



CERTIFIED TRUE COPY

*For Rexnord Electronics & Controls Ltd.*

*[Signature]* *[Signature]*  
Director.

# 19th Annual Report

## 2006 - 07



**BOARD OF DIRECTORS**

Kishore Chand Talwar  
 Sharda K. Talwar  
 Nainy K. Tanna  
 Ram Bahadur Roka  
 V. Shivaswamy Iyer  
 Pankaj Sanehi

Chairman & Managing Director  
 Wholetime Director  
 Wholetime Director  
 Wholetime Director  
 Director  
 Director

**AUDITORS**

R.S. Agrawal & Associates,  
 Chartered Accountants, Mumbai

**BANKERS**

Centurian Bank of Punjab Limited

**REGISTERED OFFICE & FACTORY I**

92-D, Govt. Industrial Estate,  
 Charkop, Kandivli (West),  
 Mumbai - 400 067

**FACTORY II**

Gala No.2/3, Plot No.10/11,  
 Premier Industrial Estate,  
 Kachigam, Daman - 396 210,  
 (U.T. of Daman & Diu)

**REGISTRARS & SHARE  
TRANSFER AGENTS**

Bigshare Services Pvt. Ltd.,  
 E/2, Ansa Industrial Estate,  
 Sakivihar Road, Sakinaka,  
 Andheri (East) Mumbai - 400 072

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## NOTICE TO THE MEMBERS

NOTICE is hereby given that the 19th Annual General Meeting of the members of REXNORD ELECTRONICS & CONTROLS LIMITED will be held on Saturday, September 29, 2007 at 12.00 P.M. at the registered office of the Company at 92-D, Govt. Industrial Estate, Charkop, Kandivli (West), Mumbai - 400 067 to transact, with or without modification(s) the following businesses :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mrs. Sharda K. Talwar, who retires from office by rotation, and being eligible offers herself for re-appointment.
3. To appoint a director in place of Mrs. Nainy K. Tanna, who retires from office by rotation, and being eligible offers herself for re-appointment.
4. To appoint auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

### SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

#### 5. AS AN ORDINARY RESOLUTION:

"RESOLVED THAT in superseding all the earlier resolutions in this regard and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the members be and it is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 for fresh appointment of MR. KISHORE CHAND TALWAR as Chairman and Managing Director of the Company for a period of 5 [Five] years w.e.f. April 1, 2007 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific powers be and is hereby given to the Board of Directors of the Company to decide his remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MR. KISHORE CHAND TALWAR so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and it is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above resolution."

#### 6. AS AN ORDINARY RESOLUTION:

"RESOLVED THAT in superseding all the earlier resolutions in this regard and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the members be and it is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 for fresh appointment of MRS. SHARDA K. TALWAR as wholetime director of the Company for a period of 5 [Five] years w.e.f. April 1, 2007 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific powers be and is hereby given to the Board of Directors of the Company to decide her

remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MRS. SHARDA K. TALWAR so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and it is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above resolution."

#### 7. AS AN ORDINARY RESOLUTION:

"RESOLVED THAT in superseding all the earlier resolutions in this regard and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the members be and it is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 for fresh appointment of MRS. NAINY K. TANNA as wholetime director of the Company for a period of 5 [Five] years w.e.f. April 1, 2007 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific Powers be and is hereby given to the Board of Directors of the Company to decide her remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MRS. NAINY K. TANNA so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and it is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above resolution."

#### 8. AS AN ORDINARY RESOLUTION:

"RESOLVED THAT in superseding all the earlier resolutions in this regard and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents, and sanctions, the consent of the members be and it is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 for fresh appointment of MR. RAM BAHADUR ROKA as wholetime director of the Company for a period of 5 [Five] years w.e.f. April 1, 2007 at a consolidated remuneration not exceeding Rs. 125,000/- p.m.

**FURTHER RESOLVED THAT** specific powers be and is hereby given to the Board of Directors of the Company to decide his remuneration from time to time within the overall ceiling not exceeding Rs. 125,000/- p.m. and is hereby specifically approved with liberty to the board of the Company to alter and vary the terms and conditions in such manner as may be agreed to between the board and MR. RAM BAHADUR ROKA so as not to exceed the limits as specified in schedule XIII read with other applicable provisions, if any, of the Act or any amendments thereto or enactment thereof.

**FURTHER RESOLVED THAT** the Board of Directors be and it is hereby authorised to take all such steps and do all such acts and deeds as may be necessary to give effect to the above resolution."

By order of the Board  
REXNORD ELECTRONICS & CONTROLS LIMITED

Kishore Chand Talwar  
Chairman & Managing Director

Place : Mumbai  
Dated : 24th August 2007

**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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The Register of Members and the Share Transfer Books of the company will remain closed from 25/09/2007 to 29/09/2007 (both days inclusive).
3. Members desirous of seeking any information concerning the accounts of the Company are requested to address their queries in writing to the Company at least seven days before the date of the meeting so that the requested information can be made available at the time of the meeting.
4. Members / Proxies are requested to please bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.
5. Shares of the Company are listed at the Stock Exchanges at Mumbai, Ahmedabad, Bangalore and Delhi.
- 6a. In view of Circular issued by the SEBI for appointing common agency for both mode of transfers i.e. Physical as well as Demat, the company has already appointed M/s. BIG SHARE SERVICES PRIVATE LIMITED as Registrar & Transfer Agent for both mode of transfers i.e. Physical as well as Demat. Members are therefore requested to send their grievances to them, for early disposal at the address given below.
- 6b. Members holding Shares in physical form are requested to notify immediately any change in their address with PIN CODE to the Registrar and Transfer Agent of the Company at the address given below AND in case their shares are held in demat, this information should be passed on directly to their respective Depository Participants and not to the company.
- M/s. BIG SHARE SERVICES PRIVATE LIMITED,  
[Unit: Rexnord Electronics & Controls Limited]  
E/2, Ansa Industrial Estate, Sakivihar Road,  
Saki Naka, Andheri [East], Mumbai - 400 072  
Tel: 022-28473747 / 3474  
E-mail: bigshare@bom7.vsnl.net.in
7. All documents referred to in the notice are open for inspection at the registered office of the Company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
8. Members/Proxies holding their shares in physical mode are requested to fill the enclosed attendance slip and handover the same at the entrance with signature. In the absence thereof, they may not be admitted to the meeting venue.
9. Members who are holding shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification at the meeting.
10. In all correspondence with the company, members are requested to quote their Folio No. and in case their shares are held in demat form, they must quote their Client ID and DP ID numbers.
11. The Explanatory Statement U/s. 173(2) for Special Business is attached hereto.

**LISTING REQUIREMENTS:**

As required under Clause 49 [iv] [G] (i) of the Listing Agreement, given below are the details of the Director(s) who are seeking appointment/re-appointment (Resolution at Item Nos. 2, 3, 5 & 8):

- A. Name : MR. KISHORE CHAND. TALWAR  
Age : 54 [03.09.1953]  
Qualifications : B.A. [Diploma in Export Marketing]

Mr. Kishore Chand Talwar is associated with the Company since inception. He has an experience of over 27 years in different fields. He looks after overall affairs of the company.

Other Directorships : NIL  
Committee Memberships : NIL  
No. of shares held in the : 18,32,000.  
company

- B. Name : MRS. SHARDA K. TALWAR  
Age : 43 [24.08.1964]  
Qualifications : B.A.

Mrs. Sharda K. Talwar is associated with the Company since July 4, 1988 as Director of the Company. She has an experience of over 18 years to her credit. She looks after the day to day administrative activities of the company.

Other Directorships : NIL  
Committee Memberships : NIL  
No. of shares held in the : 617600  
company

- C. Name : MRS. NAINY K. TANNA  
Age : 26 [24.09.1981]  
Qualifications : M.Com., M.B.A. in Marketing from NMIMS, Diploma in Import & Export.

Mrs. Nainy K. Tanna is associated with the Company since August 1, 2001 as Director of the Company. She has an experience of over 6 years to her credit. She looks after Finance, Import & Export related activities of the Company.

Other Directorships : NIL  
Committee Memberships : NIL

No. of Shares held in the company : 7200

- D. Name : MR. RAMBAHADUR ROKA  
Age : 43 [04.04.1964]  
Qualifications : Matriculate

Mr. Rambahadur Roka is associated with the company since August 1, 2001 as director of the company. He has an experience of over 13 years to his credit. He looks after the production activities of the company.

Other Directorships : NIL  
Committee Memberships :

Audit Committee Member: Rexnord Electronics & Controls Ltd.  
Shareholder's Committee: Rexnord Electronics & Controls Ltd. Member

Remuneration Committee: Rexnord Electronics & Controls Ltd. Member

No. of shares held in the : 25600  
company

**EXPLANATORY STATEMENT U/S. 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5:**

It is proposed to appoint MR. KISHORE CHAND TALWAR as Chairman and Managing Director of the Company on fresh terms w.e.f. April 1, 2007 for a period of 5 [Five] years.

MR. KISHORE CHAND TALWAR is on the Board of the Company since July 4, 1988 and look after overall management of the Company.

The above appointment has been approved by the Remuneration Committee of the Board of Directors.

The directors of the Company recommend the resolution for the approval of the shareholders.

Mr. Kishore Chand Talwar is interested in the resolution as the same is related to his own appointment, Mrs. Sharda K. Talwar and Mrs. Nainy K. Tanna may be deemed to be interested being related to Mr. Kishore Chand Talwar.



This Explanatory Statement alongwith the accompanying notice is and shall be deemed to be an abstract under section 302 of the Companies Act, 1956.

**ITEM NO. 6:**

It is proposed to appoint MRS. SHARDA K. TALWAR as wholetime Director of the Company on fresh terms w.e.f. April 1, 2007 for a period of 5 [Five] years.

MRS. SHARDA K. TALWAR is on the Board of the Company since July 4, 1988 and look after overall day to day administrative activities of the company.

The above appointment has been approved by the Remuneration Committee of the Board of Directors.

The directors of the Company recommend the resolution for the approval of the shareholders.

Mrs. Sharda K. Talwar is interested in the resolution as the same is related to her own appointment, Mr. Kishore Chand Talwar and Mrs. Nainy K. Tanna may be deemed to be interested being related to Mrs. Sharda K. Talwar.

This Explanatory Statement alongwith the accompanying notice is and shall be deemed to be an abstract under section 302 of the Companies Act, 1956.

**ITEM NO. 7:**

It is proposed to appoint MRS. NAINY K. TANNA as wholetime Director of the Company on fresh terms w.e.f. April 1, 2007 for a period of 5 [Five] years.

MRS. NAINY K. TANNA is on the Board of the Company since August 1, 2001 and look after Finance, Import & Export related activities of the Company.

The above appointment has been approved by the Remuneration Committee of the Board of Directors.

The Directors recommend the resolution for the approval of the shareholders.

Mrs. Nainy K. Tanna is interested in the resolution as the same is related to her own appointment, Mr. Kishore Chand Talwar and Mrs. Sharda K. Talwar may be deemed to be interested being related to Mrs. Nainy K. Tanna.

This Explanatory Statement alongwith the accompanying notice is and shall be deemed to be an abstract under section 302 of the Companies Act, 1956.

**ITEM NO. 8:**

It is proposed to appoint MR. RAM BAHADUR ROKA as wholetime Director of the Company on fresh terms w.e.f. April 1, 2007 for a period of 5 [Five] years.

MR. RAM BAHADUR ROKA is on the Board of the Company since August 1, 2001 and look after production and Marketing related activities of the Company.

The above appointment has been approved by the Remuneration Committee of the Board of Directors.

The directors of the Company recommend the resolution for the approval of the shareholders.

Except MR. RAM BAHADUR ROKA, none of other directors of the Company is interested in the resolution.

This Explanatory Statement alongwith the accompanying notice is and shall be deemed to be an abstract under section 302 of the Companies Act, 1956.

By order of the Board  
**REXNORD ELECTRONICS & CONTROLS LIMITED**

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai  
Dated : 24th August 2007





## DIRECTORS' REPORT

### TO THE SHAREHOLDERS

Your Directors have great pleasure in presenting 19th Annual Report together with the Audited accounts for the year ended March 31, 2007.

(Rs. in lacs)

FINANCIAL RESULTS:	Year ended 31.03.2007	Year ended 31.03.2006
Sales & Other Income (Net of Excise)	1164.31	907.18
Profit before depreciation	112.18	92.64
Depreciation	71.69	65.26
Net Profit /(Loss) before tax	40.49	27.38
Net Profit /(Loss) after tax	23.74	12.67

### OPERATIONS:

The year under review continued to be better than previous year in spite of heavy competition with lower priced imported electronic goods from neighboring countries and steep increase in cost of raw materials. Your company has been able to achieve 28% growth in sales. The sales and other income of your company, during the year under review, stand at Rs. 1164.31 lacs as against Rs. 907.18 lacs in the previous year. Increase in cost of raw materials has also put pressure on the margins of the company however your company has been able to earn net profit before tax of Rs. 40.49 lacs for the year under review as against Rs. 27.38 lacs in the previous year. The Board expects better results for the current year.

### DIVIDEND:

Due to non availability of sufficient profit the Board does not propose any dividend for the year ended March 31, 2007.

### RESEARCH & DEVELOPMENT:

The R&D department of the company has been arduously working to provide quality and value for money to the customer in keeping with market trends.

### ISO CERTIFICATION:

The company's products were awarded as ISO 9001:2000 Certification.

### FIXED DEPOSITS:

Your Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 from the public and the rules made thereunder.

### BOARD OF DIRECTORS:

It is proposed to appoint Mr. Kishore Chand Talwar as Chairman and Managing Director and Mrs. Sharda K. Talwar, Mrs. Nainy K. Tanna and Mr. Ram Bahadur Roka as wholetime directors of the Company on fresh terms w.e.f. April 1, 2007 for a period of 5 [five] years. Enabling resolutions are proposed in the notice for approval of the members.

As per the provisions of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Mrs. Sharda K. Talwar and Mrs. Nainy K. Tanna, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

### CORPORATE GOVERNANCE:

The Company is in process of complying with the provisions as stipulated in the amended Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on compliance of condition of Corporate Governance together with auditors' certificate on its compliance is included in this Annual Report.

### DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departure:

- Appropriate policies have been selected and applied consistently and judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2007 and of the profit of the company for that year.

- Proper and sufficient care has been taken 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.

- The annual accounts have been prepared on a going concern basis.

### AUDITORS:

M/s. R. S. Agrawal & Associates, Chartered Accountants, auditors of the company are retiring at the ensuing Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to act as auditors, if re-appointed. The Company has received a certificate from them that they are qualified under section 224 (1) of the Companies Act, 1956, for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2008 as set out in the Notice convening the Meeting.

### AUDITORS' OBSERVATIONS:

As pointed out by the Statutory Auditors, the board hereby clarifies, as under:

- Regarding composition of Board of Directors, Audit Committee and Remuneration Committee, the company is looking for some professional directors and will be appointed as and when suitable candidates are available.
- Regarding the appointment of Whole-time Company Secretary, the company is in process of appointing a whole time Company Secretary. An advertisement for recruitment of suitable candidates has already been given. However the company is availing services of a practicing company secretary.
- Gratuity and Leave Encashment are provided on cash basis and accounted for as and when the liability arises. The policy does not have any material impact on profit / loss of the company.
- In view of considerable number of items of diverse size and numbers of the components manufactured and consumed, it is not practically feasible to comply with AS2 for all the items of stock. Based on past experience and judgements, the board clarifies that there is no material impact on the profit/ loss of the company for non-compliance of the AS2. The provision for non-moving / slow moving / obsolete inventory of raw materials is reasonable and sufficient.
- The statutory dues including Custom duty, Excise Duty and Income Tax are not paid on account of disputes pending with respective authorities.
- The company has made the insurance claim of Rs. 39.30 lacs with the Insurance Company for loss of stocks due to flood at its factory at Daman. The insurance claim has been rejected by the Insurance Company. The company is confident in succeeding to get the claim from Insurance Company and has decided to file a suit against the Insurance Company with the concerned Consumer Forum. The company does not expect any loss on this account.

Other observations of the auditors contained in their report have been adequately dealt with in the notes to the accounts given in Schedule '18' which are self-explanatory and, therefore, do not call for any further comments.

### AUDIT COMMITTEE:

In accordance with the provisions of the Companies Act, 1956 and Listing Agreement and condition of Corporate Governance, the Company has constituted an Audit Committee. The Audit Committee acts in accordance with the terms of reference specified from time to time by the Board.

**DEPOSITORY SERVICES:**

The Company's Equity Shares have been admitted to the depository mechanism of the National Securities Depository Limited (NSDL) and also the Central Depository Services Limited (CDSL). As a result the investors have an option to hold the shares of the Company in a dematerialised form in either of the two Depositories. The Company has been allotted ISIN No. INE687C01012.

Shareholders, therefore, are requested to take full benefit of the same and lodge their holdings with Depository Participants (DPs) with whom they have their Demat Accounts for getting their holdings in electronic form.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:**

The information pursuant to section 217 (l) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are given as under.

Efficient use of energy in all form has been a consistent corporate trust in the Company. Better maintenance of equipments, improved operating practice and installation of most modern machinery has resulted in lot of saving in energy cost and consumption of raw materials.

**A. CONSERVATION OF ENERGY:**

The Company is consistently doing research in the field of saving energy by implementing new cost-effective ideas. Form for disclosure of particulars with respect of Consumption of Energy is enclosed herewith.

	Units	Current Year	Previous Year
a. Power & Fuel Consumption			
Electricity - Purchased			
Unit (KWH)	Units	620054	546188
Total Amount	In Rs.	3107390	2372609
Average Rate	Rs. per unit	5.01	4.34
* includes power charges			
Rs. 2049130/- (Rs. 1388940/-)			
for 412006 Units			
(360568 Units) for			
processing charges directly			
paid by the company.			
b. Consumption per unit of			
production Electricity (KWH)			
Instrument Cooling Fans AC	Units/Thousand	1335	1253
Instrument Cooling Fans DC	Units/Thousand	334	313

**B. TECHNOLOGY ABSORPTION:****a) Research & Development**

The Research & Development department of the company has been arduously working to provide quality and value for money to the customer in keeping with market trends. Research and Development is being carried out in the following areas.

- Making design modifications in the products so as to simplify the manufacturing process and enhance productivity.
- Developing Jigs, Fixtures and devices to increase productivity.
- Improvements to tool design.
- Upgradation of machines.
- Design and development of special machines required for increasing capacity.
- Development of equipment required for testing product reliability at various stages.

**b) Technology absorption, adaptation and innovation.**

Technology for the manufacture of Instrument Cooling Fans of various sizes has been successfully absorbed.

**C. FOREIGN EXCHANGE EARNED AND USED:**

The particulars regarding Foreign Exchange earning and expenditure appears as item nos. 22(II), 23 & 24 of the Schedule '18' to the accounts.

**PARTICULARS OF EMPLOYEES:**

None of the employees of the company came within the purview of the information required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended.

**LISTING:**

Shares of the Company are listed at the Stock Exchanges at Mumbai, Ahmedabad, Bangalore and Delhi. The company has not paid the listing fees for Ahmedabad, Bangalore and Delhi Stock Exchanges since the company is in process of getting the equity shares delisted from these stock exchanges.

**SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION:**

The Company has taken all the necessary steps for safety and environmental control and protection at the plant.

**ACKNOWLEDGMENT:**

The directors wish to convey their appreciation to the Company's shareholders, customers, suppliers, bankers and distributors for the support they have given to the Company and the confidence, which they have reposed in its management and the employees for the commitment and dedication shown by them.

For and on behalf of the Board  
**REXNORD ELECTRONICS & CONTROLS LIMITED**

**Kishore Chand Talwar**  
Chairman & Managing Director

Place : Mumbai  
Dated : 24th August, 2007

**ANNEXURE TO DIRECTORS REPORT****MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE & DEVELOPMENT:**

The main business of the company is manufacturing and sale of instrument cooling fans, exhaust fans and motors used in industrial and domestic purposes. The industry is directly related to the growth of the user industry in which the products find applications. The instrument cooling fans /motors are mainly used in the computer hardware equipments, power supply equipments, textile machines, refrigeration industry, injection moulding machines, photocopying machines etc.

**OPPORTUNITIES, THREATS, OUTLOOK, RISKS AND CONCERNS:**

In spite of tough competition with low cost import from the neighboring countries and steep increase in cost of raw materials, your company could be able to achieve 28% growth in the sales of the company as compared to the sales of last year.

The general outlook with respect to this industry in India is of caution under immense competitive pressure. However the intrinsic strength

of your company has helped us to effectively overcome such pressure and the sales therefore should register a modest but definite growth.

The top & bottom lines will be under some pressures from international competitors. However the company is confident of adequately protecting its plans, from the competition.

The company's operations are predominantly comprises of only one business segment -Instrument Cooling Fans/ Motors.

**EXPORTS:**

The company is holding ISO 9001: 2000 Certificate by Underwriters Laboratory Inc., Chicago (USA) for its quality systems which reflects your company's constant commitment towards quality & standards. During the year under review your company could be able to achieve export turnover of around 7% of total sales. The company is putting its best efforts to increase the export. The company is consolidating its resources to build a market presence in the international arena.



### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Internal control systems are designed to ensure the reliability of financial and other record and accountability of executive action to the management's authorisation. The internal control systems are reviewed by the top management and by the audit committee of the board and proper follow up action is ensured wherever required.

The Statutory Auditors have evaluated the system & procedures of internal controls of the company and have reported the need to strengthen the same. The management is putting its best efforts to strengthen the internal control systems commensurate with the size of the company and nature of its business.

### FINANCIAL AND OPERATIONAL PERFORMANCE:

During the year under review, the company has achieved the sales and other income of Rs. 1164.31 lacs as against the sales and other income of Rs. 907.18 lacs in the previous year. The company has earned net profit before tax of Rs. 40.49 lacs during the year as against the net profit before tax of Rs 27.38 lacs in the previous year.

The challenges described above could not affect the company much and your company could be able to register net profit of Rs. 23.74 lacs as against net profit of Rs. 12.67 lacs last year due to improved productivity and cost management measures. During the current financial year, the company is working towards further improvement in its profitability.

### HUMAN RESOURCES:

Development of skills and updating of knowledge are essential for continuous growth of any organization. Your Company considers human resources as a key asset. Therefore, your Company implemented in house training programs to keep them abreast of the latest developments in the industry and economy.

The Company has, under its employment 23 officers and workmen.

### CAUTIONARY STATEMENT:

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations, estimates or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in Government regulations, tax laws, economic developments within the country and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking

statements, on the basis, of any subsequent developments, events or information.

## REPORT ON CORPORATE GOVERNANCE

### INTRODUCTION:

Corporate Governance is based on the principal of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance Practices stems from culture and mindset of the organization.

REXNORD is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self-desire and reflected in our strategic thought process.

A detailed report on compliance of conditions of the Corporate Governance by the Company as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, is set out below:

### A) MANDATORY REQUIREMENTS

#### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The main object of Corporate Governance is to create transparency and full disclosure regarding the working of the Company. Corporate Governance's aim is to create long-term value for investors, employees, creditors, customers, Government, society at large and all other stakeholders. It is crucial to the progress of every business enterprise as it builds confidence and trust, which eventually leads to a more stable and sustained resource flow and long-term partnership with its investors and other stakeholders.

The Company firmly believes in and continues to practice good Corporate Governance. The Company's essential character is shaped by the very values of transparency, Professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis.

#### 2. BOARD OF DIRECTORS:

The Board of Directors of your Company consists of six directors out of which are 4 [Four] are executive directors and 2 [two] non-executive directors. There is no institutional /bank nominee on the board.

The details of composition of the Board, category, attendance of directors at board meetings and last Annual General Meeting, number of other directorships and other committee memberships are given below:

Name of Director	Designation	Category	No. of Board Meeting attended	Atten. at last AGM	No. of Other Directorships Held		Outside Committee Position held	
					Public	Private	Mem.	Chmn.
Mr. K. C. Talwar	CMD	Executive	13	YES	—	—	—	—
Mrs. Sharda K. Talwar	WTD	Executive	13	YES	—	—	—	—
Mrs. Nainy Tanna	WTD	Executive	13	YES	—	—	—	—
Mr. Ram Bahadur Roka	WTD	Executive	13	YES	—	—	—	—
Mr. V. Shivaswamy Iyer	Director	Non Executive	13	YES	—	2	—	—
Mr. Pankaj Sanahi	Director	Non Executive	13	NO	—	1	—	—

CMD stands for Chairman & Managing Director.

WTD stands for Wholtime Director

During the financial year ended March 31, 2007, 13 [Thirteen] Board meetings were held on 30/04/2006, 10/06/2006, 30/06/2006, 11/07/2006, 31/07/2006, 24/08/2006, 30/09/2006, 17/10/2006, 31/10/2006, 15/11/2006, 21/11/2006, 31/01/2007, 12/02/2007.

The composition of the Board of Directors is not in compliance with the provisions of Listing Agreement of the Stock Exchange.

The Company is in vigorous search of new persons who are learned and also independent within the meaning of new definition of independent director. The board is hopeful that the Company will find suitable persons and the company would be shortly complying with the required provisions of the Listing Agreement.