

PAE LIMITED

63rd Annual Report 2012-2013



www.paeltd.com

CHAIRMAN'S MESSAGE

Dear Shareowners,

I wish to present to you the Sixty Third Annual Report and accounts for the year ended March, 2013.

The year under review has been a challenging one both on market front and the finance front. However, there is a silver lining of our own products showing consistent growth and promising a brighter future with better profitability for the company. This will help build long term value for the shareholders.

At the beginning of this year, we had reverted back from the system of vertical structure to customer-focused regional structure at the beginning of the year under review. It has considerably helped to reduce costs and increase sale of our own products as expected. We have introduced a full range of our own brand of automotive, inverter and UPS batteries during the course of the year and the products have been very well received in the market. Not only are the products of excellent quality and made available at a competitive price, but also the service offered by our team has been prompt and effective and therefore repeat order business has been strong. We plan to introduce a full range of motorcycle batteries and will continue to provide quality products at competitive prices with full service backup to all our customers across India. We are confident that our products will do very well in the years to come.

The overall slowdown of economy and higher finance costs affected our business, like many others. Slower decision making in Banks and Financial Institutions has also added to our difficulties. The coming year may not show any promise of improvement in their policy. In fact, with increase in NPAs from large corporations affecting lenders' decision making, the smaller and mid-sized deserving borrowers continue to bear the brunt. Slow decision making coupled with ultra-conservative views will affect mid-sized companies such as ours.

With last Sixty Two years of wide experience of distribution and marketing, our team has shown promising growth within first ten months ending March 2013; the market has also given a good response. However, we would have done still better had we got financial support from the concerned quarters.

Solar business all over the world is facing recession due to severe competition. Shurjo Energy Pvt. Ltd., our solar PV panel manufacturing business has suffered alongwith solar business all over the world due to severe competition particularly from China; followed by adverse effect of delayed approvals (over 10 months) from the authorities to shift manufacturing facilities. Our system integration business, PAE Renewables Pvt. Ltd. did few rooftop systems including one in Tirupati Devasthanam, but still much below our capacity thanks to Government subsidy drying up without any notice to us or to our customers following an already delayed subsidy-approval system.

On the brighter side, both our 1MW solar power projects in Rajasthan and Punjab are running satisfactorily and are generating power. Both discoms are paying the monthly bills regularly for power supplied to them from our projects.

Government policies are unclear, approvals are delayed inordinately, thereby, running an honest business with high standards of compliance and integrity is getting more and more difficult in our country.

I am confident that this company will flourish with the investments we have made, hopefully, rest of the support system too will work efficiently, effectively and positively to make it happen. I am also keen to see the country flourish for the sake of all of us.

Regards,

Arvind R. Doshi
Executive Chairman



Company Information

Board of Directors

Shri Arvind R. Doshi - Executive Chairman

Shri Dilip J. Thakkar - Director

Dr. Rajendra Nath Mehrotra - Director

Shri John O. Band - Director

Shri Karthikeyan Muthuswamy - Director

Shri Pritam A. Doshi - Managing Director

Management Team

Shri Arvind R. Doshi - Executive Chairman

Shri Pritam A. Doshi - Managing Director

Shri Rajkumar Bhattad - Head, Finance & Accounts

Shri N. Vijaykumar - National Head, Batteries

Shri C.S. Gopinath - Business Manager

Shri Shashikumar Nair - Head, Human Resources & Administration

Shri Prabhakar Posam - Head, Information System & Business Process

Shri Raghav Taneja - Business Manager

Shri T. Radhakrishnan - Business Manager

Shri Ramnathan Iyer - Business Manager

Shri G. Mahesh - Business Manager

Shri R. V. Subbramanian - Business Manager

Shri S. N. Patil - Service Head

Shri Murli Menon - Head, Internal Audit

Shri Sameer Chavan - Company Secretary & Head, Legal

Annual General Meeting

Day and Date: Tuesday, 30th July, 2013

Venue: M. C. Ghia Hall, Bhogilal Hargovindas Building,
4th Floor, 18/20, K. Dubhash Marg,
Mumbai - 400001

Time: 3.30 p.m.

Bankers

State Bank of India

Corporation Bank

Auditors

K. S. Aiyar & Co.

Registrar and Share Transfer Agent

M/s Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (West),
Mumbai – 400 078

Tel. No. : 91-22-2594 6970

Fax No. : 91-22-2594 6969

Email : rnt.helpdesk@linkintime.co.in

Registered and Corporate office

69, Tardeo Road,
Mumbai - 400034, Maharashtra, India

Telephone: +91-22-6618 5799

Fax : +91-22-6618 5757

Website : www.paeld.com

Email for Investor grievances :
investors@paeld.com

NOTICE

NOTICE is hereby given that the Sixty Third Annual General Meeting of the Members of PAE LIMITED will be held on Tuesday, the 30th day of July, 2013 at 3.30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, K. Dubhash Marg, Mumbai 400 001 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at March 31, 2013 and Statement of Profit & Loss for the year ended as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Karthikeyan Muthuswamy, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Rajendra Nath Mehrotra, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To re-appoint M/s. K. S. Aiyar & Company, Chartered Accountants, Mumbai, having Firm Registration no. 100186W as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Sections 80, 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendments to or re-enactment thereof) and the Articles of Association of the Company and such other consents and approvals, if any, as may be necessary and subject to such conditions and modifications as may be prescribed in granting such consents and approvals and which may be agreed to by the Board of Directors (hereinafter referred to as "the Board" which term shall include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the members of the Company be and is hereby accorded to offer, issue and allot 50,00,000 11% Non-Convertible, Cumulative, Redeemable Preference Shares ("the said shares") of the face value of ₹ 10/- each for cash at par to the Promoters, their nominees, for the purpose of redemption of existing 50,00,000 8% Non-Convertible, Non-Cumulative, Redeemable Preference shares of the Company in the manner set out below:

RESOLVED FURTHER THAT;

1. the offer, issue and allotment of the said shares shall be made at such time or times as the Board may in its

absolute discretion decide subject however, to the applicable statutory regulatory provisions and the guidelines issued, if any;

2. the proceeds of the said shares shall be utilized for the redemption of existing 50,00,000 8% Non-Convertible, Non-Cumulative, Redeemable Preference shares of ₹ 10/- each at par.
3. the said shares issued as stated aforesaid shall qualify for dividend that may be declared for the financial year in which the allotment is made, pro-rata for the period commencing from the date on which the allotment is made and proportionate to the amount paid up on the said shares;
4. the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Directors or any other officer or officers of the Company to give effect to the aforesaid resolution;
5. the said shares shall be redeemable at par at the end of 13 (thirteen) years from the date of allotment or earlier on the terms and conditions as may be deemed fit by the Board of Directors of the Company, subject to the approval of the Regulatory Authorities wherever applicable;
6. the Board be and is hereby authorized to vary, modify or alter any terms and conditions of issue including but not limited to, redemption period, rate of dividend, as it may deem expedient, subject however to compliance with the applicable laws, guidelines notifications, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board acting on its own or through a Committee, be and is hereby authorized to do all acts, matters, deeds and things and to take all steps and do all things and give such directions as may be necessary, expedient or desirable and also to settle any question or difficulties that may arise, in such manner as the Board/ Committee/such authorize person in its/his absolute discretion may deem fit and take all steps which are incidental and ancillary in this connection, without being required to seek any further consent or approval of the shareholders or otherwise with the intent that the shareholders shall be deemed to have given their approval thereto expressly by the authority of this resolution."

By Order of the Board of Directors

Sameer Chavan
Company Secretary

Registered Office
69, Tardeo Road,
Mumbai- 400 034

Date: May 27, 2013

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THIS ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer books of the Company will remain closed from Monday, July 22, 2013 to Tuesday, July 30, 2013 (both days inclusive).
3. The facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through Electronic Clearing Service (ECS) is arranged by the Company. This facility is currently available at the locations specified by RBI/SBI. This facility is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not done earlier) are requested to complete and submit the Mandate Form, available on request with our Share Transfer Agents or on our Company's website www.paelttd.com, to Company's Share Transfer Agents (for shares held in physical form) or their Depository Participants (for shares held in electronic form).
4. Members are requested to
 - (a) intimate any change in their addresses to the Company's Registrar and Share Transfer Agents, M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078
 - (b) quote client ID and DP ID numbers in respect of shares held in dematerialised form and ledger folio number in respect of shares held in physical form in all the correspondence
 - (c) to bring their Annual Report to the Meeting and attendance slip duly filled in. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
5. Corporate Members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
6. Members who have multiple folios in identical names or joint names in the same order are requested to send all the Share Certificates to the Registrar and Transfer Agents, M/s. Link Intime India Private Limited for consolidation of all such folios into one to facilitate better service on their email id : rnt.helpdesk@linkintime.co.in
7. Queries on accounts and operations of the Company, if any, may please be sent to the Company 10 days in advance of the meeting so that the information required can be made readily available at the meeting to the extent possible.
8. Consequent upon the introduction of Section 205C by the Companies (Amendment) Act, 1999, unclaimed / unpaid dividend amount, fixed deposits, unclaimed interest and unclaimed matured fixed deposits for a period of 7 years will be transferred to the Investor Education & Protection Fund (IEPF) and no claim thereto will be entertained by the said Fund and also by the Company.
9. The facility for making nominations is available for shareholders and fixed deposit-holders in respect of the shares and fixed deposits held by them. Nomination forms can be obtained from the Company's Registrars & Transfer Agents, M/s. Link Intime India Private Limited or from the Company and also through email id investors@paelttd.com
10. Members may refer Report on Corporate Governance for particulars of Directors' re-appointment at the Annual General Meeting.
11. According to the Circular nos.17/2011 dated 21.4.2011 and no.18/2011 dated 29.4.2011 on "Green Initiative in Corporate Governance" issued by the Ministry of Corporate Affairs introducing paperless compliances allowing service of documents through electronic mode and for giving an opportunity to every member to register their email address and changes if any from time to time through Depository Participant. The Companies are now permitted to send various notices/documents to its shareholders through electronic mode which would be sufficient compliance under Section 53 of the Companies Act, 1956. In order to support the Green Initiative, the Company proposes to send henceforth all documents to the shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors Report, etc., by email to those members who have registered their email ID. If any member who has not registered email address is requested to send the same to rnt.helpdesk@linkintime.co.in our Registrars & Transfer Agents, M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400078 or to the Company at 69, Tardeo Road, Mumbai 400034 on investors@paelttd.com for service of documents as aforesaid. To those who have not registered their email address for service of documents as aforesaid, such documents will continue to be sent by other modes of services as provided under Section 53 of the Companies Act, 1956 including physical copies at the address recorded in the Register of Members. In case any member insist for physical copies of above documents, the same will be sent to him physically, by post free of cost.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5:

The Company has issued and allotted 50,00,000 8% Non-Convertible, Non-Cumulative Redeemable Preference Shares on a preferential allotment basis in March, 2013 to promoters of the Company. The terms of issue of the said shares provide that the Company may redeem these shares before the date of redemption period.

The Board at its meeting held on May 27, 2013, has approved in principle the issues of 11% Non-Convertible, Cumulative Redeemable Preference shares to the promoters of the Company and redemption of existing preference shares out the proceeds of this new issue subject to the approval of the shareholders and such other approvals as may be required.

Section 81 of the Companies Act, 1956 inter alia provides that whenever it is proposed to increase the subscribed capital of the Company by further issue of shares, such shares shall be offered to the existing shareholders of the Company, unless the shareholder decides otherwise by a special resolution.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 80, 81, 81 (1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the Listing Agreements executed by the Company with the Stock Exchanges, authorizing Board to issue Preference Shares, as stated in the resolution, in one or more tranches, to persons who may not be shareholders of the Company.

The Special Resolution is recommended by the Board for the approval of the Members.

None of the Directors of the Company are interested in the above Special Resolution, except Shri Arvind R. Doshi and Shri Pritam A. Doshi who are deemed to be concerned in the resolution as the shares are proposed to be issued to them and/or their nominees.

By Order of the Board of Directors

Sameer Chavan
Company Secretary

Registered Office

69, Tardeo Road,
Mumbai- 400 034

Date: May 27, 2013

REPORT OF THE DIRECTORS' AND MANAGEMENT DISCUSSION & ANALYSIS

To the Members,

Your Directors have pleasure in presenting their Sixty Third Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2013.

1. Financial Results

	Current Year ended 31.03.2013	Previous Year ended 31.03.2012
	(₹ in lacs)	(₹ in lacs)
Total revenue	13,901.61	24,715.09
Total expenses	14,094.19	24554.48
Less: Finance cost	690.63	652.84
Less: Depreciation	68.69	90.22
Profit / (Loss) before tax	(951.90)	(582.45)
Less: Provision for tax	(6.52)	(14.90)
Profit / (Loss) after taxes	(945.38)	(567.55)

2. Dividend

The Board of Directors does not recommend dividend on equity shares for the current financial year.

3. Management Discussion and Analysis

During the year 2011-12 the management has reorganized the structure to a branch management model to optimize marketing and operations resources. Since then PAE's business is divided into two segments based on risks and rewards: Auto Parts and Power. The Power segment consists of all batteries and power backup systems.

SWOT Analysis of Strategic Business Units:**A. Auto Parts****Indian Automobile Industry**

- Largest three-wheeler market in the world
- 2nd largest two-wheeler market in the world
- 7th largest passenger car market in Asia & 10th largest in the world
- 4th largest tractor market in the world
- 5th largest commercial vehicle market in the world
- 5th largest bus and truck market in the world

The Automotive Aftermarket Business in India

The Indian automotive aftermarket is currently estimated at ₹ 33,000 Crores, where the global market is at ₹ 2,70,000 Crores. India has been one of the few markets globally to buck the recessionary trend and recorded a strong volume growth in FY 2012.

The automotive aftermarket for parts in India is a large and growing market that spans manufacturers, distributors, retailers, service providers and garages. Currently worth ₹ 19,000 crore to ₹ 24,000 crore, the market has been growing at 11 %, and is estimated to reach ₹ 39,000 crore to ₹ 44,000 crore by 2015.

The Indian market is valued at ₹ 19,000 crore to ₹ 24,000 crore, of which roughly 30% comprises spurious parts.

CV, which include multi-axle vehicles, LCVs, buses and trailers account for roughly 22 per cent of this market (₹ 4,500- ₹ 5,500

crore), with Maharashtra, Tamil Nadu, Gujarat and Kerala accounting for over 40%.

The car market is estimated at ₹ 6,000- ₹ 7,000 crore (34% of the market) with Maharashtra, Andhra Pradesh, Delhi and Tamil Nadu cumulatively accounting for about 40% of the share.

The two - wheeler market is the largest at ₹ 10,000 crore to ₹ 11,000 crore, or 44% of the market, and Tamil Nadu, Maharashtra, Gujarat and Uttar Pradesh constitute close to 45% of the market. This market is also expected to grow the fastest, given the strong growth in new sales (more than 15% per year) and the large volume of two-wheelers entering the vintage for aftermarket parts (2 to 12 years).

With the population of automobiles in India exceeding 110 million and growing at the rate of 12% p.a. the automotive aftermarket business in India is poised for an immense growth. There are tremendous opportunities in Automotive Services, Maintenance and Aftermarket Products. Some of the specific trends in the aftermarket business in India include:

- Growth in Vehicle Sales, Vehicle Population, Replacement Parts and Aftermarket Products
- Huge Demand for Vehicle Servicing, Repairs and Maintenance
- Non Vehicle Manufacturers are getting into Automotive Service Business
- Branded service networks being set up both by vehicle manufacturers and other players
- Fuel Stations adding to the Servicing & Aftermarket Network
- Expansion of Service Networks by Vehicle Manufacturer
- Increased Customer Awareness on Vehicle Maintenance
- Emergence of One-stop-shop for vehicle owners to meet their needs like servicing, spares, accessories, insurance, warranty, etc, under one roof

This growth will primarily be fuelled by the increasing number of vehicles on the road, as well as the aggressive expansion of independent and foreign players.

While current margins for the industry remain attractive, players across the value chain may see margins reducing to the lower levels observed in developed economies. Therefore, to sustain profitability, it is imperative that players evaluate additional ways of capturing value, including expanding service networks, developing branded generic parts, forward integrating and building scale.

B. Power

Company has been in the marketing and distribution of Automotive and Industrial Batteries for over four decades it has launched own Brand of batteries "ZENIDE" in Automotive and Industrial segment in the year 2012-13 which is now well accepted in the market.

Automotive Batteries

Automotive batteries now sold by Company are used in various four-wheelers including Cars, LCV's, trucks and buses, two-wheelers, three-wheelers and tractors. With the brand getting accepted and the new distributors jointly, this business is on a growth path. The strict compliance on the pollution control board norms is now discouraging the way side battery

rebuilders to discontinue their activities there by the organized sector battery business gaining momentum. Due to close contact with the battery aftermarket, Company is able to seize this opportunity with a complete product range and timely schemes implemented.

Industrial Batteries

The various ranges consist of small SMF, mid VRLA and tubular batteries. These batteries with wide application and growing demand has a promising bright future. The timely supplies of tubular batteries and also the confidence of the network on the last year's proven quality has resulted in more than expected performance in this segment as well as establishing the brand as a household name.

Power Back-up Systems

Company markets various capacities of power back-up systems under its own brand - Power Zen. Depending on the type of application, PAE/PAER (PAE Renewables Pvt. Ltd.) designs the system custom made, sells to channel partners and end users. PAER also provides a comprehensive range of installation, commissioning and annual maintenance services to the end customers. The fresh dialogues with the existing domestic and international vendors on increased business potential have resulted in considerable reductions in the costing, which will help regain the market in the forth coming months due to the price sensitivity.

Although Government is making efforts to ensure "power for all", demand for backup power devices is here to stay, because of End-users need to stay connected and the requirement of un-interrupted power supply for running operations. Barriers such as power deficit, availability of power and quality of power increasing the dependence of enterprises, industrial customers and home users on alternative/back-up power devices.

As mentioned, the Power business consists of auto motive and motor cycle batteries, industrial batteries used for UPS and inverter applications and UPS and inverter system for power backup.

Strengths and Opportunities

- Superior product quality, aesthetics, features and competitive pricing
- Experienced Marketing Team with wide knowledge of Battery business, product launches, market contacts and fast decision making
- Extensive network of 34 sales and service offices throughout the country with Battery Charging/Checking and storage facilities
- Dedicated Distributor/Dealer network
- Due to the unprecedented sales of new cars during the year 2010-11, and these car batteries will be due for replacement during this year there is a great expectation of incremental sales.
- Since Govt of India and large corporates are supporting computer education reaching the rural areas this will lead to increased requirement of UPS and UPS batteries
- The Nationalized and cooperative Banks are having an ambitious target this year for expansion of their Branches and ATM's which will increase the requirement of UPS and UPS batteries

- The battery industry is growing by percentage from unorganized sector to organized sector due to strict norms being implemented by the Pollution control board

Threats and Weaknesses

- Inverter batteries have seasonality in business and is unpredictable
- Prices dependent on lead price resulting in volatility
- Shortage of supply of certain types of batteries during peak seasons
- Change in duties, taxes, import regulations and government policies might affect future demand.
- The pricing strategies of large players with the aggressive schemes.

4. Subsidiary Companies and Consolidated Financial Statements

- PAE Infrastructure Private Limited continues to be the 100% subsidiary of PAE Limited.
- Company continues to hold 85% stake in Shurjo Energy Private Limited.
- During the year under review PAE Limited has further invested ₹ 460.00 lacs in PAE Renewables Private Limited. PAE Renewables Private Limited continues to be a 100% subsidiary of PAE Limited.
- During the year under review PAE Renewables Pvt. Ltd. further invested USD 8.92 lacs in PAE Renewables Pte Ltd, Singapore. PAE Renewables Pte Ltd., Singapore continues to be 100% subsidiary of PAE Renewables Private Limited.
- Sovox Renewables Pte. Ltd., Singapore continues to be 100% subsidiary of PAE Renewables Pte. Ltd. Singapore.
- Sovox Renewables Private Limited is the subsidiary of Sovox Renewables Pte. Ltd., Singapore.

Pursuant to the provisions of Section 212(8) of the Companies Act, 1956 and General Circular No.2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs general exemption has been granted to the Companies from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company subject to the consent of the Board of Directors of the Company. Accordingly the consent of the Board of Directors of the Company has been obtained at the Board Meeting of the Company held on May 27, 2013.

A statement containing brief financial details of the Company's subsidiary companies with the brief financial details of the Company's subsidiaries for the financial year ended March 31, 2013 is included in the Annual Report. The Annual Accounts of these subsidiaries and the related detailed information will be made available to any member of the Company seeking such information at any point of time and are also available for inspection by any member of the Company at the registered office of the Company.

The company shall furnish a copy of annual accounts of subsidiaries to any member on demand.

Discussion on financial performance with respect to operational performance

(₹ in lacs)

Particulars	2012-13	2011-12
1. Net sales & operating income	13,570.92	24,392.28
2. Other income	330.69	322.81
3. Total Income (1+2)	13,901.61	24,715.09
4. Total expenditure:		
a. Cost of sales	11,979.50	21,983.16
b. Employees' remuneration and benefits	874.39	1,035.59
c. Other expenses	1,240.30	1,535.73
	14,094.19	24,554.48
5. Interest/Finance cost	690.83	652.84
6. Profit after interest but before depreciation & tax	(883.21)	(492.23)
7. Depreciation	68.69	90.22
8. Profit before tax	(951.90)	(582.45)
9. Provision for tax:		
a. Previous years taxes	(6.52)	(2.93)
b. Current tax	-	-
c. Deferred tax (Asset)/Liability	-	(11.97)
10. Net Profit/(Loss) after tax	(945.38)	(567.55)
11. Expenses as a % to net sales & Operating income:		
a. Employee cost	6.44%	4.25%
b. Other expenses	9.14%	6.30%
c. Interest/Finance cost	5.09%	2.68%

Sales and Operating Income for the year has decreased by 44.36% from ₹ 24,392.28 lacs in the previous year to ₹ 13,570.92 lacs on account drop in demand.

During the year, the Company has made a loss of ₹ 945.38 lacs as against loss of ₹ 567.55 lacs in the previous year.

Interest for the year is ₹ 690.63 lacs which is 5.09% of the net sales & operating income as compared to ₹ 652.84 lacs and was 2.68% of the net sales & operating income in the previous year.

Financial Condition

Share Capital

Issued, Subscribed and Paid-up Capital as at March 31, 2013 was ₹ 1,451.96 lacs as against ₹ 951.96 lacs for previous year. The Company allotted 50,00,000 8% Non-Convertible Non-Cumulative Redeemable Preference Shares at par to promoters of the Company.

Reserves and Surplus

As at March 31, 2013 Reserves and Surplus amounted to ₹ 1,832.96 lacs as compared to ₹ 2,800.66 lacs of previous year.

Long Term Borrowings

There has been a decrease in the Long Term Borrowings to

₹ 742.80 lacs as at March 31, 2013 as compared to ₹ 1,314.96 lacs as at March 31, 2012.

Short Term Borrowings

There has been a decrease in the Short Term Borrowings to ₹ 1,799.28 lacs as at March 31, 2013 as compared to ₹ 2,937.57 lacs as at March 31, 2012.

Fixed Asset

Net Fixed Assets as at March 31, 2013 have decreased to ₹ 891.90 lacs as compared to ₹ 978.83 lacs in the previous year.

Investments

Investments are at ₹ 2,001.81 lacs as on March 31, 2013 as compared to last year ₹ 1,541.73 lacs.

Current Assets

Current Assets have decreased to ₹ 2,914.83 lacs as at March 31, 2013 from ₹ 5,436.09 lacs as at March 31, 2012.

Human Resources

The Company believes that Human Resources are a key asset that provides a competitive edge in the current business environment. The Company's philosophy is to provide congenial work environment, performance oriented work culture, knowledge acquisition and sharing, skill building, creativity and responsibility and performance based compensation.

The employees' relations during the year under review were cordial and harmonious and the productivity improved in all the areas. Your Company has a total strength of 277 employees as on March 31, 2013.

5. Fixed Deposit

The amount of Fixed Deposits accepted from the public during the year under review is ₹ 149.37 lacs (including renewals). At the end of the year, there were 18 matured deposits for ₹ 9.80 lacs, which were not claimed by the depositors as on date of this Report. There were no deposits during the year, which were claimed but not paid by the Company.

The unclaimed deposits/interest on deposits lying with the Company for more than seven years were transferred to Investor Education & Protection Fund as per Section 205C of the Companies Act, 1956.

6. Directors

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, Shri Karthikeyan Muthuswamy and Dr. Rajendra Nath Mehrotra retires by rotation but being eligible offers themselves for re-appointment.

A brief profile of the Directors is furnished as part of Corporate Governance Report.

7. Corporate Governance Report

Your Company is committed to good corporate governance practices. The Report on Corporate Governance along with the Auditor's Certificate regarding compliance of the conditions of Corporate Governance pursuant to clause 49 of the Listing Agreement are annexed hereto.

8. Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the

Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended March 31, 2013, the applicable accounting standards had been followed along with the proper explanation relating to material departures, if any;
- (ii) that the directors had selected such 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 or loss of the Company for the year under review;
- (iii) that the directors had 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 fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended March 31, 2013 on a 'going concern' basis.

9. Auditors' Report

The Auditors' Report to the shareholders does not contain any qualifications.

10. Auditors

M/s. K. S. Aiyar & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offered themselves for re-appointment.

The Board of Directors recommends their re-appointment as Statutory Auditors.

11. Financial Ratings

The Company has received the "BB+" rating for long term bank facilities and "A4+" rating for shortterm bank facilities from Credit Analysis & Research Limited (CARE) which is valid for a period of 1 year.

12. Particulars as per Section 217 of the Companies Act, 1956

For the financial year 2012-13 none of the employee's salary exceeded ₹ 60.00 lacs p.a. or ₹ 5.00 lacs p.m.

13. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Since the Company does not own any manufacturing facility the other particulars relating to Conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

During the year the foreign exchange outgo was ₹ 6.41 lacs and foreign exchange earnings were Nil.

14. Acknowledgements

Your Directors thank the Company's shareholders, Customers, Dealers, Suppliers and Principals, Vendors and Bankers for their continued support during the year. It will be your Company's endeavour to build and nurture strong links with