

10th Annual Report

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2003 - 2004



HIGH TENSILE FASTENERS



AN ISO 9001 : 2000 CERTIFIED CO.

Mohindra Fasteners Limited



Mohindra Fasteners Ltd.

HIGH TENSILE FASTENERS

BOARD OF DIRECTORS

| | |
|-------------------------------|--|
| Sh. Deepak Arneja | Managing Director |
| Sh. Ravinder Mohan Juneja | Managing Director |
| Sh. Anurag Arneja | Director |
| Sh. Jatinder Pal Singh Narang | Director |
| Sh. Ghanshyam Das Soni | Director |
| Sh. Ranbir Singh Narang | Director |
| Sh. Mangal Kant Kothari | Director (Nominee-IFCI Venture Capital Fund Ltd.) |

SENIOR EXECUTIVES

Sh. Sudhir Arneja
Sh. Mukesh Arneja
Sh. Dheeraj Juneja

AUDITORS

M/s GSK & Associates
Chartered Accountants
Delhi

BANKERS

The Karnataka Bank Ltd.
West Patel Nagar Branch,
New Delhi

REGISTERED OFFICE

304, Gupta Arcade,
Inder Enclave, Delhi-Rohtak Road,
Delhi-110087

WORKS

60th K.M. Stone, Delhi Rohtak Road, N.H. No. 10
V & P.O. Kharawar, District Rohtak (Haryana)



NOTICE

Notice is hereby given that the 10th Annual General Meeting of the member of the company will be held at R K Farm House, Bakhtawarpur, Delhi – 36, on Thursday the 30th day of September 2004 at 11.00 A.M. to transact the following business:

(A) ORDINARY BUSINESS

1. To receive, consider & adopt the Audited Balance Sheet as at 31st March 2004 & Profit & Loss Account for the year ending on that together with Directors & Auditors report thereon.
2. To appoint a director in place of Sh. Jatinder Pal Singh Narang, who retire by rotation and being eligible, offers for re-appointment.
3. To appoint a director in place of Sh. Ranbir Singh Narang, who retire by rotation and being eligible, offers for re-appointment.
4. To appoint Auditors and fix their remuneration.

(B) SPECIAL BUSINESS

To consider & if thought fit to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**

5. Resolved that Mr. Anurag Arneja, a Director of the company, who was appointed as an Additional Director in the meeting of the Board of Directors during the year and who hold office as such up to the date of this Annual General Meeting and in respect of whom notices under section 257 of the Companies Act, 1956 have been received from some members signifying their intention to propose Mr. Anurag Arneja as a candidate for the office of Director of the Company be and hereby appointed as a Director of the Company.

BY ORDER OF THE BOARD

Regd. Office:

304, Gupta Arcade,
Inder Enclave, Delhi-Rohtak Road,
New Delhi - 110087

Place : New Delhi

Date : 31.08.2004

Sd/-

(Deepak Arneja)

Mg. Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES ATTEND ON A POLL, TO VOTE INSTEAD OF HIMSELF. THE PROXY MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE AFORESAID MEETING. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOK WILL REMAIN CLOSED FROM 28/09/2004 TO 30/09/2004 (BOTH DAYS INCLUSIVE)

3. SHAREHOLDERS ARE REQUESTED TO INTIMATE CHANGE OF ADDRESS, IF ANY, TO THE COMPANY IMMEDIATELY.



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.5

Mr. Anurag Arneja was appointed as an additional director in the meeting of Board of Directors during the year till the date of ensuing Annual General Meeting. As per the provision of Section 260 of the Companies Act, 1956 that the appointment of an additional director holds office only up to the date the next Annual General Meeting of the Company from the date of appointment in Board Meeting. Notice u/s-257 of the Act has been obtained from the members for his appointment as a Director of the Company, if he is appointed in the ensuing General Meeting on the board he will be treated as director retire by rotation for the purpose of section 256 of the Act.

Except the Director to be appointed, none of the other Director is an interested director within the meaning of the section 297 in the above resolution.

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DIRECTORS REPORT

To

The Members

Your Directors have pleasure in presenting the 10th Annual Report and Audited Statement of accounts for the year ended March 31, March 2004.

FINANCIAL RESULTS

| | For the year ended | |
|-----------------------------|--------------------|-----------------|
| | 31st March'2004 | 31st March'2003 |
| | Rupees | Rupees |
| Sales/Other Income | 209365836 | 158818123 |
| Profit before Intt. & Depn. | 39707774 | 27855976 |
| Profit before Depreciation | 28492265 | 15591752 |
| Depreciation for the year | 10365408 | 4921435 |
| Profit before Taxation | 18126857 | 10670317 |
| Provision for Taxation | 1500000 | 650000 |
| Profit for the year | 16626857 | 7772587 |
| Profit carried forward | 16626857 | 7772587 |

OPERATIONAL REVIEW

During the year under review, your company witnessed a growth which was unprecedented. Your company achieved a total Sales Turnover of Rs.20.29 Crores against Rs.15.37 Crores last year thereby registering an over 32% increase. The profit before interest and depreciation was higher by over 42% stood at Rs.3.97 Crores and net profit breached Rs.1.50 Crore mark to Rs.1.66 Crores. The exports saw a robust growth of around 35% with export sales at an all time high of Rs.9.17 Crores.

Your company could achieve the above figures despite odds like rise in steel prices, depreciation in value of dollar to rupee and intense competition in the domestic and international markets. Your company resorted to strict cost control measures in Production & Engineering. The company was also able to negotiate a better interest rate with its principal bankers, i.e. Karnakata Bank



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Ltd. with an assurance that in future also the company would be given an advantage in the interest rate(s) till the softer interest rate regime persists.

Your company's renewed efforts on improvement of product mix with emphasis on value added products is yielding good results. The company is handling much more complicated products than before with an aim to provide a one stop shop for customers for forged turned parts and other special parts.

Your company has repaid the entire Term Loan against Plant & Machinery sought in 1997-98 from Haryana Financial Corporation which was later taken over by Karnataka Bank Ltd. We expect our interest outgo to drop tremendously during the current financial year.

Your company had imported few more machines for USD 1.32 Lacs in financial year -2003-04 under the EPCG scheme. This was over & above USD 1.44 Lacs worth of machines bought in the financial year-2002-03. I am happy to announce that the export obligation under both the years, which was stipulated to be completed upto financial year-2010-2011 has been completed within this financial year-2003-04 itself.

EXPANSION

In our endeavour to build world class facilities at the competitive prices and also a provide many solutions under one roof, I am happy to announce that your company is putting up a second plant quite adjacent to the existing plant.

The need for the second plant arose due to lack of adequate space in the existing plant. The land was purchased in April, 2004 and fresh Term Loan of Rs.300.00 Lacs has been sought from Karnataka Bank Ltd. The balance of Rs.125 Lacs is being met by internal accruals and interest free loan from the promoters/directors.

The new plant will not only enhance our brand image but would also give us enough flexibility to handle various grades/shapes of Raw Material. We would be able to produce certain allied items which are equally important as bolts in the total package to be offered to the customer. The expansion in the form of second plant should see consolidation of various needs of the customer being met from a single platform. This would increase our profits and sales in the financial year 2005-06 as we would be able to do more value added products. We expect the second plant to be operational by January / February, 2005. We have not considered the figures of the production of the new plant in our budget for financial year 2004-05.

CURRENT PERFORMANCE

Your company has done well in the first quarter of financial year-2004-05 ended on 30.06.2004, clocking a sales turnover of Rs.630.00 Lacs. If the current trend continues and our customers repose the same confidence in us as they have done in the past, we would be able to surpass the Rs.25 crore mark of sales turnover quite easily.



The civil construction on the Second Plant is going in full swing & the machines/equipments have already been ordered. They are likely to be received on the site by November / December, 2004.

DIRECTORS

During the year, Sh. Jatinder Pal Singh Narang & Sh. Ranbir Singh Narang, Directors of the company, who retire by rotation and being eligible, offer themselves for re-appointment.

During the year, Company has appointed Sh. Anurag Arneja as an additional director. Company has received notice from members under section 257 for candidature for appointment of directorship.

The Board of directors wish to place on record their appreciation of the valuable contribution made by Smt. Meena Arneja during their association with the company who vacated this office during the year.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to provisions under section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm: -

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2004 they have followed the applicable accounting standards alongwith proper explanation relating to material departure;
- ii) that they have selected accounting policies and applied them consistently and made judgments and estimates that were 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 for the year under consideration;
- iii) that they taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv) that they have prepared the annual accounts of the Company for the financial year ended 31st March, 2004 on a going concern basis.

AUDITORS' REPORT

Note about non adoption of Deferred Tax Liability. Actually, it is not any liability, it is just calculation of difference in profits under Income Tax Act & Companies Act. The other observation made in Auditors' report are self explanatory and do not require further clarifications.



AUDITORS

M/s GSK & Associates, Chartered Accountants, Auditors of the Company, retire in accordance with the provisions of section 224 of the Companies Act, 1956 and being eligible offer themselves for reappointment in the ensuing Annual General Meeting.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year we have earned/incurred the followings in foreign exchange.

EXPORTS

In FOB value Rs. 91733708/-
(Pre.Yr. Rs. 68122607/-)

There was an up rise in the export figure and your company remains unbeat on the international market. Your company faces competition with some leading European brands and has created a good market for itself.

EXPENDITURE

| <u>Items</u> | <u>Amount(Rs.)</u> |
|--------------------|------------------------|
| Plant & Machinery | 4992827 (Nil) |
| Raw Material | 33326013 (23024716) |
| Consumable Stores | 720211 (452808) |
| Traveling Expenses | 226427 (327129) |
| Discount | 266817 (182988) |

PARTICULARS OF EMPLOYEES

None of the Employees of the company is covered under sub section 2(A) of Section 217 of the Companies Act, 1956.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Your company is making all efforts to put stress on energy conservation by taking measure to ensure that plant be kept continuous running and idle time is reduced to bare minimum.



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Information required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is given in the annexure and forms and integral part of this report.

HUMAN RESOURCES

The company enjoyed harmonious relations with all employees in the factory and office throughout the year. Your Directors wish to place on record their appreciation of the dedicated and commendable services rendered by the staff and workers of the company.

FIXED DEPOSIT

Your company has not accepted/invited any deposit within the meaning of section 58 – A of the Companies Act, 1956.

DIVIDEND

In view of insufficient profits the Board of Directors did not recommend dividend for the Financial Year 2003 – 2004.

CORPORATE GOVERNANCE

Your company is committed to benchmarking itself with global standards in all areas including adoption of appropriate standards of good corporate Governance. A certificate from the auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under clauses 49 of the Listing Agreement is attached to this report.

ACKNOWLEDGEMENT

Your Directors wish to take this opportunity to thank various Departments of the Central and State Governments, customers, vendors, suppliers, shareholders, bankers, other financial institutions and all concerned with the growth and prosperity of Mohindra Fasteners Limited, for the support they have given and for the confidence which they have reposed in the management. We would also like to record our appreciation for the dedication, commitment and enthusiasm of people at all levels in the company, who have contributed to a satisfactory performance of your company.

BY ORDER OF THE BOARD

Regd. Office: 304, Gupta Arcade,
Inder Enclave, Delhi-Rohtak Road,
New Delhi - 110087
Place : New Delhi
Date : 31.08.2004

Sd/-
(Deepak Arneja)
Managing Director



Mohindra Fasteners Ltd.

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ANNEXURE TO THE DIRECTOR'S REPORT

1. CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

| | Current Year 2003-2004 | Previous Year 2002-2003 |
|-------------------------------------|---------------------------|----------------------------|
| a) Power | | |
| i) Purchase Unit (KWH) | 1671451 | 1466511 |
| Total Amount | 6758349 | 5924908 |
| Rate Per Unit | 4.04 | 4.04 |
| ii) Own Generation | Nil | Nil |
| b) Fuel | | |
| Coal | Nil | Nil |
| Diesal Oil Qty (Ltrs.) | 164876 | 144479 |
| Total Amount | 3414583 | 2826390 |
| Rate Per Ltr. (Rs.) | 20.71 | 19.56 |
| c) Petroleum Gas Qty. (Kgs.) | 57547 | 52777 |
| Total Amount | 1317255 | 1299399 |
| Rate Per Kg. (Rs.) | 22.89 | 24.62 |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|--------------------------------|---------|---------|
| Production (with details) Unit | | |
| Productivity (M.T.) | 2151.17 | 1928.31 |
| Electricity KWH/MT | 777.00 | 760.51 |
| Diesal Oil Ltr/MT | 76.64 | 74.92 |
| Petroleum Gas Kgs./MT | 26.75 | 27.37 |