

# MOHINDRA FASTENERS LIMITED

## 13th ANNUAL REPORT 2006 - 2007



**MFL**  
FASTENING REDEFINED



ISO 9001:2000 CERTIFIED ORGANISATION  
ISO/TS16949 CERTIFIED ORGANISATION

<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>	: Mrs. Aarti Arora
<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. 246, 1 <sup>st</sup> Floor, Sant Nagar, Main Iskcon Temple Road, East of Kailash, New Delhi – 110 065
<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 13<sup>th</sup> Annual General Meeting of the members of the Company will be held at Symphony, D-11, Udyog Nagar, Main Metro Road, Pheera Garhi, New Delhi-110041 on Saturday, the 29<sup>th</sup> day of September 2007 at 10:30 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 2007 and Profit & Loss Account for the year ending on 31<sup>st</sup> March 2007 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, 2007.
3. To appoint a director in place of Mr. Ghanshyam Dass Soni, 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 an 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. 85,000/- (Rupees Eighty Five Thousand only) 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 an ORDINARY RESOLUTION:

“**RESOLVED THAT** in super session of the resolution passed in that behalf by the Company at its Extraordinary General Meeting held on 14<sup>th</sup> July, 1995 and pursuant to Clause (d) of sub-section (1) of Section 293 and all other applicable provisions, if any, of the Companies Act 1956 and the Articles of Association of the Company, the consent of the companies be and is hereby accorded to the Board of Directors for borrowing for and on behalf of the Company, from time to time, any sum or sums of moneys, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate for the time being of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes, but so that total amount up to which moneys to be so borrowed under the clause (d) of sub-section (1) of Section 293 shall not any time exceed Rs. 40 crores ( Rupees Forty Crores only).”

#### Regd. Office:

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

By order of the Board

sd/-

**(Deepak Arneja)**

Managing Director

Date: 30.07.2007

Place: New Delhi

**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 / HERSELF AND THE PROXY SO APPOINTED NEED NOT TO BE A MEMBER OF THE COMPANY. 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 24.09.2007 to 29.09.2007 (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**

Section 293 (1) (d) of the Companies Act, 1956 requires that the Directors of the Company should obtain the consent of the shareholders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with the amount already borrowed by the company will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes.

The shareholders are aware that at the Extraordinary General Meeting held on 14<sup>th</sup> July, 1995, an ordinary resolution was passed authorizing the Board of Directors of the Company to borrow from time to time for the purpose of carrying out the business of the Company, subject to the condition that money, so borrowed shall not exceed Rs. 20 crores (Rupees Twenty Crores Only). You are aware that the Company is in a phase of expansion and modernization. Stepping ahead in this phase further, the Company is planning to purchase another Heat treatment line and some more forging machines. In view of the increase in the volume of business and taking into account the requirement of additional term loans and working capital loans, Your Directors feel that they should obtain consent from the shareholders to borrow more funds. Accordingly, they have thought it desirable to obtain the consent of the shareholders pursuant to Section 293 (1) (d) of the Companies Act, 1956 to the increase in the limit of borrowing powers of the Board of Directors from Rs. 20 Crores to Rs. 40 Crores, as is now proposed under the ordinary resolution and to give the necessary powers to Board of Directors as required under Section 293(1) (d) of the said Act with reference to such enhanced limit.

The directors recommend the approval of the Shareholders thereto. None of the Directors is interested or concerned in this resolution.

Date: 30.07.2007

Place: New Delhi

By order of the Board  
sd/-

**(Deepak Arneja)**  
Managing Director

Mohindra Fasteners Ltd.

## DIRECTORS REPORT

Dear Members,

Your Directors have great pleasure in presenting the 13<sup>th</sup> Annual Report and Audited Statement of Accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

#### FOR THE YEAR ENDED

	2006 – 2007 (Rs. in Lacs)	2005 – 2006 (Rs. in Lacs)
Sales/ Other Income	4657.33	3622.79
Profit before interest & depreciation	725.62	536.46
Profit before depreciation	519.63	397.29
Depreciation for the Year	217.16	171.52
Profit before taxation	302.48	225.77
Provision for taxation:		
Current Tax	83.00	53.50
Deferred Tax	19.96	23.73
Wealth Tax	0.04	0.25
Fringe Benefit Tax	4.75	5.40
Profit After Tax	194.72	142.89
Add (Less) Adjustment for previous year		
Provision for taxation written back	(1.13)	(2.61)
Deferred Tax from previous year	—	—
Balance brought forward from previous year	452.66	377.95
Balance available for appropriation	646.25	518.23
Proposed Dividend	40.18	39.97
Dividend Tax on proposed dividend	6.83	5.61
Transfer to General Reserve	20.00	20.00
Balance carried forward	579.24	452.66

## COMPANY'S VISION

Our Company philosophy has always focused on customer satisfaction with uncompromising integrity and quality. We thrive to be a solution provider and hence look forward to providing more value addition in our product lines. We always look forward to improve our business relationships.

## COMPANY'S 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 add value in the supply chain to the customers
- to maximize the Shareholder's Wealth.

## OPERATIONAL REVIEW

Your Company achieved an increase in sales turnover of over 25% to a figure of 4473 Lacs. Out of this exports contributed 2248 Lacs which is about half the revenues. This has made your Company eligible for the Government recognized Export House status. The net Profits grew by over 33%, signifying our commitment to control costs.

The year passed by, showed a vibrant economy in the beginning of the year but also exhibited hardening of interest rates, eventually leading to slowing down of some sectors, towards the end. The economy of United States of America, which is still a driving force showed signs of weaknesses. To make matters worse, the appreciation of Indian Rupee vis-à-vis the US Dollar, has made things more difficult for manufacturers across the country. The comfort factor however came from the growing economy of Europe which still shows good signs.

Besides the economies, higher manpower cost(s) in terms of growth offered to skilled manpower as well as our executives have put tremendous pressure on the input costs, in terms of higher salaries. An announcement made by the Haryana Government affecting a hike of Rs 1000 per month for all unskilled employees has had a cascading effect on wage bills across the board has further dampened the spirit.

A higher interest rate regime has not only put pressure on the working capital funds but also has taken the shine away from the projected expansions. All expansions, which your Company had undertaken in the last 2-3 years are now subjected to a higher rate of interest, thereby increasing costs further.

And with all the above, hardening of Rupee made exports less viable than ever before with the consolation that our Dollar denominated exports are less than 30% of our total exports and balance being in Euro and British Pound. A higher energy bill in the form of higher prices of oils, lubricants and diesel for power generation made negative contributions to the profitability of your Company.

Realizing the cost pressures, your Company is putting emphasis, as usual, on Value added products and also on Technology up gradation. The purchase of Automatic packing machine and Automatic Zinc Plating Machine (both bought from Taiwan) are expected to yield substantial cost savings to your Company. The Company currently has one continuous Heat Treatment line and balance old Shaker Hearth furnaces. Your Company intends to replace these furnaces with a new continuous Heat Treatment Line this fiscal. Necessary orders have been placed and it is expected to be in operation by December 2007. We expect savings on this account as well, once it is fully commissioned.



Besides above, the Company believes in continuous improvements through product improvements, Process improvements, employees skill enhancement. We take strict measures to adhere to QMS requirements and are committed to product safety and to insulate our employees from potential risks.

## CURRENT PERFORMANCE

Your Company has done a Sales Turnover of 922.71 Lacs for the period from April 07 to June 07. The performance is less than the expectations but we are hopeful that the current sluggishness in the automotive sector will be a thing of the past soon and we can register better results in the coming quarters as we are now focusing more on the export market.

## QUALITY MANAGEMENT SYSTEM

The Company envisages a vision of Zero Defect Policy. 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.

## INTEGRAL REPORTS

A "Corporate Governance Report" and a "Management Discussion and Analysis Report" form an integral part of this Directors' Report as per the requirement of clause 49 of listing Agreement.

The Corporate Governance Report highlights the philosophy of Corporate Governance, discloses composition of Board of Directors and Audit Committee, their details, functions, attendance and remuneration of directors etc. and general information for shareholders. It is supplemented by compliance certificates i.e Certificate of compliance of Corporate Governance provisions of clause 49 signed by a practising company secretary as per clause 49 (VII) of the Listing Agreement. The Management Discussion and Analysis Report provides an overview of the affairs of the Company, its business environment, mission & objectives, outlook, operational performance, its resources & systems, strengths, opportunities, constraints, risks & concerns, strategies, prospects, etc.

## DIRECTORS

During the year, Mr. Ghanshyam Dass Soni, 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, 2007 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;

**Mohindra Fasteners Ltd.**

- 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, 2007 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. 221055223/-
(Prev. Yr.	Rs. 161586404)

Exports sales of the Company, during the year ended on 31.03.2007 were higher by 36.80%. Export sales have contributed significantly to the company's profit.

**EXPENDITURE**

<u>Items</u>	<u>Amount (Rs.)</u>
Plant & Machinery	40279061 (23415310)
Raw Material	29247461 (80256878)
Consumable Stores	1744037 (1497383)
Packing Material	1808602 (Nil)
Traveling Expenses	1585366 (692349)
Discount	817317 (789680)
Business Promotion Exp.	(Nil) 148701
Professional Expenses	388450 (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.

## 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, 2007. 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 23.09.2007. The total outgo on account of dividend, inclusive of Dividend Tax @ 16.9950% (inclusive of Surcharge & Educational Cess) stands at Rs. 47 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.

## PARTICULARS OF EMPLOYEES

No employee has drawn a remuneration of Rs. 24 lakhs or more per annum or Rs. 2 lakhs or more per month during the year.

## COMPLIANCES UNDER MCA 21

MCA21 project is being launched as a flagship initiative of Government of India by the Ministry of Company Affairs (MCA). Oriented at providing easy and secure access to MCA services, MCA21

contributes to the establishment of healthy business eco-systems and enables convenience for statutory compliance in a manner that best suits the stakeholders.

Pursuant to the Government's vision of National e-governance in the Country and better governance norms to meet the expectations arising from globalization, the Ministry of Company Affairs launched in 2006 an e-governance initiative, called MCA 21, under which all statutory documents to be filed with the various offices of the Ministry of Company Affairs including the office of the Registrar of Companies (ROC) have to be online in prescribed formats. MCA 21 aims at moving from a paper based atmosphere to a near paperless environment in the Ministry of Company Affairs & its offices. The MCA 21 project was launched in Delhi by the Prime Minister of India on 18th March 2006. As per the guidelines issued by the Ministry of Company Affairs under this initiative, the Company has been allotted a Corporate Identity Number (CIN) –L74899DL1995PLC064215. Every document to be filed with the ROC must bear the Corporate Identity Number.

Under MCA 21 every director of a company is required to obtain an Unique Identification Number called Director Identification Number (DIN) by filing an application online. This Unique Identification Number is individual to a director and will remain with the individual only irrespective of any change in his/her directorship in any company or ceasing to be a director. All the Directors of the Company have applied for and have been allotted this Unique Identification Number (DIN) as required. Further, under MCA 21 all signatories of a company including Managing Director, other Directors and Company Secretary who are authorized to sign the various forms to be filed with the Registrar of Companies (ROC), Regional Director or Ministry of Company Affairs, are required to obtain their Digital Signature Certificates (DSC). The Company has applied for and has allotted the Digital Signature Certificates for its whole-time directors and Company Secretary.

## 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. Our Shareholders have been our key partner in progress. We are grateful to them for their support and confidence that they have placed in us. 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

### BY ORDER OF THE BOARD

sd/-  
**(Anurag Arneja)**  
Whole-Time Director

sd/-  
**(Deepak Arneja)**  
Managing Director

Date: 30.07.2007

Place: New Delhi