

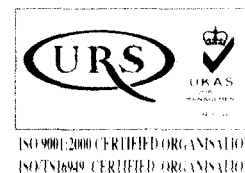
# MOHINDRA FASTENERS LIMITED

## 12th ANNUAL REPORT

### 2005 - 2006



**MFL**  
Fastening Redefined



<b>BOARD OF DIRECTORS</b>	:	Mr. Jatinder Pal Singh Narang <i>Non - Executive Director &amp; Chairman</i>
	:	Mr. Deepak Arneja <i>Managing Director &amp; CEO</i>
	:	Mr. Ravinder Mohan Juneja <i>Managing Director</i>
	:	Mr. Anurag Arneja <i>Whole - Time Director</i>
	:	Mr. Ghanshyam Dass Soni <i>Non – Executive Independent Director</i>
	:	Mr. Mangal Kant Kothari <i>Nominee Director – IVCF Ltd.</i>
<b>SENIOR EXECUTIVES</b>	:	Mr. Sudhir Arneja
	:	Mr. Mukesh Arneja
	:	Mr. Dheeraj Juneja
	:	Mr. Prateek Arneja
	:	Mr. Chetan Sanghvi
<b>COMPANY SECRETARY</b>	:	Ms. Reenu Makhija
<b>BANKERS</b>	:	The Karnataka Bank Limited 11/14, West Patel Nagar New Delhi – 110 008
<b>AUDITORS</b>	:	M/s. GSK & Associates Chartered Accountants New Delhi
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	:	Skyline Financial Services (P) Ltd. 123, Vinoba Puri, Lajpat Nagar – II New Delhi – 110 024
<b>REGISTERED OFFICE</b>	:	304, Gupta Arcade Inder Enclave, Delhi – Rohtak Road New Delhi – 110 087
<b>WORKS (IN INDIA)</b>	:	60th K. M. Stone, Delhi – Rohtak Road N. H. No. 10, V & P.O. Kharawar, District Rohtak (Haryana)
	:	60th K. M. Stone, Delhi – Rohtak Road N. H. No. 10, V & P.O. Gandhra, District Rohtak (Haryana)

Mohindra Fasteners Ltd.

## **NOTICE**

Notice is hereby given that the 12<sup>th</sup> Annual General Meeting of the members of the Company will be held at Khatir Banquet Hall, 20 Paschim Vihar Extn., Main Rohtak Road, New Delhi – 110 063 on Saturday, the 30<sup>th</sup> day of September 2006 at 11:00 A.M. to transact the following business:

### **(A) ORDINARY BUSINESS**

1. To receive, consider & adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and Profit & Loss Account for the year ending on 31<sup>st</sup> March 2006 together with Directors' & Auditors' Report thereon.
2. To declare the dividend on equity shares for the financial year ended on 31<sup>st</sup> March, 2006.
3. To appoint a director in place of Mr. J. P. Singh Narang, who retire by rotation and being eligible, offers himself for re – appointment.
4. To appoint Auditors and fix their remuneration. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as ordinary resolution:

“Resolved that M/s. GSK & Associates, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of next Annual General Meeting at remuneration of Rs. 60,000/- (Rupees Sixty Thousand) plus service tax as applicable and reimbursement of out - of - pocket expenses on actual basis.”

### **(B) SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as ORDINARY RESOLUTION:

“**RESOLVED THAT** in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the approval of the Shareholders be and is hereby accorded for re – appointment of Mr. Ravinder Mohan Juneja as a Managing Director of the Company, for a period of five years commencing from 1<sup>st</sup> January, 2007 on the terms and conditions as stated below:

### **REMUNERATION**

#### **1) Basic Salary**

Rs. 35,000/- per month. In the grade of Rs. 35,000 - 10,000 - 75,000.

#### **2) Commission**

In addition to the basic salary, perquisites, allowances, benefits and amenities, commission may be paid not exceeding 1% of the net profit of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956. However, the actual amount of commission to be paid will be determined by the Board in respect of every year or part thereof and may be considered at 'nil' level of the time being unless further reviewed by the Board at a subsequent date.

#### **3) Perquisites & Allowances**

In addition to above salary & commission, he shall be entitled to the following perquisites & allowances:

- (a) HRA: 40% of the Basic Salary.
- (b) Conveyance Allowance: As per the Rules of the Company.
- (c) Children Education Allowance: As per the Rules of the Company
- (d) Tiffin Allowance: As per the Rules of the Company.
- (e) Reimbursement of Electricity, Gas & Water Bills: Actual incurred or Rs. 60,000/- per annum (whichever is lower)
- (f) Medical Reimbursement: As per the Rules of the Company.
- (g) Leave Travel Concession: As per the Rules of the Company.
- (h) Retirement Benefits: Gratuity & Earned Leave as per the rules of the Company.

The overall amount of perquisites, in addition to salary and commission shall be restricted to Rs. 9,00,000/- per annum.

The following perquisites shall not be included in the computation of the ceiling on remuneration specified in Para (1), (2) & (3) above:

- a. Contribution to Provident Fund, Super Annuation Fund or Annuity Fund, if applicable, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity payable as per the Payment of Gratuity Act, 1972.
- c. Encashment of leave at the end of his tenure.

Provision for car for the use of Company's business and telephone at residence will not be considered as perquisite. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him on actual basis.

The entire remuneration by way of salary and remuneration mentioned above shall be paid as minimum remuneration, subject to the provisions under Schedule XIII of the Companies Act, 1956.

### **Other Terms and Conditions**

- i) Remuneration for a part of the month / year shall be computed on pro-rata basis.
- ii) The appointment as aforesaid may be terminated by either party giving to the other three months notice in writing.

**RESOLVED FURTHER THAT** the Board of Directors of the company be and is hereby authorised to fix and / or re-fix remuneration, provided that such remuneration and perquisites does not exceed limits prescribed under Schedule XIII or any other provisions of the Companies Act, 1956 and/or any statutory modification(s) thereof."

#### **Regd. Office:**

304, Gupta Arcade, Inder Enclave,  
 Delhi – Rohtak Road  
 New Delhi – 110 087

Place: New Delhi

Date: 29.07.2006

By order of the Board  
 sd/-  
**(Deepak Arneja)**  
 Managing Director

Mohindra Fasteners Ltd.

## **NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. THE PROXY FORM MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer Book will remain closed from 25.09.2006 to 30.09.2006 (both days inclusive).
3. Shareholders are requested to intimate the change of address, if any to the Company immediately.
4. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.

## **Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.**

### **ITEM NO. 5**

Mr. Ravinder Mohan Juneja was appointed as the Managing Director of the Company as on 1<sup>st</sup> January, 1997 for a period of five years and was also re- appointed w.e.f. 1<sup>st</sup> January, 2002 for a period of five years i.e. upto 31<sup>st</sup> December, 2006. To avoid the Extra Ordinary General Meeting at that time, the Board has re – appointed Mr. Ravinder Mohan Juneja for a further period of five year w.e.f. 1<sup>st</sup> January, 2007. This requires the approval of Shareholders. The re–appointment would be in accordance with Schedule XIII and other applicable provisions of the Companies Act, 1956. However, the terms & conditions of his re–appointment are as mentioned in the resolution.

The Directors recommend his re - appointment and payment of remuneration to him.

The terms of re - appointment and remuneration including minimum remuneration proposed for Mr. Ravinder Mohan Juneja constitutes the abstract of the terms of re-appointment as Managing Director as required under Section 302 of the Companies Act, 1956.

None of the Directors of your Company is in any way concerned or interested in the proposed resolution except Mr. Ravinder Mohan Juneja, Managing Director of the Company.

### **Regd. Office:**

304, Gupta Arcade, Inder Enclave,  
Delhi – Rohtak Road  
New Delhi – 110 087

By order of the Board  
sd/-  
**(Deepak Arneja)**  
Managing Director

Place: New Delhi

Date: 29.07.2006

## DIRECTORS REPORT

Dear Members,

Your Directors have great pleasure in presenting the 12<sup>th</sup> Annual Report and Audited Statement of Accounts for the year ended March 31, 2006.

### FINANCIAL RESULTS

#### FOR THE YEAR ENDED

	2005 – 2006 (Rs. in Lacs)	2004 – 2005 (Rs. in Lacs)
Sales/ Other Income	3622.79	3076.25
Profit before interest & depreciation	536.31	417.86
Profit before depreciation	397.13	318.98
Depreciation for the Year	171.52	116.35
Profit before taxation	225.61	202.63
Provision for taxation:		
Current Tax	53.50	46.50
Deferred Tax	23.73	14.62
Wealth Tax	0.25	—
Fringe Benefit Tax	5.40	—
Profit After Tax	142.73	141.51
Add (Less) Adjustment for previous year		
Provision for taxation written back	(2.45)	2.09
Deferred Tax from previous year	—	(66.83)
Balance brought forward from previous year	377.95	351.56
Balance available for appropriation	518.23	428.33
Proposed Dividend	39.97	26.87
Dividend Tax on proposed dividend	5.61	3.51
Transfer to General Reserve	20.00	20.00
Balance carried forward	452.66	377.95



## COMPANY'S VISION & MISSION

The Company will strive to achieve the following:

- to maintain the quality systems as per the International Standards
- to reduce the production cycle time and attain better operational efficiency
- to provide prompt services to the customers anywhere in the world
- to reduce cost in all areas
- to maximize the Shareholder's Wealth

## OPERATIONAL REVIEW

The Economy of the Country showed a great buoyancy in the period under consideration from April' 05 to March' 06. However, the bottom-line was under severe pressure due to continuous price hikes in the domestic steel market, coupled with shortages, high energy costs and higher manpower costs. Your company witnessed a growth figure of over 17.76% over the previous year. The profits before tax (PBT) however grew modestly by 11.34%. However, the Profit before Depreciation (PBIDT) grew by over 28%.

Your company has achieved growth both in Exports & Domestic markets. The Company is trying to add more automotive customers in India, to tap the immense potential in the automotive sector. Additionally, in exports, your company has added more customers in U.S.A. and Europe. The company is also looking to add more customers in other developing/ developed countries.

You are well aware of the galloping energy prices, which have been upsetting the calculations of even the major economies of the World. Needless to mention these high energy costs increased the cost of fuel, LPG, lubricants etc. which, in turn, affected the bottom-line.

The higher manpower costs are due to the fact that there are tremendous opportunities available and in the light of high attrition rates, at all levels, retaining of manpower is the biggest challenge. This also poses a big threat to our competitive edge in the international scenario, which we as a nation have been talking about as our Unique Selling Proposition (USP).

The steel prices did slide down for a few months to rise again and bounce back to more or less the same levels. This definitely takes a toll on the profitability, which we always try to neutralize by adding more and more Value Added Products to our portfolio.

With the above philosophy and intent, your company is going ahead in implementing the setup to manufacture turned and machined components in the Second Plant. These components initially are being planned for the domestic market and would be offered to international customers, as and when the process gets established. In this context, we would like to place on records our special thanks to some of our domestic customers who have supported us in this venture. Once totally implemented, the Second Plant will operate as a full – fledged manufacturing unit.

The Management is looking for a horizontal as well as vertical integration in terms of process and products. This means that new customers as well as new products and also new markets both in Domestic and Exports are being explored.

Your company is also planning to install a 'Continuous Plating Plant' at Rohtak as a part of the strategy. The envisaged new plant will cut costs, induce automation, improve quality, reduce delays in supplies and also reduce dependence on outside sources.

Your company's efforts to dematerialize the scrip of the company have paid dividends and we are happy to announce that your company has obtained ISIN for dematerialization. Adequate steps shall be taken to expedite the process of dematerialization.

## CURRENT PERFORMANCE

Your Company has done well in the first quarter of the financial year 2006 – 2007 with total sales of Rs. 905.26 lacs for the period from April' 06 to June' 06. The Company seeks to achieve a target sale of Rs. 45.00 crores in the current financial year.

## QUALITY MANAGEMENT SYSTEM

The Company envisages a vision of Zero Defect Policy. Hence to achieve this, the Company has got ISO/ TS 16949:2002 certificate in November, 2005. The Company has strengthened its efforts towards implementing 5S & six sigma to enhance the quality of work and products. Your Company is also working towards OHSAS: 18001 to implement safety drive.

## DIRECTORS

During the year, Mr. J. P. Singh Narang, Director of the Company, who retires by rotation and being eligible, offers himself for re – appointment.

## DIRECTORS RESPONSIBILITY STATEMENT

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

- i) that in preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2006 they have followed the applicable accounting standards along with 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 have 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 31<sup>st</sup> March, 2006 on a going concern basis.

## 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 re – appointment in the ensuing Annual General Meeting.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

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

## EXPORTS

In FOB value	Rs. 161586404/-
(Prev. Yr.	Rs. 137431123)

Exports sales of the Company, during the year ended on 31.03.2006 were higher by 17.58%. Export sales have contributed significantly to the company's profit.



Mohindra Fasteners Ltd.

**EXPENDITURE**

<u>Items</u>	<u>Amount (Rs.)</u>
Plant & Machinery	23415310
	(8835252)
Raw Material	80256878
	(70593484)
Consumable Stores	1497383
	(1103658)
Traveling Expenses	692349
	(777164)
Discount	789680
	(25608)
Business Promotion Exp.	148701
	(Nil)

**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's energy requirements continued to develop significantly as it commissioned new manufacturing facilities and as it increased production at existing facilities. However, the 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.

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 an integral part of this report.

**HUMAN RESOURCES**

The Company enjoyed harmonious relation 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. The company wishes to inculcate contemporary Human Resources practices and intend to make all employees equally responsible and accountable for implementation and sustaining of a good HR System.

Mohindra Fasteners Ltd.

## FIXED DEPOSIT

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

## DIVIDEND

The Board is pleased to recommend the dividend @ 7.5% i.e. Re. 0.75 per share of Rs. 10/- each fully paid up, for the financial year ended on 31<sup>st</sup> March, 2006. The dividend, if approved by the shareholders at the Annual General Meeting shall be payable to shareholders, whose names appear in the Register of Members, as on 25.09.2006. The total outgo on account of dividend, inclusive of Dividend Tax @ 14.025% (inclusive of Surcharge & Educational Cess) stands at Rs. 45.57 lacs. The tax will not be deducted at source.

## 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 clause 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 has contributed to a satisfactory performance of your company.

### Regd. Office:

304, Gupta Arcade, Inder Enclave,  
 Delhi – Rohtak Road  
 New Delhi – 110 087  
 Place: New Delhi  
 Date: 29.07.2006

BY ORDER OF THE BOARD

sd/-

**(Ravinder Mohan Juneja)**  
 Managing Director

sd/-

**(Deepak Arneja)**  
 Managing Director