain, the increase in their remuneration needs approval of the members by way of special resolution as required u/s 314(1)(b) of the Companies Act, 1956. The Board recommend to pass necessary resolution as set out in item no. 7 to 9 of the notice.

Shri Ashok Jain and Shri Kunal Jain, being relative, none of the other Directors are concerned or interested in this Resolution.

ITEM NO.10:

Mrs. Monica Jain is M.B.A and CFA was appointed to handle the responsibility of Manager (Financial Analyst) w.e.f. Sept., 2012. Looking into her qualifications the remuneration committee of the Board has considered and approved her appointment subject to the maximum of Rs. 50,000 p.m.

Since Mrs. Monica Jain, is relative of Directors Shri Ashok Jain and Shri Kunal Jain, the appointment needs approval of the members by way of special resolution as required u/s 314(1)(b) of the Companies Act, 1956. The Board recommend to pass necessary resolution as set out in item no. 10 of the notice.

Shri Ashok Jain and Shri Kunal Jain, being relative, none of the other Directors are concerned or interested in this Resolution.

BY ORDER OF THE BOARD

Place: Indore
Date: 13th August, 2012

ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT
AND
MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the 36th Annual Report together with the Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

The financial performance of the Company, for the year ended March 31, 2012 is summarized below :

(Rupees in Lacs)

Particulars	2011-12	2010-11
Revenue from operation	2684.65	2021.94
Other Income	26.92	18.14
Total Income	**2711.57**	**2040.08**
Total Expenses	2138.62	1652.14
Profit before Interest, Depreciation &Tax (EBIDTA)	**572.95**	**387.94**
Less: Interest	0.34	6.71
Less: Depreciation	40.57	35.97
Profit before Tax	**532.04**	**345.26**
Less: (a) Current Tax	176.24	119.22
(b) Deferred Tax	(2.07)	(4.62)
Net Profit for the year	**357.87**	**230.66**
Add: Surplus brought forward from previous year	497.49	291.94
Amount available for appropriation	855.36	522.60
Appropriations:		
(a) Transferred from Debenture Redemption Reserve	-	(32.15)
(b) Transferred to General Reserve	9.00	-
(c) Proposed Dividend on Equity Shares	61.59	49.27
(d) Tax on Proposed Dividend	9.99	7.99
Surplus Carried to Balance Sheet	**774.78**	**497.49**
Paid up Equity Share Capital	492.70	492.70
Earning per share (Rs.10/- each) Basic & Diluted (in Rs.)	**7.26**	**4.68**

DIVIDEND: Your Directors are pleased to recommend a dividend of Rs. 1.25 per share i.e. 12.50% (previous year 10%) for the financial year ended March 31, 2012. Above dividend would be paid subject to approval by the Members in the ensuing Annual General Meeting (AGM). The proposed dividend will absorb Rs. 71.58 lacs including Dividend Distribution Tax of Rs. 9.99 lacs. The dividend payment is recommended in accordance with company policy to pay sustainable dividend linked to long term growth objectives of the company to be met by internal cash accruals.

OPERATIONAL REVIEW: In the financial year 2011-12, the company continued its strong growth with consistent performance. Total Revenue (including other Income) increased by 33% to Rs. 2711.57 lacs as against Rs. 2040.08 lacs for the previous year. Profit before tax for the year under review increased by 54% as compared to previous year. During the year EPS have increased by 55% to Rs. 7.26 as against EPS of Rs. 4.68 in the corresponding previous year.

FIXED DEPOSITS: Your Company has not accepted any public deposit within the meaning of provisions of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 and as such no amount of principal or interest was outstanding as of the balance sheet date.

CORPORATE GOVERNANCE: Your Company firmly believes and adopts the highest standard of practice under Corporate Governance. A separate section on corporate governance and a certificate from Auditors of the Company regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreement with the stock exchanges form part of this annual report.

DIRECTORS: The Board consists of executive and non-executive Directors including independent Directors who have wide and varied experience in different disciplines of corporate functioning.

Shri Deepak Kemkar did not offer himself for re-appointment at the Annual General Meeting held on 26th Sept., 2011, therefore ceased to be the Director on the Board of the Company. The Board places its sincere appreciation for the valuable guidance and contribution made by Shri Deepak Kemkar through his long time association with the Company.

In terms of Articles of Association of the Company Shri Praful R. Turakhia and Shri Ashok Jain retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

The tenure of the Managing Director, Shri Ashok Jain is ending on 30th June, 2013, therefore, your Directors proposes for his re-appointment for a further period of three years w.e.f. 1st July, 2013. Your Directors proposes for approval of the members at the forthcoming Annual General meeting and recommends to pass necessary resolutions to that effect as set out in the notice of the annual general meeting.

DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of section of 217(2AA) of the Companies Act, 1956, your Directors state that:

- In the preparation of accounts, the applicable accounting standards have been followed.
- Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of March 31, 2012 and the profit of the Company for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- The annual accounts of the Company have been prepared on a going concern basis.

AUDITOR: M/s J. P. Saraf & Co., Chartered Accountants, Indore, the statutory Auditors of the Company retires at the close of this Annual General Meeting and is eligible for re-appointment. The Company has received confirmation from the Auditors that their re-appointment will be within the limits prescribed under section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval.

AUDITORS' REPORT: The report of the auditors of the Company and notes to the accounts are self explanatory and therefore do not call for any further comments and may be treated as adequate compliance of section 217(3) of the Companies Act, 1956.

COST AUDITOR: M/s G.K.Gupta & Co., Cost Accountant in whole-time practice, has been appointed as the cost auditor of the Company for conducting the cost audit of Company's product i.e. Fluid Couplings for the financial year 2012-13.

Pursuant to the provisions of section 209(1)(d) of the Companies Act, 1956, Company is subject to maintenance of Cost Accounting Record and is required to file Compliance Report to the MCA for the financial year 2011-12 . Accordingly Company has maintained the prescribed cost records and the compliance certificate shall be filed to the MCA within the stipulated time by the Company.

SECRETARIAL COMPLIANCE CERTIFICATE: Compliance Certificate has been obtained from M/s D. K. Jain & Co. in terms of the provisions of section 383A(1) of the Companies Act, 1956 which is being annexed to the Directors' Report, which is self-explanatory and needs no comments. Annexure B

INSURANCE: The Company has taken adequate insurance cover for all movable & immovable assets for various types of risks.

INDUSTRIAL RELATIONS: Company's Industrial relations continued to be healthy, cordial and harmonious during the period under review.

HEALTH AND SAFETY: The safety and security of the workers are important things for building healthy work environment. The Company has taken effective measures in the field of health care and safety. Your Company has conducted following activities for building healthy work culture:

1. Regular medical check-up
2. Medical aid facility for the workers and placement of first aid boxes at several places
3. Ensuring safety of the workers by displaying signs, cautionary board, emergency phone calling system.
4. Conducting training programs on the job and after job.
5. Conducting lectures for awareness of hygiene and cleanness.
6. Training to fire marshals and display their contact numbers at various locations.

Your Company belief that healthy and happy working environment is the fundamental rights of every employee and to provide the same as a duty of the Company. Your Company is committed towards providing a healthy working environment in every possible way.

ENVIRONMENTAL PROTECTION: Your Company believes that clean surrounding and health environment adds to the efficiency of the workers. Your Company believes that it is responsibility of the Company to maintain the ecological balance for sustainable development. Your Company aims towards maintaining the harmony and rhythm of the eco system. The eco friendly initiatives adopted by your Company includes:

1. Optimum use of natural resources
2. Implementing the 3R system, reduce, re-use and recycle.
3. Tree plantation campaigns.
4. Regular internal environmental checks.
5. Reduction in process waste.
6. Storage and disposal of hazardous wastes as per statutory requirements.

CORPORATE SOCIAL RESPONSIBILITY Corporate Social Responsibility (CSR) is not a new Concept in India. The only new is that the focus has been shifted from making profits to meeting societal challenges.

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Your Company is dedicated to serve the society at large. Commitment towards health, safety and environment protection are the core values of the Company. The Company is continuously making efforts to preserve the environment by undertaking various measures such as plantation of trees, encouraging paperless transactions, optimum use of natural resources etc.

Your Company shall continue to undertake more activities and initiatives to improve the quality of life and society at large.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, PARTICULAR OF EMPLOYEES AND FOREIGN EXCHANGE EARNINGS AND OUTGO: Information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 have been annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A. Economic Overview: During the year under review the Global economy continues to pass through difficult phase with uncertain economic conditions prevailing in Europe & USA. The GDP growth on Global level is estimated at 3.5% for the year 2012-13 with no signs of improvement in near future.

The Indian economy is in a stagflation phase. Even with increase in repo rate 13 times in a row, inflation is still out of control and now posing liquidity crunch to various industries and adversely affecting profit margins.

The power sector and thus coal mining alongwith Seaport development are the drive engines of Indian economy in current situation. There has been a slowdown in these sectors and some of green field projects are slowed down half way or not taking off.

However the power sector in its present position still offers enough opportunities for your company sales to sustain and grow.

Your company has established itself successfully in industrial Fan application which offers high value added sales opportunity for many years to come. Fan drives are critical application in any industry and with Fluidomat proven technology, quality and reliability many industries in India are approaching your company for supply of fluid couplings for Fan application. Recognizing company proven technology and credibility, BHEL ordered 15 Nos large size Fluid Couplings for up to 2250 KW Fan drives. Part of this order has been executed and supplied.

Your company successfully developed, designed and produced a high size scoop control fluid coupling size 1330 which is required in modern power plants for 11 to 1200 KW, 500 RPM crusher drives. These couplings hitherto were monopoly of a single company in the World. Your company bagged orders for 13 Nos of these couplings from various clients, part of which is already executed and supplied.

Your company continues its marketing efforts in the international market and have recently bagged large order for fluid couplings for Manjung project in Malaysia. The Australian mining sector is also offering high sales opportunities and your company has already entered this market segment with initial orders.

Your company will now focus on African and East European market while continuing its efforts in Pacific Region.

During the year under review your company completed the new Factory shed of 11190 sq.ft. and installed 02 Nos E.O.T. cranes besides new Aluminium melting furnace, band saw machine and other equipments at the cost of Rs. 130 lacs to meet enhanced requirement of production.

Further capital work in progress will be nearing completion by end of December 2012. Company is further considering modernization of plant and Machinery for increasing the quality production, with the expected total capital cost of over Rs. 200 lacs in near future which will be financed through our internal cash accruals.

Supported by high product quality, continuous R&D and product development activities, credibility and excellent client relations, your directors are confident of continuous growth of the company in turnover, profits and market expansion, inspite increasing competitions and inflation.

B. Industry structure and developments: Your Company deals only in the one segment i.e. manufacturing and sale of the hi-tech products "Fluid Couplings" which are mainly used in various sector of industries including Thermal Power Plants, Steel, Metal, Cement, Paper, Chemical, Fertilizers, Coal and Ore-mining and Port handling facilities etc. New projects in these sectors have important contribution towards growth and profitability of the Company.

C. Quality Management System: The Company continued to be certified under ISO: 9001:2008 by British Standard Institution- BSI Management System for the Company's Quality System. The Quality Management System in the Company is well defined and is well in place.

D. Internal control system: The Company has adequate internal control system commensurate with its size and business. The internal control systems are supplemented by internal audits. The Company has appointed independent outside Internal Auditors to further strengthening of the system. The audit system carries on a continuous basis, the entire gamut of operations, business and functions. The reports of internal auditors are submitted to the audit committee, which further review the adequacy of the internal control system.

E. Risk and Concerns: Since your Company is catering the needs of almost all sector of Industries, if there is recession in any one sector, the other sector industry will continue to generate the revenue for the Company. Apart from the normal risk, demand-supply conditions, raw material prices, changes in government regulations, tax regimes, economic developments within the country and globally, no major risks are foreseen.

F. Cautionary statement: Statement made in the management discussion and analysis report as regards the expectations or predictions are forward looking statements within the meaning of applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

G. ACKNOWLEDGEMENTS: Your Directors place on record their gratitude to the Central Government, State Governments and Company's Bankers for the assistance, co-operation and encouragement they extended to the Company. Your Directors also wish to place on record their sincere thanks and appreciation for the continuing support and unstinting efforts of Investors, Customer, Vendors and Employees in ensuring an excellent all around operational performance.

BY ORDER OF THE BOARD

Place: Indore
Date: 13th August, 2012

ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR

Annexure to the Directors' Report:

[Information as per the Companies (Disclosure of particular in Report of Board of Directors) Rules, 1988]

A. CONSERVATION OF ENERGY:

The Company has undertaken several initiatives to reduce energy consumptions at different levels. Your Company believes in sustainable consumption of natural resources and the conservation of energy remain a key focus area at all times. The Company gives utmost importance to the conservation of energy as a part of its Corporate Social Responsibility and adopt eco-friendly practices in all areas of operations.

	Current Year	Previous Year
POWER & FUEL CONSUMPTION:	2011-12	2010-11
1. Electricity (Purchased) Units	734592	753348
Total Amount (Rs.)	5346378	4793850
Rate per Unit (Rs.)	7.28	6.36
2. Electricity (Generated) units	5372	3533
Total Amount (Rs.)	105681	67972
Rate per Unit (Rs.)	19.67	19.24

B. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

R & D activities are an integral part of operations and all the expenses relating to R & D debited to Profit and Loss Account.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Information in respect of Foreign Exchange Earning & Outgo is as under:

	Current Year	Previous Year
Earning :	Rs.1,47,12,251	Rs. 56,18,529
Outgo :	Rs. 1,81,586	Rs. 1,65,004

D. PARTICULARS OF THE EMPLOYEES:

The Company does not have any employee whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

BY ORDER OF THE BOARD

Place: Indore
Date: 13th August, 2012

ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR