

NATIONAL ENGINEERING INDUSTRIES LIMITED

ANNUAL REPORT

YEAR ENDED MARCH 31, 2014

Board of Directors

SHRI C.K. BIRLA, *(Chairman)*
SMT. AMITA BIRLA, *(Co-Chairman)*
SHRI K.N. MEMANI
SHRI M.L. PACHISIA
SHRI J.P. CHHAOCHHARIA (Ceased w.e.f. 8th May 2014)
SHRI HAIGREVE KHAITAN
SHRI ASHWIN BISHNOI (Joined w.e.f. 9th May 2014)

Bankers

State Bank of India
State Bank of Bikaner & Jaipur
UCO Bank
IDBI Bank Ltd.
Kotak Mahindra Bank Ltd.
Axis Bank Ltd.
Standard Chartered Bank
The Bank of Nova Scotia
IndusInd Bank Ltd.
HDFC Bank Ltd.
The Hongkong & Shanghai Banking Corporation Ltd.
ICICI Bank Ltd.

Auditors

Messers S.R. Batliboi & Co. LLP
Chartered Accountants

Registered Office

9/1, R.N. Mukherjee Road,
Kolkata-700 001

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NATIONAL ENGINEERING INDUSTRIES LTD.

Regd. Office :
9/1, R.N.Mukherjee Road, Kolkata-700 001

NOTICE

NOTICE is hereby given that the Sixty-eighth Annual General Meeting of NATIONAL ENGINEERING INDUSTRIES LIMITED will be held at the Registered Office of the Company at 9/1 R.N.Mukherjee Road, Kolkata 700 001 on Monday, the 7th July, 2014 at 2.00 P.M for the following purposes :

ORDINARY BUSINESS

- (a) To receive and consider the report of the Directors and to adopt the audited accounts of the Company for the year ended 31st March, 2014.
- (b) To declare final dividend of Rs. 40/- per Ordinary Share and to confirm the interim dividend of Rs.40/- per Ordinary Share already paid for the year ended 31st March, 2014.
- (c) To elect a Director in place of Shri C.K.Birla, who retires by rotation and is eligible for re-election.
- (d) To elect a Director in place of Smt. Amita Birla, who retires by rotation and is eligible for re-election.
- (e) To re-appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the fourth consecutive Annual General Meeting and to fix their remuneration and to pass the following resolution thereof :

"Resolved that pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder, and pursuant to the recommendations of the Audit Committee of the Board of Directors, M/s S.R. Batliboi & Co. LLP, Chartered Accountants (LLP Registration No.301003E), be and are hereby re-appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of the fourth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting held after this Annual General Meeting) and that the Board of Directors be and are hereby authorized to fix such remuneration as may be determined by the Audit Committee in consultation with the Auditors, and that such remuneration may be paid on a progressive billing basis to be agreed upon between the Auditors and the Board of Directors".

SPECIAL BUSINESS AS ORDINARY RESOLUTIONS

- (f) To consider and if thought fit to pass with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Companies Act, 2013, Shri Ashwin Bishnoi, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 9th May, 2014 and who holds office until the date of the Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing

from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri Ashwin Bishnoi as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company upto May 8, 2019 not liable to retire by rotation”.

- (g) To consider and if thought fit to pass with or without modification, the following resolution as Ordinary Resolution :

“RESOLVED that the payment of remuneration of Rs.220000/-, plus applicable service tax, and reimbursement of out of pocket expenses to M/s K.G.Goyal & Associates, Cost Accountants, for conducting audit of cost records of the Bearing Unit of the Company for the year ended 31st March, 2015 be and is hereby ratified”.

9/1, R. N. Mukherjee Road
Kolkata 700 001

By Order of the Board
K. P. CHAUDHARY
Secretary

Dated : 9th May, 2014

- N.B :**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company.
 2. The Register of Members of the Company and the Share Transfer Books would remain closed from 3rd July, 2014 to 7th July, 2014, both days inclusive.

**STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013
RELATING TO SPECIAL BUSINESS MENTIONED IN THE NOTICE CONVENING
THE SIXTY-EIGHTH ANNUAL GENERAL MEETING**

Item No. (f)

Shri Ashwin Bishnoi was appointed as an Additional Director by the Board with effect from 9th May, 2014, pursuant to Section 161 of the Companies Act, 2013, read with Article 126 of the Articles of Association of the Company.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Shri Ashwin Bishnoi will hold office upto the date of ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs.1,00,000/- proposing the candidature of Shri Ashwin Bishnoi for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Shri Ashwin Bishnoi (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Shri Ashwin Bishnoi as an Independent Director of the Company upto May 8, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Shri Ashwin Bishnoi, the Independent Director proposed to be appointed, fulfills the conditions specified in the Act and the Rules made thereunder and he is independent of the Management. A copy of the draft letter for the appointment of Shri Ashwin Bishnoi as an Independent Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days upto the date of Annual General Meeting.

No director, key managerial personnel or their relatives, except Shri Ashwin Bishnoi, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No.(f) for the approval of the members.

Item No. (g)

As required under Section 148 of the Companies Act, 2013, the Board of Directors at its meeting held on 9th May, 2014 approved the appointment of M/s K.G.Goyal & Associates as Cost Auditors of the Company in compliance of the Order No.52/26/CAB/2010 dated 24th January, 2012 of the Central Government for conducting audit of cost records of Bearing Unit of the Company for the year ended 31st March, 2015. The said appointment was duly recommended by the Audit Committee of the Company at its meeting held on 9th May, 2014. The Audit Committee has further recommended Rs.220000/-, plus applicable service tax and reimbursement of out of pocket expenses, as remuneration of Cost Auditor, M/s K.G.Goyal & Associates for the year ended 31st March, 2015 which is also approved by the Board of Directors of the Company at its meeting held on 9th May, 2014. Now, as required by the Companies (Audit and Auditors) Rules, 2014 read with Section 148 of the Companies Act, 2013, such remuneration recommended by Audit Committee and approved by the Board of Directors shall have to be ratified by the Company in General Meeting. Hence, this resolution.

Certificate dated 1st April, 2014 issued by the above firm regarding their eligibility for appointment as Cost Auditors will be available for inspection at the Registered Office of the Company between 11.00 A.M to 1.00 P.M on all working days and shall also be available at the meeting.

None of the Directors, Key Managerial Personnel and any of their relatives are interested in the Resolution.

Your Board of Directors recommends the resolution for your approval.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Annual Report of the Company for the year ended March 31, 2014.

Audited financial figures of the company are as follows :

1. FINANCIAL HIGHLIGHTS	(Rs.in Lacs)	(Rs.in Lacs)
	Year ended	Year ended
	31.3.2014	31.3.2013
Total Income (Net)	135226.11	124027.53
Gross Operating Profit (before Finance Cost, Depreciation & Tax)	25018.43	24570.21
From which is deducted :		
Finance cost	3961.42	2717.04
Depreciation	9072.16	7720.17
Profit for the year before tax	11984.85	14133.00
Provision for taxation (Income Tax & Deferred Tax)	3135.67	3853.54
Profit after tax	8849.18	10279.46
Balance brought forward from previous year	5616.36	5583.20
Profit available for appropriation	14465.54	15862.66
Interim dividend	320.00	320.00
Provision for dividend	320.00	320.00
Income-tax on distribution of dividend	108.77	106.30
Transferred to General Reserve	8000.00	9500.00
Balance carried to Balance Sheet	5716.77	5616.36

2. FINANCIAL AND OPERATIONAL PERFORMANCE

In the financial year under review, there were many challenges in the Indian economy. GDP growth of sub 5%, depreciation of the Rupee, high interest rates and negative growth in the automobile sector. Our Endeavour has been to improve stake holder's value and we are pleased to report that after overcoming all the challenges, your company achieved a growth of 9% in total Revenue (11% in the previous year). In exports, your company has achieved a growth of 52% (67% in the previous year).

3. DIVIDEND

Your company has already paid an Interim Dividend @ Rs. 40/- per equity share during the year. The Directors are pleased to recommend for your approval, a Final Dividend @ 40 per equity share for the year ended 31st March, 2014. The Company will pay the Income-tax on dividend as per the provisions of the Income-tax Act.

4. OPERATIONAL PERFORMANCE

Your directors are pleased to inform that your company's market share increased to 26% of bearings manufactured in India by the organized sector and also maintained the position of the highest exporter of bearings from India during the year under review.

The new bearing plant at Savli, Vadodara in the state of Gujarat is under construction and is expected to be operational by the second quarter of this financial year. The Company has also acquired a land measuring 100 acres in Bagru in the state of Rajasthan from RIICO (Rajasthan State Industrial Development and Investment Corporation) for its future expansion plans.

Detailed business analysis, review and operational performance has been covered in the management discussion and analysis chapter, which forms a part of this report.

AWARDS AND RECOGNITION

Your directors are pleased to inform that your company has been accredited with the following awards and recognition during the year under review :

- ISO 14001: and BS OHSAS 18001:2007 Certification
- Overall Performance Award received from MSIL
- Quality award received from Bajaj Auto Ltd.
- Outstanding Supply Chain Management received from Volvo Eicher.
- Outstanding Supply Chain Management received from TMTL.

5. DIRECTORS

Shri C.K. Birla and Smt Amita Birla, Directors of the Company, retire from the board by rotation in accordance with the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

Shri J.P. Chhaochharia resigned from the Board of Directors of the Company with effect from 8th May, 2014 as also Member of the Audit Committee, Nomination and Remuneration Committee, Borrowing Committee and Shareholders' / Investors' Grievance Committee on account of advanced age of 82 years and difficulty in travelling to attend the meetings of the Board and its Committees. The Board wishes to place on record its appreciation of services rendered by Shri J.P. Chhaochharia during his tenure as Director on the Board.

The Board of Directors have appointed Shri Ashwin Bishnoi as an Additional Director with effect from 9th May, 2014. The Company has received from a Shareholder a notice in writing proposing his candidature for appointment as an Independent Director and his consent to act as a Director, if appointed, has also been received by the Company. Your Directors recommend his reappointment as Independent Director subject to approval of Shareholders at the forthcoming Annual General Meeting of the Company upto May 8, 2019.

6. CORPORATE GOVERNANCE

Your company is committed to maintain the highest standards of Corporate Governance and a separate section on Corporate Governance is included in this report, as stipulated in Clause-49 of the Listing Agreement.

7. SUBSIDIARIES

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards. The Ministry of Corporate Affairs vide its circular No.02/2011 dated 8th February, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956 from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the Company, provided certain conditions are fulfilled. Accordingly, the annual accounts of subsidiary companies and related detailed information will be made available to holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at its Registered Office at Kolkata and that of subsidiary companies concerned. Details of subsidiaries of the Company are covered in this Annual Report.

8. (a) COST AUDITORS

The Board of Directors have appointed M/s. K.G. Goyal & Co. as Cost Auditors for the financial year 2014-15 and their remuneration fixed by the board at Rs. 220000/- plus service tax and reimbursement of expenses is required to be ratified by the shareholders at the ensuing Annual General Meeting.

8. (b) AUDITORS

M/s. S.R. Batliboi & Co. LLP, Statutory Auditors of the Company, hold office until conclusion of ensuing Annual General Meeting and offers themselves for reappointment for three financial years 2014-15, 2015-16 and 2016-17. M/s. S.R. Batliboi & Co. LLP have furnished necessary certificate of their eligibility as required under Section 139 of the Companies Act, 2013. The reappointment of M/s S.R. Batliboi & Co. LLP shall be for three financial years as aforesaid subject to annual ratification thereof.

9. (a) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information about Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo as required under Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this report.

9. (b) PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956 and the Rules there under, in respect of the employees of the Company, is provided in the Annexure forming part of this Report. In terms of Section 219 (1) (b) (iv) of the Act, the Report and Accounts are being sent to the Members, excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing AGM, and if any Member is interested in obtaining a copy thereof such Member may write to the Company Secretary, whereupon a copy would be sent.

9. (c) Pursuant to the provisions of sub section 2AA of Section 217 of the Companies Act 1956, the Directors state that

- i) In preparation of Annual Accounts all applicable accounting standards have been followed.
- ii) Accounting policies as listed in the Schedule 2.1 to the financial statements have been selected and consistently applied and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on March 31, 2014 and of the profit of the Company for the accounting year ended on that date.
- iii) Proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act 1956 so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

10. AUDITORS REMARKS

There is no none compliance in Auditors report.

11. ACKNOWLEDGEMENT

The Board expresses its appreciation for the co-operation and support extended by the Shareholders, Customers, Financial Institutions, Banks, Supply chain partners and the Stockists in achieving the goals of your Company. The Directors also place on record their appreciation for the commitment and contribution made by the employees at all levels.

For and on behalf of the Board

New Delhi

Date : 9th May, 2014

C.K. Birla

Chairman

**INFORMATION AS REQUIRED UNDER SECTION 217 (1) (e)
READ WITH THE COMPANIES (DISCLOSURE OF
PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS)
RULES, 1988 IS GIVEN BELOW: -**

I. CONSERVATION OF ENERGY

The Company has made continuous effort to conserve energy and improve upon its past performance. Some of the initiatives taken in this respect are:

- (i) Installation of energy efficient pumps in the new centralized air conditioning plant in the manufacturing division.
- (ii) Appropriate designing of new office buildings in order to maximize use of natural light in the work places.
- (iii) Installation of the state of the art Wienstroth Energy Saving Flameless Furnace with continuous roller hearth type arrangement & automatic electrical load monitoring system, including waste heat recover instrument for hardening & Carbonitriding of components at the Company's Jaipur plant.
- iv) Purchase of power from alternate source at economical rates - India Energy Exchange (IEX).
- v) Purchase of Power from M/s V S Lignite Power Pvt. Ltd. at competitive rates to save on power cost.
- vi) Control Panels installed in 450 KVAR in the Sub Station near the machine building to maintain a Power Factor near to unity, to ensure optimum utilization of power.
- (vii) Continue optimum use of energy efficient CFL& LED lamps.
- (viii) Continuous on-going process to use insulation bricks in tempering furnace in the new heat treatment line for efficient use of energy.
- (ix) Thyristor based heating control system used in the new heat treatment line for reducing energy consumption.

The above measures have resulted in reducing power consumption per bearing.

FORM - B**II. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption as follows:

(1) RESEARCH & DEVELOPMENT (R&D) :**(a) Specific areas in which R&D was carried out by the Company :**

- (i) In all 70 new types of bearings developed in the category of Ball Bearings, Cylindrical Roller Bearings, Tapered Roller Bearings & Railway Bearings, Large Diameter Bearings and DRAC Bearings.
- (ii) Development of low noise bearings for electric motor application.
- (iii) Introduction of new generation abrasives for grinding and super-finishing operations in Ball and Roller Bearings. This is a continuous improvement process.
- (iv) Dynaspede test rig for Gear Box testing.
- (v) Scale up of Product Life cycle Management (PLM) to manage Product data, Engineering change management & Project Management.
- (vi) Proto type machine shop developed for speeding up new product development process
- (vii) Addition of new Bearing Life Simulation Software for Bearing Life analysis

(b) Benefits derived as a result of the above R&D:

- (i) Special low noise bearings developed.
- (ii) New machines designed and developed in-house has resulted in foreign exchange savings and improvement in product quality.
- (iii) Productivity improvement in Ball and Roller Bearing Divisions by cycle time reduction
- (iv) In-house life testing of Ball and Roller Bearings resulting in enhanced customer satisfaction.
 - Basic lubrication properties checking and comparison work started inhouse.
- (v) The company was able to file four patents.

(c) Future Plan of Action:

- (i) Continuous program of development of new sizes of bearings is a major activity of R&D including the application study of new models for new customers.
- (ii) Development of Third Generation Wheel Bearing
- (iii) Development of Insulated bearings for Traction Motor Application in Electric locomotives.
- (iv) Development of machines, tools, spares, electronic and mechanical components with in-house R&D to save on foreign exchange.
- (v) Further Retrofitting of grinding machines with CNC controls will be done for achieving higher productivity and reduction in setup loss time.
- (vi) Installation of automated assembly lines in Ball Bearing and Taper Roller bearing for single piece flow from Grinding to Assembly.

(d) Expenditure on R&D:	(Rs.in Lacs)
(i) Capital	379.13
(ii) Recurring	1026.79
(iii) Total	1405.92
(iv) Percentage of total turnover	1.05%

(2) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

(a) Efforts in brief, made towards technology absorption and innovation:

Continuous efforts are made in upgradation of knowledge and technology by training Engineers at the collaborator's works, at premier Indian Engineering Institutes and by attending Seminars to acquire knowledge to keep in sync with the latest advancements.

(b) Benefits derived as a result of above efforts:

Improvement in productivity, quality and technology up-gradation.

(3) IN CASE OF IMPORTED TECHNOLOGY (IMPORTED DURING THE LAST 5 YEARS RECKONED FROM THE BEGINNING OF FINANCIAL YEAR)

(a) Technology Imported:

- (i) From NTN Corporation, Osaka, Japan, our collaborators, for manufacture of Ball Bearings, Cylindrical Roller Bearings, Spherical Roller Bearings, Tapered Roller Bearings, and DRAC (Generation I Ball Bearings)
- (ii) From Amsted Rail Company Inc., Petersburg, Virginia (USA) for manufacture of Cartridge Tapered Roller Bearings.
- (iii) From Izumi Kinzoku Kogyo Co. Ltd., Osaka, Japan for re-manufacturing, overhauling and retrofitting of grinding and super finishing machines.
- (iv) From Consolidated Metco, Inc. ("ConMet"), USA for Hub Assembly.

(b) Year of Import:

- (i) NTN Corporation, Japan - From 1985 (For Ball, Cyl. & Sph. Roller Brgs.) and from 1997 (for Tapered Roller Bearings, DRAC Bearings, Hub Bearings and Clutch release Bearings.)
- (ii) Amsted Rail Company Inc., USA - From 1982
- (iii) Izumi Kinzoku Kogyo Co. Ltd., Japan - From 1996
- (iv) Consolidated Metco, Inc ("ConMet"), USA - From 2012

(c) Has technology been fully absorbed:

It is fully absorbed for all the automotive bearings (Ball & Taper Roller) and doing independently as our strength includes PHD's, Experts, and Masters.

(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future action:

Our customers are bringing out new models and new products requiring new models of bearings for higher speed application with upgraded specifications and ratings. This requires continuous interaction with our collaborators so that the new designs of bearings conform to international quality standards.

The Railway Bearings are still in continuous development in the manufacturing technology, quality & design aspects.

III. FOREIGN EXCHANGE EARNING AND OUT-GO:

Information is contained in Note No.47A, 47B and 47C of the Annexure Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Development

The Indian economy in 2013-14 faced several challenges and the manufacturing sector remained sluggish during the entire year. As a result of the depressed industrial activity, the Indian Bearing market size shrunk marginally from Rs.7800 Crs to Rs.7500 Crs. About 50% of the demand is catered by the domestic bearing manufacturers and the balance is met through imports and the domestic unorganized sector. The Bearing Industry in India is divided mainly into two categories – the organized sector and the unorganized sector. While the organized sector primarily caters to the original equipment manufacturers and end users in automotive, railways and other industrial application sectors, the low-end replacement market is mostly catered by the unorganized sector.

In 2013-14, while the bearing manufacturing industry in the organized sector recorded a growth of 4.5% approximately in terms of sales value, NEI registered a growth of 9%. NEI's share in (locally manufactured bearings) the organized sector is estimated at around 26%.

NEI is a pioneer in the Indian bearing industry and its bearings are widely used by the manufacturers of automobiles, electric motors, trucks and tractors, railway wagons, coaches and locomotives as original equipment and in steel mills, heavy engineering plants and thermal plants all across the globe. During the year under review, Automotive Industry & Industrial Sector showed decline in demand. The rupee depreciation coupled with high interest rates and inflation put pressure on margins.

Collaborator	Year	Technology
NTN Corporation, Japan	1985	Ball Bearing, Tapered Roller bearings, Cylindrical & Spherical bearings, DRAC bearings, Hub bearings and Clutch Release bearings.
Amsted Rail Company Inc., USA	1982	Cartridge Tapered Roller bearings
Izumi Kinzoku Kogyo Co. Ltd., Japan	1996	Retrofitting, Overhauling of grinding and super finishing machines.
Consolidated Metco, Inc. (“ConMet”), USA	2012	Hub Assembly

Opportunities & Threats

During the year under review, there was a slow growth in bearing consuming industry. It is widely believed that though the current growth in Indian economy is sluggish, however, the mid to long term outlook on the Indian economy remains positive

Demand for your Company's products in the domestic and export markets is expected to improve over the next couple of years.

Increase in the prices of input material and services, depreciation of rupee and inflation induced rise in borrowing cost are some of the threats that the company is currently facing. Cheap low quality bearing imports continue to pose major challenges for the domestic bearing manufacturers.

Segment wise Performance

Details of the segment-wise reporting are given in the Notes to the Accounts. Bearing continues to be the major business segment for the Company, other segments consists of Consultancy Services & others.

Outlook for 2014-15

The Indian Economy is expected to regain growth momentum in FY 2014-15. Your company is confident of sustaining its growth in line with the industry demand and further improve its market share.

Risks and Concerns

- Inflationary trends in the Indian economy and volatility in the exchange rates are the major concerns towards competitiveness.
- Dumping of cheap bearings by Chinese and other unorganised bearing manufacturers continue to pose threat to the Indian Bearing Industry.

Internal Control System

The internal control systems of the Company are aimed at proper utilization and safeguarding of the Company's resources and also at promoting operational efficiencies. The Internal audit department conducts pre audits and management audit as per the plan formulated each year. The findings of the Internal Audit and consequent corrective actions initiated and implemented from time to time are reviewed by the senior management and placed before the Audit Committee of the Board of Directors. The Audit Committee of the board of directors reviews the findings and examines the adequacy of internal control systems. The Statutory Auditors of the Company interact with the Audit Committee to share their findings and the status of corrective actions taken.

Rubber Products

Demand for the rubber products remained sluggish during the period under review. Margins continued to be under pressure arising from increased input costs.

Human Resource Development / Industrial Relations

As a part of the Company policy towards growth and development of its employees, Company has a well defined road map on training and development activities for the employees to improve their skills and productivity and to integrate them with the objectives of the organization.

As on 31st March 2014, numbers of employees were 2576.

Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, availability and cost of raw materials, changes in Government regulations and tax structure, economic developments within India and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements contained herein which may undergo changes in future on the basis of subsequent developments, information or events.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy on Corporate Governance

It is the Company's philosophy that good Corporate Governance is necessary to achieve long-term goals and to enhance shareholder value. The Board and management of the Company are committed to such corporate governance practices that meet the expectations of all the stakeholders with emphasis on transparency, accountability and integrity. Apart from compliance with regulatory requirements, the company takes measures to ensure high standard of ethics. All the Directors and employees are bound by a Code of Conduct that sets forth the Company's policies.

2. Board of Directors

● Composition and Size of the Board

The Board of Directors consists of one Non-Executive Chairman, one non-executive Co-Chairman, three Non-Executive Independent Directors and one Non-Executive Director, who are having in-depth knowledge of the business and the industry. They are having varied experience in different areas with some of them being acknowledged as leading professionals in their respective fields.

The independent Directors bring independent judgment in the Board's deliberations and decisions. The size and composition of the Board conforms to the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges. None of the Directors on the Board is a member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49 of the Listing Agreement) across all the companies in which they are Directors.

● Number of Board Meetings held during the year along with the dates of the Meetings

During the financial year under review, five Board meetings were held and the gap between two Board Meetings did not exceed four months. The Board Meetings were held on the following dates:

7th May, 2013, 18th July, 2013, 21st October, 2013, 31st January, 2014 and 18th March, 2014. Resolution through circulation was passed on 4th July, 2013.

- Information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The Agenda and the papers for consideration at the Board Meetings are circulated at least three days prior to the meeting. Adequate information is circulated as a part of Board papers and is made available at the Board Meetings to enable the Board to take informed decisions.
- Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) and the number of Companies and Committees where he / she is Director / Member (as on 31st March, 2014):

Directors	DIN	Category of Directorship*	Board Meetings Attended	The last AGM attended Yes / No	No. of other Directorship held in other Companies	No. of Board Committees of which Member / Chairman in other Companies	
						Chairman	Member
Mr. C.K.Birla ** (Chairman)	00118473	NED	4	No	7	-	-
Mrs. Amita Birla (Co-Chairman)	00837718	NED	4	No	4	-	-
Mr. K.N.Memani	00020696	NED (I)	1	No	11	5	3
Mr. M.L. Pachisia	00065431	NED	5	Yes	10	-	2
Mr. J.P. Chhaochharia ++	00065287	NED	5	Yes	9	-	1
Mr. Haigreve Khaitan	00005290	NED (I)	1	No	14	-	7
Mr. Ashwin Bishnoi***	06862466	NED (I)	-	-	-	-	-

* NED- Non-Executive Director, (I)-Independent.

** Holds 8854 Equity Shares of the Company.

++ Resigned from the Board and Committees on 8th May, 2014.

*** Joined the Board as Additional Director with effect from 9th May, 2014.

Notes:

- Number of Directorship held in other companies exclude Directorship in private companies, foreign companies and Alternate Directorships.
 - An Independent Director is a Director who, apart from receiving Director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgment of the Board may affect their independence of judgment.
- Details of Directors seeking re-appointment at the ensuing Annual General Meeting fixed on 7th July, 2014 are given below :

Name of Director	Mr. C.K.Birla	Mrs. Amita Birla
DIN Number	00118473	00837718
Date of Appointment	23rd February, 1979	30th July, 2008
Expertise in specific functional areas	Industrialist having rich business experience	Expertise in management and operation of diverse nature of business.
List of other Directorship Held	Orient Paper & Industries Limited Orient Cement Limited Avtec Limited HIL Limited Birla Brothers Private Ltd. Birlasoft (India) Limited Neosym Industry Limited Birla Associates Pte. Ltd., Singapore Birlasoft Inc., USA Birlasoft (U.K) Limited, London ASS AG, Switzerland	Hindusthan Discounting Company Limited Gwalior Finance Corporation Limited Birlasoft (India) Limited Neosym Industry Limited Birlasoft Inc., USA Birlasoft (U.K) Limited, London

- Mr. J.P. Chhaochharia, Director of the Company, resigned on 8th May, 2014. He also ceased to be a Member of the Audit Committee, Nomination and Remuneration Committee, Borrowing Committee and Shareholders' / Investors' Grievance Committee.
- Mr. Ashwin Bishnoi is appointed as an Additional Director on the Board of the Company with effect from 9th May, 2014 to hold office upto the date of ensuing Annual General Meeting and is proposed for appointment as an Independent Director at the said meeting upto 8th May, 2019. He is also appointed as a Member of the Audit Committee, Nomination and Remuneration Committee, Borrowing Committee and Shareholders' / Investors' Grievance Committee. Brief details of Mr. Ashwin Bishnoi are given below :

Name of Director	Mr. Ashwin Bishnoi
DIN Number	06862466
Date of Appointment	9th May, 2014
Qualification	1. LLM, University of Pennsylvania Law School, Philadelphia (2007) 2. Wharton Cert. Degree on Business and Public Policy, University of Pennsylvania (2007). 3. B.A, LLB (Hons.), National Law School of India University, Bangalore (2005).
Professional Affiliation	1. Bar Council of Delhi. 2. New York Bar Association, U.S.
Expertise in specific functional areas	He focuses on corporate and commercial transactions such as mergers and acquisitions, joint ventures, offering of convertible and non-convertible debt and corporate reorganization.
List of other Directorship held	None.

3. Audit Committee

The Board of the Company has constituted a Qualified and Independent Audit Committee comprising of three Non-Executive Independent Directors with Mr. K.N. Memani, and Mr. Haigreve Khaitan and Mr. Ashwin Bishnoi who joined on 9th May, 2014 and one Non-Executive Director Mr. M.L.Pachisia. The Members of the Committee are well versed with finance and accounts / legal matters and general business practices. All Directors are financially literate and Mr. K.N. Memani has accounting and financial management expertise.

The Company Secretary acts as Secretary to the Committee.

The Statutory Auditor, Internal Auditor and Cost Auditor are invitees to the meeting.

The broad terms of reference includes the following as is mandated in Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956 :

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.

- c) Approval of payment to statutory auditors for any other services rendered by them.
- d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particularly reference to :
 - i) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause 2AA of Section 217 of the Companies Act, 1956,
 - ii) Changes, if any, in accounting policies and practices and reasons for the same,
 - iii) Major accounting entries involving estimates based on the exercise of judgment by management,
 - iv) Significant adjustments made in the financial statements arising out of the audit findings.
 - v) Compliance with listing and other legal requirements relating to financial statements.
 - vi) Disclosure of related party transactions, and
 - vii) Qualifications in the draft audit report.
- e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- f) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- h) Discussion with internal auditors any significant findings and follow up thereon.
- i) Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern.
- k) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

There were four meetings of the Audit Committee during the year held on 7th May, 2013, 18th July, 2013, 21st October, 2013 and 31st January, 2014. The attendance of each Member of the Committee is given below :

Name of the Director	No. of Meetings Attended
Mr. M.L.Pachisia	4
Mr. K.N.Memani	1
Mr. J.P.Chhaochharia	4
Mr. Haigreve Khaitan	1

The Chairman of the Audit Committee, Mr. M.L.Pachisia and Mr. J.P.Chhaochharia, Member, were present at the Annual General Meeting of the Company held on 9th July, 2013.

4. Remuneration

- a) The Board of Directors of the Company have constituted a Remuneration Committee on 21st April, 2008, which was reconstituted as Nomination and Remuneration Committee as required under the provisions of the Companies Act, 2013, comprises three Directors viz. Mr. M.L. Pachisia, non-executive Director, and Mr. Haigreve Khaitan, non-executive and independent Director and Mr. Ashwin Bishnoi, non-executive and independent Director.

The Committee approves Company's policy of remuneration package for President and CEO of the Company, including compensation payment and review of the structure, design and implementation of the remuneration policy of the Company to ensure fair and competitive compensation to management personnel, and approve increments with or without modification on recommendation made to the Committee.

The Company Secretary acts as Secretary to the Committee.

The Remuneration Committee had two meetings during the year on 18th April, 2013 and 29th October, 2013. All the Members of the Committee, except Mr. Haigreve Khaitan, attended the meetings.

- b) Remuneration of employees largely consists of fixed pay i.e basic pay, allowances and perquisites, which varies with grades and is related to qualification, experience and responsibilities handled by the employees.
- c) The Non-Executive Directors are paid remuneration by way of commission and sitting fees. The Shareholders approval given at the Annual General Meeting of the Company held on 7th July, 2009 and approval of Central Government enables the Company to pay commission to its Non-Executive Directors for the period from 1st April, 2010 to 31st March, 2015 at a rate not exceeding 3% per annum of the net profits of the Company computed in the manner referred to in Section 198 of the Companies Act, 1956.

The actual amount of commission payable to each Non-Executive Director is decided by the Board broadly on the basis of their respective contribution towards the operations and business plans of the company.

- d) Details of remuneration paid / payable to the Directors during the year 2013-2014 are as follows:

Name	Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Mr. C.K.Birla	20000000	80000	20080000
Mrs. Amita Birla	5000000	80000	5080000
Mr. K.N.Memani	750000	40000	790000
Mr. M.L.Pachisia	750000	280000	1030000
Mr. J.P.Chhaochharia	750000	280000	1030000
Mr. Haigreve Khaitan	750000	40000	790000

Notes:

All the Directors have been reimbursed expenses incurred by them in discharge of their duties. The payments made to a Director in his individual capacity or to his firm in which he is a Partner or to his relatives have been disclosed. However, none of these Directors has any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management, its subsidiaries and associates which may affect their independency.

The Company has not entered into any materially significant transaction with its Directors, or firms in which he is a partner, or their relatives, or its management, or subsidiary that may have potential conflict with the interests of the Company.

Transactions of the non-executive Directors or their relatives with the Company during the year 2013-14 are as follows :

- i) Professional fee paid to Messrs Khaitan & Co., and Messrs Khaitan & Co. LLP, both Solicitors and Advocates, where Mr. Haigreave Khaitan is a Senior Partner is Rs.4651250/- and reimbursement of expenses, including travelling expenses, is Rs.1556133/-.
- ii) Ms. Avanti Birla was paid Rs.1219784/-, a relative of Mr. C.K. Birla and Mrs. Amita Birla towards remuneration as an employee of the Company.
- iii) Besides dividend, if declared, on equity shares held, if any, by the Directors, no other payments have been made or transactions of a pecuniary nature entered into by the Company with the Directors.

5. Investors' / Shareholders' Grievance Committee

The Board of Directors of the Company has constituted Investors' / Shareholders' Grievance Committee, which comprises three Directors viz. Mr. M.L. Pachisia, non-executive Director, Mr. Haigreave Khaitan, non-executive and independent Director and Mr. Ashwin Bishnoi, non-executive and independent Director who joined with effect from 9th May, 2014.

The Investors' / Shareholders' Grievance Committee had two meetings during the year on 23rd September, 2013 and 18th March, 2014. All the Members of the Committee, except Mr. Haigreave Khaitan, attended both the meetings including Mr. J.P.Chhaochharia who resigned from the Committee with effect from 8th May, 2014.

The Committee looks into redressing the investors' grievances / complaints viz. non-receipt of transferred shares, non-receipt of dividend etc.

6. Borrowing Committee

The Board of Directors of the Company have constituted a Borrowing Committee on 28th July, 2009, which comprises of three Directors viz. Mr. M.L. Pachisia, non-executive Director, Mr. Haigreave Khaitan, non-executive and independent Director and Mr. Ashwin Bishnoi as non-executive and independent Director who joined with effect from 9th May, 2014. The broad terms of reference includes the following:

- i) The Committee shall meet as and when it becomes necessary to consider proposals for borrowing by the Company and the quorum shall be two members.
- ii) The Company Secretary or in his absence Joint Secretary of the Company shall act as Secretary to the Borrowing Committee.
- iii) The Borrowing Committee shall have powers in relation to borrowings and providing securities which shall include :
 - a) To examine and decide the terms of borrowings, including rate of interest, additional interest, liquidated damages, commitment charges, repayment terms etc.
 - b) To seek further information in relation to proposals placed before it.
 - c) To obtain outside legal or other professional advice.
 - d) To secure attendance of outsiders with relevant expertise, if it is considered necessary.

- e) To examine and decide terms relating to securities for the borrowings.
- f) To authorize entering in forward cover, derivatives and other hedging transactions including foreign exchange exposures and related areas including approving and authorizing related documentations including ISDA Master Agreement.
- iv) The Committee shall have the power to take decisions on borrowings within limits as permissible under the Companies Act but not exceeding Rs.150 crores outstanding at any one time. The Minutes of the Meeting of the Borrowing Committee shall be placed before the Board and after the Board has noted and adopted the same, the said limit of Rs.150 crores shall stand restored to the Committee.

The Borrowing Committee had one meeting during the year 2013-14 on 10th March, 2014.

7. General Body Meetings

Details of the last three Annual General Meetings held are given below :

<i>AGM for the financial year ended</i>	<i>Date and time of AGM</i>
2013	9th July, 2013 at 2.00 P.M
2012	9th July, 2012 at 2.00 P.M
2011	7th July, 2011 at 2.00 P.M

Extra Ordinary General Meeting was held on following date :

Date and time of EGM	Purpose
20 th February, 2014 (Postal Ballots)	<ol style="list-style-type: none"> 1. To authorize the Board of Directors to spend funds for discharge of its obligations towards its Corporate Social Responsibility including contribution and / or subscriptions to any institution, organization or fund / or to spend for Rural Development, Scientific Research, Charitable etc. upto Rs.750 lacs in any financial year notwithstanding that such amount in any financial year will exceed 5% of average net profits of the Company for three immediately preceding financial years. 2. Consent to the Board of Directors to borrow moneys for Company's business notwithstanding that moneys so borrowed together with moneys already borrowed (apart from temporary loans obtained from Company's bankers in ordinary course of business) may exceed the aggregate for the time being of Paid up Capital of Company and its Free Reserves, provided that total amount upto which moneys may be

	<p>borrowed by the Board of Directors shall not exceed Rs.750 crores over and above Paid up Capital and Free Reserves.</p> <p>3. Consent of the Company to the Board of Directors to mortgaging and / or charging of movable and immovable properties, both present and future, of the Company for securing loan obtained from or guarantees as may be given by any financial institutions or banks etc. together with interest at agreed rates, additional interest, LDs etc. and all other monies payable by Company and / or conferring power to enter upon and take possession of assets of Company in certain events.</p>
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All the above Annual General Meetings (AGM) were held at Birla Building, 9/1 R.N. Mukherjee Road, Kolkata-700 001 and Extra Ordinary General Meeting (EGM) was held by Postal Ballots

All the resolutions, including the Special Resolutions, as set out in the respective Notices were passed by the Shareholders. Postal Ballots were used for voting at the EGM held on 20th February, 2014 and the resolutions were approved by 100% votes. At the forthcoming Annual General Meeting, there is no item on the agenda that needs approval by Postal Ballot.

8. Disclosure

- There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with the related parties are disclosed in Note No. 38 of the Accounts in the Annual Report.

- There has been no instance of non-compliance by the Company on any matter related to Capital Markets. Hence, the question of penalty strictures being imposed by SEBI or Stock Exchanges or any other statutory authorities does not arise.

9. Code of Conduct

- The Company has posted the Code of Conduct for Directors and Senior Management on its website.
- The Company has received from the Senior Management Team of the Company and from the Members of the Board of Directors a declaration of compliance with the Code for the year ended 31st March, 2014. For this purpose, Senior Management Team means Members of Management one level below the Board of Directors as on 31st March, 2014.

10. Means of Communication

- The Quarterly and Half Yearly results are published in widely circulating dailies such as The Financial Express (in English) and Duranta Barta / Arthik Lipi (in Bengali).
- The Company has established its own website www.neibearing.com. The Company's results and official news releases are displayed on the said website. There were no presentations made to the institutional investors or analysts.
- The Management Discussion and Analysis Report forms part of this Annual Report.

11. General Shareholder Information

- AGM Date, Time and Venue 7th July, 2014 at 2.00 P.M at Birla Building, 9/1 R.N. Mukherjee Road, Kolkata 700001.

- Financial Calendar
 - Financial report for –
 - Quarter ending June 30, 2014 2nd week of August, 2014.
 - Half year ending September 30, 2014 2nd week of November, 2014.
 - Quarter ending December 31, 2014 2nd week of February, 2015.
 - Year ending March 31, 2015 2nd week of May, 2015.

- Date of Book Closure 3th July, 2014 to 7th July, 2014 (both days inclusive).

- Dividend Payment Date(s) On or after 7th July, 2014.

- Listing on Stock Exchanges Delhi Stock Exchange Limited. The Company has paid listing fee for the period 1st April, 2014 to 31st March, 2015.

The Shares of the Company were delisted from Madhya Pradesh Stock Exchange with effect from 24th March, 2007, which was communicated to the Company vide letter No.MPSEL/SEC/596/06/2007-08 dated 18th June, 2007.

The delisting application before Delhi Stock Exchange Limited is pending for consideration by the Stock Exchange.

- Stock Code - Physical Delhi Stock Exchange Limited : 14013
- Demat ISIN Number for NSDL & CDSL INE492E01013
- Corporate Identity Number L29130WB1946PLC013643
- High / Low market price of the Company's shares traded on Stock Exchanges There was no trading of the Shares of the Company for the period from 1st April, 2013 to 31st March, 2014 at Delhi Stock Exchange Limited, New Delhi. Therefore, high / low of market price of the share does not arise

- Address for Correspondence :
 - Registered Office National Engineering Industries Limited
9/1 R.N. Mukherjee Road
Kolkata 700 001
Phone : 2243-0383
Fax : 2210-1912
e-mail : neical@nbcbearings.in

- Registrar and Transfer Agents for Electronic Segment and Physical Segment

MCS Share Transfer Agent Limited
 12/1/5, Manoharpukur Road
 Kolkata – 700 026
 Phone : 033-40724051
 Fax : 033-40724050
 e-mail : mcssta@rediffmail.com

- Share Transfer System

Shares lodged for transfer in physical form are placed before the Secretary, duly authorised by the Board, and if approved the transfer and transmission of shares, including issue of duplicate share certificates and allied matters are completed. The Shareholders' / Investors' Grievance Committee monitors investors' grievances. The share transfers received are processed within 15 days from the date of receipt, subject to the transfer instrument being valid and complete in all respects.

- Distribution of Shareholding as on 31st March, 2014:

No. of Equity Shares held	No. of Shareholders	% of Shareholders to total	Number of Shares	% of Shareholding to total
1 - 100	4	50.00	40	Nil
101 - 2000	1	12.50	2000	0.25
2001- 10000	1	12.50	8854	1.11
10001 - 100000	Nil	Nil	Nil	Nil
100001 - 400000	2	25.00	789106	98.64
	8	100.00	800000	100.00

- Shareholding Pattern as on 31st March, 2014 :

Category	No. of shares	%
FII's, NRIs and OCBs	Nil	Nil
Mutual Funds	Nil	Nil
Domestic Companies	791146	98.89
Residential Individuals	8854	1.11
Total	800000	100.00

- Dematerialisation of Shares and Liquidity As on 31st March, 2014 all shares of the Company have been dematerialized.
- Outstanding GDRs / ADRs / Warrants or any convertible instruments conversion date and likely impact on equity Not issued.
- Plant Locations
 - a) National Engineering Industries Limited (Bearing Division)
Khatipura Road, Jaipur - 302 006
Phone : 0141-2223221-229
Fax : 0141-2222856
E-mail : rksaboo@nbcbearings.in
 - b) National Engineering Industries Limited Gumsi (Newai), Rajasthan
Phone : 01438-227752/227753
 - c) National Engineering Industries Limited Plot No.163, Sector 3, Industrial Estate Ch.Devilal IMT, Manesar, District Gurgaon, Haryana
Phone : 0124-2291635/2291636
Fax : 0124-2291424
E-mail : neimnsr@nbcbearings.in
 - d) National Engineering Industries Limited (Rubber Division)
2, Beerpara Lane, Kolkata 700 030
Phone : 033-25568516/17/18
Fax : 033-25568519
E-mail : ner@cal2.vsnl.net.in

- **Information pursuant to Clause 32 of the Listing Agreement***
Loans and Advances to Subsidiaries :

Name of the Party	Balance as at 31.3.2014	(Rs. in Lacs)
		Maximum outstanding during the year
Birla Soft (India) Limited		
- Loans	Nil	300.00
Loans and Advances to Associates		
Birla GTM-Entrepose Limited	4.13	4.13

* Other details under Clause 32 of the Listing Agreement are available in the annual accounts annexed

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE FOR THE YEAR ENDED ON MARCH 31, 2014

TO
THE MEMBERS OF
NATIONAL ENGINEERING INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by National Engineering Industries Limited for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation there of, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for period exceeding one month against the Company as per the record maintained by the Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For B. K. Agarwal & Associates
29 B, Rabindra Sarani, 3rd Floor
Kolkata - 700073

CS Suchi Agrawal
C. P. No. 12062

Place : Kolkata
Dated : 9th May, 2014

SOCIAL REPORT

Beyond Business

The Government of Rajasthan had allotted to the Company, land measuring 213 Bigha 14 Biswa (approx.) in Gopalpura, Jaipur for establishment of Hospital, Medical College, School and related infrastructure. Lease deed for the said land was signed on 31st March 2003. The Government had approved that organizations associated with the Company could participate in execution of the above projects.

As a part of Corporate Social Responsibility of the Company, the said projects are being implemented in phases in participation with organizations having expertise and experience in the respective fields. A Higher Secondary School in the name of Rukmani Birla Modern High School had been established and is operational since the academic year 2003. Presently about 2500 students in classes from Nursery to XII are studying in the said School. An auditorium has been added to upgrade the facilities in the School. The said project is being executed in participation with a Trust known as Rukmani Birla Educational Institute, an associate organization of the Company.

Construction work for the hospital project continues. Birla Centre for Medical Research, a Society, and The Calcutta Medical Research Institute, a Trust and Rukmani Birla Hospital and Research Institute, a Society, being associate organizations of the Company, are participating with the Company, in implementing the project. The hospital is expected to become operational in the current financial year 2014-15.

The Government of India has approved the proposal for establishing an Indian Institute of Information Technology (IIIT) at Kota in Rajasthan which is intended to become an Educational Hub of excellence in the area of Information Technology and allied Sciences. The Company is participating with Central Government and Rajasthan State Government along with other non-government groups for establishing the said Institute on Public Private Partnership (PPP) basis. IIIT has acquired land at Kota in Rajasthan for setting up the Campus which is likely to be completed by 2016-17.

More Public Welfare projects are under consideration by the Company.

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1	a)	Name of Subsidiary Companies	National Bearing Co. (Jaipur) Limited	Birlasoft Technologies Limited and its subsidiaries
	b)	Holding Company's interest	Holder of 100% of Subscribed Capital	Holder of 88.79 % of Subscribed Capital
	c)	Net aggregate of subsidiary's Profit or (Loss) which concerns the members of National Engineering Industries Ltd. (the Holding Company) not dealt with in that Company's Account		
	(i)	For the subsidiary's Financial period ended 31.3.2014	Rs.(1927.29) lacs	Rs.11080.83 lacs
	(ii)	For the previous Financial Years since the date of becoming subsidiary	Rs.3919.01 lacs	Rs. 3436.09 lacs

2	The following Company is subsidiary of another Company and is considered subsidiary of the ultimate holding Company, National Engineering Industries Limited.			
	a)	Name of subsidiary	NEI Properties Limited	
	b)	Immediate Holding Company	National Bearing Co. (Jaipur) Ltd.	
	c)	Immediate Holding Company's interest	100%	
	d)	Ultimate Holding Company's Interest	100%	
	e)	Net aggregate of subsidiary's profit or (loss) which concerns the members of National Engineering Industries Ltd. to the extent not dealt with in that Company's Account		
	(i)	For the subsidiary's Financial Year ended 31.3.2014	(Rs. 2.03 lacs)	
	(ii)	For the previous Financial Years since the date of becoming subsidiary (excludes capitalised profits of Rs.4.50 lacs)	(Rs. 8.84 lacs)	

Notes

- Figures of Birlasoft Technologies Limited is taken at consolidated level which includes figures of all of its subsidiaries, namely, Birlasoft Inc., Birlasoft Enterprises Ltd., Birlasoft (India) Ltd., Birlasoft Sdn. Bhd., Birlasoft (Beijing) Technologies Co., Ltd., Birlasoft (Wuxi) Information Technologies Co. Ltd., Birlasoft (UK) Ltd., Birlasoft GmbH and Enable Path LLC. Hence the figures of other subsidiaries are not stated separately.
- National Engineering Industries Limited holds 88.79% of Equity Capital of Birlasoft Technologies Limited. Birlasoft Technologies Limited holds 98.76% of Birlasoft Inc., USA and balance 1.24% of its total paid up share capital has been issued to individuals under ESOP. The beneficial ownership of common stock held by Birlasoft Technologies Limited in Birlasoft Inc., has been taken at 87.69%.
- Birlasoft Technologies Limited holds whole of the share capital of Birlasoft Enterprises Limited. Beneficial interest of National Engineering Industries Limited in Birlasoft Enterprises Ltd. is 88.79%.
- Birlasoft Inc., holds 100% ownership of Birlasoft (UK) Ltd. Birlasoft (U.K) Ltd holds 100% ownership of Birlasoft GmbH. Birlasoft Enterprises Ltd., holds 100% ownership of Birlasoft (India) Ltd. Birlasoft (India) Ltd. Holds 100% ownership of Birlasoft Sdn. Bhd., Birlasoft (Beijing) Technologies Co., Ltd., Birlasoft (Wuxi) Information Technologies Co. Ltd., China and Enable Path LLC, USA.

For and on behalf of the Board of Directors
C.K. Birla
(Chairman)

Date : 9th May, 2014

K.P. CHAUDHARY
(Secretary)

M.L. Pachisia
(Director)

INDEPENDENT AUDITOR'S REPORT

To the members of National Engineering Industries Limited

Report on the financial statements

We have audited the accompanying financial statements of National Engineering Industries Limited ('the Company'), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the balance sheet, of the state of affairs of the company as at 31 March 2014
- (b) In the case of the statement of profit and loss, of the profit for the year ended on that date, and
- (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.
 - (e) On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R.BATLIBOI & CO. LLP

ICAI Firm registration number: 301003E

Chartered Accountants

per **Rajiv Goyal**

Partner

Membership No.: 94549

Place: Gurgaon

Date: 9th May, 2014

Annexure referred to in paragraph 3 of our report of even date

Re: National Engineering Industries Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of a part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of the material lying with third parties, the management has a process of confirmations and reconciliation with the third parties during the year.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification
- (iii) (a) The Company has granted loan to a subsidiary company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 30,000,000 and the year end balance of the loans granted was nil.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (d) There is no overdue amount more than rupees one lakh of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that most of the fixed assets purchased are of unique and specialized nature and alternate sources do not exist for obtaining comparative quotations thereof, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of bearings, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix)
 - (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities.
 - (b) According to the information and explanations given to us, no undisputed dues payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
 - (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. In lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Demand received for short duty paid on goods re-imported, Duty on scrap generated and retained at Job worker's end, Duty on MRP - clearance made in replacement market	1165.57	2002 - 03 to 2007-08	Custom, Excise and Service Tax Appellate Tribunal & Commissioner of Custom, Excise and Service Tax
Central Excise Act, 1944	Duty on shortage/ excess found in physical inventory	533.45	2006-07 to 2007-08	Custom, Excise and Service Tax Appellate Tribunal & Commissioner of Custom, Excise and Service Tax
Central Excise Act, 1944	Short duty paid on Machinery cleared as scrap	22.88	2005 - 2006 to 2006-07	Custom, Excise and Service Tax Appellate Tribunal & Commissioner of Custom, Excise and Service Tax
Central Excise Act, 1944	Duty on Sale tax incentive	111.54	1998 - 99 to 2000-01	Supreme Court
Central Excise Act, 1944	Goods cleared under Notification 64/95	0.19	2004-05	Custom, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax on Technical Know-how, Goods Transport Agency and Commission received in foreign currency	193.58	1997 - 98 to 2006 - 07	High Court, Jaipur Rajasthan & Custom, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax Credit on services provided at location other than registered premises, Service tax credit on services received for whole group, Service Tax on Outward Freight	797.67	2006 - 07 to 2011-12	High Court, Jaipur Rajasthan, Custom, Excise and Service Tax Appellate Tribunal & Commissioner of Custom, Excise and Service Tax
Income Tax act, 1961	Demand for interest on loan to subsidiary company	17.72	1990 - 91 and 1996-98	High Court, Calcutta, West Bengal*
Income Tax act, 1961	Disallowance on account of expenditure on presents	2.38	1990 - 91	High Court, Calcutta, West Bengal*
Income Tax act, 1961	Disallowance on account of Service Charges treated as instead of Business Income Income from House property	104.81	2005 - 06 and 2007-08	High Court, Calcutta, West Bengal*
Income Tax act, 1961	Demand on account of treatment of business loss	10.67	1997- 98	High Court, Calcutta, West Bengal*
Income Tax act, 1961	Disallowance on account of expenditure on royalty, premium on redemption of debentures and guest house expenses	89.78	1992-93	High Court, Calcutta, West Bengal*
Rajasthan Sales Tax Act, 1954	Sales Tax on Scrap left with Job worker	44.18	2000-01 to 2001-02	High Court, Jaipur; Rajasthan
Rajasthan VAT Tax Act, 2003	Demand for wrong Input Tax Credit on HSD under Sales Tax Act.	60.81	2006-07	High Court, Jaipur; Rajasthan
Rajasthan Sales Tax Act, 1954	Entry Tax on goods purchased from Dealers	268.87	2008 - 09 to 2013- 14	High Court, Jaipur, Rajasthan

* Appeals were decided in favor of the Company by Income Tax Appellate Tribunal, now department has filed an appeal before the High Court.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks and financial institutions. The Company has no outstanding dues in respect of the debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) The Company has given guarantees of Rs.234.75 Lacs in respect of other matters of Birla GTM-Enterpose Limited, for which it has not charged any commission, owing to reasons as mentioned in Note No. 32 of the accompanying financial statements. As these guarantees are given with an intention to protect the interest of the Company, in our opinion, the terms and conditions of these guarantees are not prejudicial to the interest of the Company. Other than this, the Company has also given guarantees in respect of loans availed from banks and assets obtained on finance lease by the subsidiaries, the terms and conditions whereof, in our opinion, are also not prejudicial to the interest of the Company.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per **Rajiv Goyal**
Partner
Membership No.:94549

Place: Gurgaon
Date: 9th May, 2014

Balance sheet as at 31 March, 2014

	Notes	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Equity and liabilities			
Shareholder's funds			
Share capital	3	80.00	80.00
Reserves and surplus	4	70837.71	62737.30
		70917.71	62817.30
Non-current liabilities			
Long-term borrowings	5	6374.61	8142.00
Deferred tax liabilities (net)	6	5169.11	4530.12
Deferred payment liabilities		6.11	26.33
		11549.83	12698.45
Current liabilities			
Short-term borrowings	8	45660.14	40041.98
Trade payables	9	13190.61	14398.86
Other current liabilities	9	14256.36	8371.25
Deferred payment liabilities		17.37	22.14
Short-term provisions	7	1450.22	1240.38
		74574.70	64074.61
Total		157042.24	139590.36
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	82617.18	69145.04
Intangible assets	11a	467.74	445.97
Capital work-in-progress (refer note 11b)		6995.02	3280.68
Non-current investments	12	9676.21	9110.00
Long-term loans and advances	13	2014.78	2936.74
Other non-current assets	15	30.90	63.20
		101801.83	84981.63
Current assets			
Inventories	16	28068.62	30261.37
Trade receivables	14	23919.85	21484.75
Cash and bank balances	17	103.23	67.96
Short-term loans and advances	13	2573.65	2394.95
Other current assets	15	575.06	399.70
		55240.41	54608.73
Total		157042.24	139590.36

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R.BATLIBOI & CO. LLP
 ICAI Firm registration number: 301003E
 Chartered Accountants
 per Rajiv Goyal
 Partner
 Membership No. : 94549
 Place: Gurgaon
 Date: 9th May, 2014

K.P. Chaudhary
 (Company Secretary)

For and on behalf of the board of directors of
 National Engineering Industries Limited

C.K. Birla
 (Chairman)

M.L. Pachisia
 (Director)

Rohit Saboo
 (President & CEO)

R.K. Saboo
 (Chief Financial Officer)

Statement of profit and loss for the year ended 31 March, 2014

	Notes	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Income			
Revenue from operations (gross)	18	149729.44	135505.43
Less: excise duty		15849.18	15533.69
Revenue from operations (net)		133880.26	119971.74
Other income	19	1345.85	4055.79
Total revenue (I)		135226.11	124027.53
Expenses			
Cost of raw material and components consumed	21 (a)	65914.14	62188.44
Purchase of traded goods	21 (b)	939.14	634.05
Employee benefits expense	22	13814.03	11875.98
Consumption of stores & spares		8174.27	7579.27
Power & fuel		4246.15	4291.70
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	23	1247.10	(2125.62)
Other expenses	24	15872.85	15013.50
Total (II)		110207.68	99457.32
Earning before interest, tax, depreciation and amortisation (EBIDTA) (I)-(II)			
		25018.43	24570.21
Depreciation and amortisation expense	25	9072.16	7720.17
Interest income	20	(90.84)	(308.79)
Finance cost	26	4052.26	3025.83
Profit before tax		11984.85	14133.00
Tax expenses for the year			
Current tax (MAT payable)		2582.00	2678.00
Less: MAT credit entitlement		98.63	309.60
Net current tax expense		2483.37	2368.40
Income tax for earlier years		(13.53)	13.53
Mat credit reversal of earlier years		26.84	-
Deferred tax charge		638.99	1471.61
Total tax expense		3135.67	3853.54
Profit for the year		8849.18	10279.46
Earnings per share	27	1106.15	1284.93
Basic and diluted (Rs.) [nominal value of share Rs.10 (previous year: Rs.10)]			
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date
For S.R.BATLIBOI & CO. LLP
 ICAI Firm registration number: 301003E
 Chartered Accountants

per Rajiv Goyal
 Partner
 Membership No. : 94549
 Place: Gurgaon
 Date: 9th May, 2014

K.P. Chaudhary
 (Company Secretary)

For and on behalf of the board of directors of
 National Engineering Industries Limited

C.K. Birla
 (Chairman) M.L. Pachisia
 (Director)
 Rohit Saboo R.K. Saboo
 (President & CEO) (Chief Financial Officer)

Cash flow statement for the year ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rs. in Lacs)	(Rs. in Lacs)
A. Cash flow from operating activities		
Profit before tax	11984.85	14133.00
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization expense	9072.16	7720.17
Loss/ (profit) on sale of fixed assets	90.35	(221.62)
Provision for diminution in value of long term investment	174.31	-
Net (gain)/loss on sale of current investments	(2.55)	(25.39)
Reversal of Provision for Doubtful debts	-	(1183.79)
Unrealised foreign exchange (gain)/ loss (net)	(13.60)	(444.49)
Bad debts/advances written off	66.10	992.32
Unspent liabilities and provisions written back	(10.77)	(87.76)
Amortization of ancillary borrowing costs	57.48	60.01
Finance cost (excluding ancillary borrowing cost and exchange difference)	2820.48	2398.33
Interest income	(90.84)	(308.79)
Dividend income	(91.00)	(83.85)
Operating profit before working capital changes	24056.97	22948.14
Movements in working capital		
(Increase)/decrease in trade receivables	(2555.23)	(122.11)
(Increase)/decrease in inventories	2192.75	(6093.15)
(Increase)/decrease in loans and advances	(707.87)	114.40
(Decrease) in deferred payment liabilities	(24.99)	(42.43)
Increase/(decrease) in trade payables	4764.16	1169.68
Increase/(decrease) in provisions	128.14	181.73
Cash generated from / (used in) operations	27853.93	18156.26
Direct taxes paid (net of refunds)	(2590.11)	(2787.25)
Net cash from / (used in) operating activities	25263.82	15369.01
B. Cash flow from investing activities		
Purchase of fixed assets, including CWIP and capital advances	(24131.81)	(17427.79)
Proceeds from sale of fixed assets	12.66	251.28
Purchase of non-current investments	(740.52)	(11.51)
Loans received back during the year	300.47	202.25
Loans (given) during the year	(4.13)	(1.25)
Redemption/ maturity of bank deposits (having original maturity of more than three months)	-	63.00
Interest received	89.88	298.71
Purchase of current investments	(1300.00)	(5930.00)
Proceeds from sale/maturity of current investments	1302.55	5955.39
Dividend received	91.00	83.85
Net cash flow from/ (used in) investing activities	(24379.90)	(16516.07)

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
C. Cash flow from financing activities		
Proceeds from long-term borrowings	1835.65	2599.97
Repayment of long-term borrowings	(4241.48)	(3375.25)
Proceeds from short-term borrowings (net)	5175.53	4917.17
Dividend paid on equity shares	(640.00)	(640.00)
Tax on equity dividend paid	(108.77)	(103.83)
Interest paid	(2869.58)	(2471.30)
Net cash flow from/ (used in) in financing activities	(848.65)	926.76
Net increase/ (decrease) in cash and cash equivalents	35.27	(220.30)
Add: effect of exchange difference on cash and cash equivalent held in foreign currency	-	(0.01)
Cash and cash equivalents at the beginning of the year	67.96	288.27
Cash and cash equivalents at the end of the year	103.23	67.96
Components of cash and cash equivalents as at	March 31, 2014	March 31, 2013
	(Rs. in Lacs)	(Rs. in Lacs)
Cash on hand	9.97	9.23
Balances with scheduled banks :		
On current accounts	82.59	44.81
On cash credit accounts	10.67	13.72
On ECB Deposit	-	0.20
Total cash and cash equivalents (refer note 17)	103.23	67.96

Note:

- 1 Previous year's figures have been regrouped wherever necessary to confirm to current year classification.

As per our report of even date
For S.R.BATLIBOI & CO. LLP
 ICAI Firm registration number: 301003E
 Chartered Accountants
 per Rajiv Goyal
 Partner
 Membership No. : 94549
 Place: Gurgaon
 Date: 9th May, 2014

For and on behalf of the board of directors of
 National Engineering Industries Limited

C.K. Birla (Chairman)	M.L. Pachisia (Director)
Rohit Saboo (President & CEO)	R.K. Saboo (Chief Financial Officer)

Notes to financial statements for the year ended 31 March, 2014

1. Corporate information

National Engineering Industries Limited (hereinafter referred to as 'the Company') is incorporated under the provisions of the Companies Act, 1956 and is primarily a manufacturer of bearings, which are used by manufacturers of automobiles, electric motors, trucks and tractors, railway wagons, coaches and locomotives as original equipments and steel mills, heavy engineering plants and thermal plants. The Company also manufactures metal to rubber profile used in automobiles. The Company also renders agency services in relation to marketing of different products on behalf of principals on commission basis. Besides, the Company renders Technical and Consultancy services.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with delivery/dispatch (in respect of exports on the date of bill of lading or airway bill) of goods as per underlying terms. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore these are not economic benefits flowing to the Company. Hence, these are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

ii) Income from services

Revenue in respect of Sale of Services i.e. Agency Commission, Technical, Consultancy and other services is recognised on an accrual basis in accordance with the terms of the relevant agreements/ arrangements.

iii) Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

iv) Dividends

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

v) Export Entitlements in the form of Duty Drawback, Duty Entitlement Pass Book (DEPB) and other schemes are recognized in the Statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

c) Fixed assets

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure for addition, improvement and renewal are capitalised to the extent such expenditure increases originally assessed standard of performance and expenditure for maintenance and repairs are charged to statement of profit and loss. Borrowing cost relating to acquisition of fixed assets, which take substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use. When assets are sold or discarded, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the statement of profit and loss.

The company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period.

d) Depreciation

Depreciation is provided using the Straight Line Method rates as per the useful lives of the fixed assets (other than leasehold land and insurance spares) as estimated by the management, which are equal to the corresponding rates prescribed under Schedule XIV to the Companies Act, 1956. Depreciation on leasehold land (other than land on perpetual lease) is provided over the lease period. Depreciation on Insurance spares is provided on a systematic basis over the useful lives of the parent assets. Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

e) Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required,

the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

f) Intangibles (software)

Software is amortized using straight line method and charged over a period of 3 years based on its estimated useful life.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

On initial recognition, all investments are measured at cost. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of share or other securities, the

acquisition cost is the fair value of the securities issued, if an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, which is more clearly evident.

On disposal of an investment, the difference between the carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

h) Inventories

Inventories are valued as follows:

- i) Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a moving average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of traded goods includes cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Cost is determined on moving weighted average basis. Cost of finished goods includes excise duty.

- ii) Scrap - at net realisable value

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and to make the sale.

i) Expenditure on new projects

Expenditure directly relating to construction activity are capitalized. Expenditure which is not directly attributable to the construction activity incurred during the construction period are capitalized as part of the indirect construction cost. Other indirect expenditure incurred during the construction period which are not related to the construction activity nor are incidental thereto, are charged to the statement of profit and loss. Income earned during construction period, if any, is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

j) Foreign currency transactions

- (i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

iii) Exchange differences

Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. The company treats a foreign monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated 09 August 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

All other exchange differences are recognized as income or as expenses in the period in which they arise.

(iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability

Forward exchange contracts are not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year. Any gain/ loss arising on forward contracts which are long-term foreign currency monetary items is recognized in accordance with paragraph (iii)

k) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

l) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

Where the Company is the lessor

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the statement of profit and loss. Initial direct costs, such as legal costs, brokerage costs, etc. are recognised immediately in the statement of profit and loss.

m) Retirement and other employees' benefits

- (i) Retirement benefit in the form of provident fund is a defined benefit obligation in case of certain employees of the Company and is provided for on the basis of actuarial valuation at the end of each financial year. The difference between the actuarial valuation of the provident fund of employees at the year-end and the balance of own managed fund is provided for as liability in the books. Any excess of plan asset over projected benefit obligation is ignored as such surplus is distributed to the beneficiaries of the trust. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the central government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the company.

In respect of other employees of the Company, provident fund is defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

- (ii) Superannuation is a defined contribution scheme. Liability in respect of Superannuation fund to the concerned employees is accounted for as per the Company's Scheme and contributed to Life Insurance Corporation of India (LIC) every year. The Company does not have any obligation other than the contributions made to the LIC.
- (iii) Gratuity liability under the Payment of Gratuity Act is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity plan has been funded by policy taken from Life Insurance Corporation of India. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss
- (iv) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The company treat accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purpose. Such long term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss, and are not deferred. The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

- (v) Future monthly installments payable under Early Retirement Scheme in respect of the employees, who opted for the said scheme, are provided for based on discounting carried out by an actuary at the year-end and are disclosed as 'deferred payment liabilities' in the financial statements. Actuarial gains and losses are immediately taken to statement of profit and loss and are not deferred.
- (vi) Expense incurred towards Voluntary Retirement Scheme are charged to statement of profit and loss as and when incurred.
- (vii) Actuarial gain/losses are immediately taken to statement of profit and loss and are not deferred.

n) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

o) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

p) Cash flow statement

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

Cash and cash equivalents in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

q) Segment reporting policies

Identification of segments: The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. The analysis of geographical segments is based on geographical location of the customers i.e. domestic and overseas.

Inter-segment transfers: The company generally accounts for intersegment sales and transfers at cost plus appropriate margins.

Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies: The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

r) Warranty

A provision is recognized for expected warranty claims on products sold during the last three years, based on past experience of the level of repairs and returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within three years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the three-years warranty period for all products sold.

s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

t) Research and development

Revenue expenditure on research and development is charged to revenue in the year in which it is incurred. Capital expenditure on research and development is added to fixed assets and are depreciated in accordance with policies of the company.

u) Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

v) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation and amortization expense, finance costs, interest income and tax expense.

Notes to financial statements for the year ended March 31, 2014

3. Share capital

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Authorised shares		
10,00,000 (previous year: 10,00,000) equity shares of Rs. 10 each	100.00	100.00
1,00,000 (previous year: 1,00,000) preference shares of Rs. 100 each	100.00	100.00
	<u>200.00</u>	<u>200.00</u>
Issued, subscribed and fully paid-up shares		
8,00,000 (previous year: 8,00,000) equity shares of Rs. 10 each fully paid up	80.00	80.00
Total issued, subscribed and fully paid-up share capital	<u>80.00</u>	<u>80.00</u>

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

Equity shares	March 31, 2014		March 31, 2013	
	<u>Numbers</u>	<u>(Rs. in Lacs)</u>	<u>Numbers</u>	<u>(Rs. in Lacs)</u>
At the beginning of the year	800000	80.00	800000	80.00
Outstanding at the end of the year	<u>800000</u>	<u>80.00</u>	<u>800000</u>	<u>80.00</u>

(b) Terms/ rights attached to equity shares

The company has issued one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except for interim dividend.

During the year ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders was Rs 80.00 (previous year: Rs 80.00).

In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholder.

(c) Details of shareholders holding more than 5% shares in the company

	March 31, 2014		March 31, 2013	
	<u>Numbers</u>	<u>% holding in the class</u>	<u>Numbers</u>	<u>% holding in the class</u>
Equity shares of Rs.10 each fully Paid				
Amer Investments (Delhi) Limited	393146	49.14%	393146	49.14%
Bengal Rubber Co. Limited	395960	49.50%	395960	49.50%

4. Reserves and surplus

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Capital redemption reserve	40.00	40.00
Other reserve		
Special reserve	20.23	20.23
(Transfer from Birla Finance Limited on amalgamation)		
General reserve		
Balance as per last financial statements	57060.71	47560.71
Add: amount transferred from surplus balance in the statement of profit and loss	8000.00	9500.00
Closing balance	<u>65060.71</u>	<u>57060.71</u>
Surplus in the statement of profit and loss		
Balance as per last financial statements	5616.36	5583.20
Profit for the year	8849.18	10279.46
Amount available for appropriation	<u>14465.54</u>	<u>15862.66</u>
Less: appropriations		
Proposed final equity dividend (amount per share Rs.40 (previous year: Rs. 40))	320.00	320.00
Interim dividend on equity shares (amount per share Rs. 40 (previous year: Rs. 40))	320.00	320.00
Dividend distribution tax	108.77	106.30
Transfer to general reserve	8000.00	9500.00
Total appropriations	<u>8748.77</u>	<u>10246.30</u>
Net surplus in the statement of profit and loss	<u>5716.77</u>	<u>5616.36</u>
Total reserves and surplus	<u>70837.71</u>	<u>62737.30</u>

5. Long-term borrowings

	Non Current Portion		Current Maturities	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Term loans				
External commercial borrowings* (secured)	5239.50	8142.00	3742.50	3799.60
Other loans and advances				
Buyers credit from banks** (unsecured)	1135.11	-	606.37	-
	<u>6374.61</u>	<u>8142.00</u>	<u>4348.87</u>	<u>3799.60</u>
The above amount includes				
Secured borrowings#	5239.50	8142.00	3742.50	3799.60
Unsecured borrowings	1135.11	-	606.37	-
Amount disclosed under the head Other current liabilities (note 9)	-	-	(4348.87)	(3799.60)
Net amount	<u>6374.61</u>	<u>8142.00</u>	<u>-</u>	<u>-</u>

* Refer note 30 (a)

** Buyers credit (unsecured) from bank carries interest @ 0.90% p.a. to 1.25% p.a (previous year: nil) and repayable within a period of 389 days to 1058 days (previous year: nil).

Terms and condition attached to above term loan

Bank	Amount borrowed in foreign currency	Date of disbursement	Disbursement in foreign currency and applicable interest rate	Balance outstanding (Rs in Lacs)	Terms of repayment interest	Principal
DBS Bank Ltd.	USD 10.00 Million	28-Jul-10	USD 5.00 Million @ 3.59% p.a.	Nil (Previous Year : Rs. 3799.60 Lacs)	Every month	2.5 years moratorium period after that 3 half yearly installments.
		15-Sep-10	USD 5.00 Million @ 3.50% p.a.			
DBS Bank Ltd.	USD 15.00 Million	15-Feb-12	USD 5.00 Million @ 3.75% p.a.	Rs 8982.00 Lacs (Previous year : Rs 8142.00 Lacs)	Every month	2.5 year moratorium period after that 4 half yearly equal installments.
		8-Mar-12	USD 5.00 Million @ 3.75% p.a.			
		20-Apr-12	USD 5.00 Million @ 3.75% p.a.			

6. Deferred tax assets / (liabilities)

(Rs. in Lacs)

Timing difference on account of	Deferred tax assets/ (liability) as at 01.04.2013	Current year (charge) / credit	Deferred tax assets/ (liability) as at 31.03.2014
Deferred tax liabilities			
Timing difference in depreciable assets	(5140.79)	(633.38)	(5774.17)
Sub total (A)	(5140.79)	(633.38)	(5774.17)
Deferred tax assets			
Expenditure allowable against taxable income in future years	610.67	(5.61)	605.06
Sub total (B)	610.67	(5.61)	605.06
Total (A + B)	(4530.12)	(638.99)	(5169.11)

7. Provisions

	Short term	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Provision for employee benefits		
Provision for gratuity (note 41)	20.24	0.58
Provision for leave benefits	886.84	779.85
(A)	907.08	780.43
Other provisions		
Proposed equity dividend	320.00	320.00
Provision for tax on proposed equity dividend	54.38	54.38
Provision for income tax (net)	81.70	-
Provision for warranty claim*	87.06	85.57
(B)	543.14	459.95
Total (A+B)	1450.22	1240.38

*The table below gives information about movement in warranty provisions

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
At the beginning of the year	85.57	65.71
Arising during the year	81.66	82.18
Utilized during the year	(80.17)	(62.32)
At the end of the year	87.06	85.57
Current portion	87.06	85.57
Non-current portion	-	-

8. Short-term borrowings

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Cash credit/ WCDL/ short term loans from banks (secured)*	16383.24	2457.59
Buyers credit from banks (secured)**	8997.28	22159.54
Buyers credit from banks (unsecured)***	9005.02	6674.85
Commercial papers (unsecured)#		
- from banks	-	6000.00
- from other	1000.00	2000.00
Cash credit/ short term loan from bank (unsecured)##	10274.60	750.00
	45660.14	40041.98
The above amount includes		
Secured borrowings	25380.52	24617.13
Unsecured borrowings	20279.62	15424.85

(* Refer note 30 (b), (e), (f))

(** Refer note 30 (c), (d), (g))

(*** Refer note 30 (h))

(# Refer note 30 (i))

(## Refer note 30 (j))

9. Other current liabilities	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Trade payables (including acceptances)	13190.61	14398.86
	<u>13190.61</u>	<u>14398.86</u>
Other liabilities		
Payable for capital goods (including acceptances)	7370.55	2146.23
Current maturities of long-term borrowings (note 5)	4348.87	3799.60
Interest accrued but not due on borrowings		
-on loans	135.55	127.17
Advances from customers	166.87	78.36
Security & other trade deposits	1446.91	1397.55
Statutory payables	787.61	822.34
	<u>14256.36</u>	<u>8371.25</u>
	<u>27446.97</u>	<u>22770.11</u>

10. Tangible assets

	Free hold land*	Lease hold land**	Building[#]	Plant & equipment
Gross Block				
As April 1, 2013	238.82	4178.33	9067.45	101886.18
Additions	-	4031.73	1679.51	15019.67
Disposals	-	-	-	(1112.75)
Other adjustments				
- Exchange Differences	-	-	-	1268.03
As March 31, 2014	238.82	8210.06	10746.96	117061.13
Depreciation				
As April 1, 2013	-	10.06	1210.10	46310.77
Charge for the year	-	1.50	213.32	8521.97
Disposals	-	-	-	(994.71)
As March 31, 2014	-	11.56	1423.42	53838.03
Net block				
As March 31, 2014	238.82	8198.50	9323.54	63223.10
Previous year	238.82	4168.27	7857.35	55575.41

* a. Title deeds in respect of land purchased in an earlier year from Government of Rajasthan on which the Company's steel foundry is constructed, are pending for execution.

* b. Some portions of land at Jaipur stand acquired by the Rajasthan State Government under The Rajasthan Imposition of Ceiling on Agricultural Holdings Act, 1973. The Company has preferred appeals there against, which are pending.

** c. The Company, along with others, had developed a plot of land and constructed a building thereon at 25, Barakhamba Road, New Delhi, where the Company's share is 50%. The registration of the said plot of land of the value of Rs. 1443.28 Lacs in the name of the Company is still pending. The said plot of land is currently under perpetual lease. The Company's share in the related assets of Rs. 3490.69 Lacs (previous year: Rs. 3450.28 Lacs) are shown in respective assets class. The said building and equipments include prorata interest in the common places-like staircases, lift, carparking, air-conditioning plant, diesel generating sets, etc.

[#] d. Buildings include a portion of the buildings given on operating lease, the gross block and accumulated depreciation whereof cannot be separately determined.

(Rs. in Lacs)

Office equipment	Furniture & fixture	Vehicles	Live stock	Total	As at March 31, 2013
743.66	1178.57	182.56	1.29	117476.86	101288.52
95.82	299.69	47.86	-	21174.28	16793.58
(22.35)	(6.02)	(2.41)	-	(1143.53)	(1076.13)
-	-	-	-	1268.03	470.89
817.13	1472.24	228.01	1.29	138775.64	117476.86
358.97	375.76	66.16	-	48331.82	41849.78
9.55	76.21	17.43	-	8839.98	7520.55
(12.47)	(3.87)	(2.29)	-	(1013.34)	(1038.51)
356.05	448.10	81.30	-	56158.46	48331.82
461.08	1024.14	146.71	1.29	82617.18	69145.04
384.69	802.81	116.40	1.29	69145.04	

11.(a) Intangible assets

	(Rs. in Lacs)		
	Software	Total	As at March 31, 2013
Gross Block			
As April 1, 2013	881.18	881.18	511.63
Purchase	253.95	253.95	369.55
As March 31, 2014	1135.13	1135.13	881.18
Amortization			
As April 1, 2013	435.21	435.21	235.59
Charge for the year	232.18	232.18	199.62
As March 31, 2014	667.39	667.39	435.21
Net Block			
As March 31, 2014	467.74	467.74	445.97
Previous year	445.97	445.97	

11.(b) Pre-operative expenditure* (pending capitalisations/allocation)

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Salary, wages & bonus	75.06	9.88
Contribution to provident fund, gratuity and other funds	6.12	0.83
Employees welfare expenses	11.65	0.65
Travelling & conveyance	21.88	5.30
Miscellaneous expenses	102.61	7.92
	217.32	24.58
Add : Balance brought forward from previous year	24.58	-
Total	241.90	24.58

* Included in capital work in progress related to Savli project, Gujarat

12. Non-current investments

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Non trade investments (valued at cost unless stated otherwise)		
Investment in equity instruments (quoted)		
296002 (previous year: 296002) equity shares of Rs. 10 each fully paid-up in Sirpur Paper Mills Ltd.	69.61	69.61
537400 (previous year: 537400) equity shares of Rs. 1 each fully paid-up in Orient Paper and Industries Ltd.	3.09	3.09
905000 (previous year: 905000) equity shares of Rs. 5 each fully paid-up in Hindustan Motors Ltd.* (refer note 31) (At cost less provision for other than temporary diminution Rs. 174.31 Lacs (previous year: nil))	239.47	239.47
537400 (previous year: 537400) equity shares of Rs. 1 each fully paid-up in Orient Cement Ltd.	4.25	4.25
Unquoted equity instruments		
125000 (previous year: 125000) equity shares of Rs. 1000 each fully paid-up in NTN NEI Manufacturing India Private Ltd. (At cost less provision for other than temporary diminution Rs. 677.32 Lacs (previous year: Rs.677.32 Lacs))	1250.00	1250.00

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
1000 (previous year: 1000) equity shares of Rs.10 each fully paid-up in Universal Trading Company Ltd.	-	-
1088 (previous year : 1088) equity shares of Rs.10 each fully paid-up in Amer Investments (Delhi) Ltd.	-	-
3067000 (previous year: 3067000) equity shares of Rs. 10 each fully paid-up in Avtec Ltd.	5003.13	5003.13
4800000 (previous year: 4800000) equity shares of Rs. 10 each fully paid-up in Birla GTM Entrepose Ltd. (refer note 32)	-	-
306000 (previous year: nil) equity shares of Rs. 10 each fully paid-up in HM Exports Limited	740.52	-
Investment in joint venture		
2000 (previous year: 2000) equity shares, Singapore \$ 100 (Rs. 374.50) each fully paid up in Birla Associates pte. Ltd.	7.49	7.49
Preference shares (unquoted)		
450000 (previous year: 450000) 12.5% Non-Cumulative Redeemable Preference shares of Rs. 100 each fully paid-up in Birla GTM Entrepose Ltd. (refer note 32)	-	-
Government and trust securities (unquoted)		
Investment in government securities		
6 Years' National Saving Certificates (Lodged with government authorities)	0.02	0.02
Trade investment		
115082 shares (previous year:115082) equity shares of Rs. 10 each fully paid-up in VS Lignite Power Private Ltd.	11.51	11.51
Trade investment-(investment in subsidiaries)		
Unquoted equity instruments		
15950000 (previous year: 15950000) equity shares of Rs. 10 each fully paid-up in National Bearing Company (Jaipur) Ltd.	1598.75	1598.75
16000000 (previous year: 16000000) equity shares of Rs. 10 each fully paid-up in Birlasoft Technologies Limited	1600.00	1600.00
	10527.84	9787.32
Provision for diminution in the value of investment in NTN NEI Manufacturing India Private Ltd.	(677.32)	(677.32)
Provision for diminution in the value of investment in Hindustan Motors Ltd. (refer note 31)	(174.31)	-
	9676.21	9110.00
Aggregate amount of quoted investments (market value: Rs. 449.91 Lacs (previous year : Rs. 186.32 Lacs))	316.42	312.17
Aggregate amount of unquoted investments	10211.42	9475.15
	10527.84	9787.32
Aggregate provision for diminution in value of investment	851.63	677.32

Note

*In consideration of restructuring of debts of Hindustan Motors Ltd. by the financial institutions and banks, the Company has pledged its holding of 904500 equity shares (previous year : 904500) held in Hindustan Motors Ltd. to the financial institutions and banks to secure the debt granted to Hindustan Motors Ltd.

13. Loans and advances

	Non-Current		Current	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Capital advances				
Unsecured, considered good	787.82	1898.34	-	-
(A)	787.82	1898.34	-	-
Security deposit				
Unsecured, considered good	536.51	523.08	-	-
(B)	536.51	523.08	-	-
Loans and advances to related parties (refer note 39)				
Unsecured, considered good	-	-	4.13	300.47
(C)	-	-	4.13	300.47
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	930.11	866.64
(D)	-	-	930.11	866.64
Other loans and advances				
Advance income tax (net of provisions for taxation)	192.06	88.72	-	-
MAT credit entitlement	381.39	309.60	-	-
Balances with statutory/government authorities	117.00	117.00	1639.41	1227.84
(E)	690.45	515.32	1639.41	1227.84
Total (A+B+C+D+E)	2014.78	2936.74	2573.65	2394.95

14. Trade receivables

	Current	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Debts outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	575.08	510.58
Doubtful	27.94	27.94
	603.02	538.52
Provision for doubtful receivables	(27.94)	(27.94)
(A)	575.08	510.58
Other receivables		
Secured considered good	490.10	461.95
Unsecured considered good	22854.67	20512.22
(B)	23344.77	20974.17
Total (A+B)	23919.85	21484.75

15. Other assets

	Non-Current		Current	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Unsecured, consider good unless stated otherwise				
Unamortized expenditure				
Unamortized premium on forward contract (not intended for trading or speculative purposes)	-	-	31.12	6.33
(A)	-	-	31.12	6.33
Ancillary cost of arranging the borrowings	30.88	63.18	32.30	57.48
(B)	30.88	63.18	32.30	57.48
Others				
Interest receivable on deposits	0.02	0.02	39.44	38.48
Fixed assets held for sale (at net book value or estimated net realisable value, which ever is lower)	-	-	108.81	81.63
Export benefits receivable	-	-	363.39	215.78
(C)	0.02	0.02	511.64	335.89
Total (A+B+C)	30.90	63.20	575.06	399.70

16. Inventories (valued at lower of cost and net realizable value)

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Raw materials and components (includes in transit Rs. 983.03 Lacs) (previous year: Rs. 1141.70 Lacs)	10796.40	11524.83
Stores & Spares (include in transit Rs. 106.95 Lacs) (previous year: Rs.118.50 Lacs)	6374.84	6592.06
Work-in-progress	3677.16	2942.71
Finished goods (including stock in transit Rs. 1793.59 Lacs) (previous year: Rs.1923.94 Lacs)	7129.51	9129.06
Traded goods	89.55	66.73
Scrap	1.16	5.98
	28068.62	30261.37

17. Cash and bank balances

	Current	
	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Cash and cash equivalents		
Balances with banks:		
On current accounts	82.59	44.81
On cash credit accounts	10.67	13.72
On ECB deposit account	-	0.20
Cash on hand	9.97	9.23
	103.23	67.96

18. Revenue from operations

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Sale of products		
Finished goods	139466.84	128560.88
Traded goods	1104.04	723.16
Sale of services		
Agency commission	501.78	797.16
Consultancy services	7388.70	4664.25
Others	24.69	18.74
Other operating revenue		
Other (including export incentives & scrap sales)	1243.39	741.24
Revenue from operations (gross)	149729.44	135505.43
Less: excise duty (refer note 34)	15849.18	15533.69
Revenue from operations (net)	133880.26	119971.74

Details of product sold

Finished goods sold

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Bearings, Axle Boxes & Steel Balls	137031.57	125740.68
Rubber Moulded & Extruded Goods	2435.27	2820.20
	139466.84	128560.88

Traded goods sold

Grease	852.12	496.98
Bearings	205.65	181.25
Others	46.27	44.93
	1104.04	723.16

19. Other income

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Dividend income on long term investments	91.00	83.85
Gain/ loss on sale of current investments (net)	2.55	25.39
Rent	873.67	976.31
Profit on disposal of fixed assets (net)	-	221.62
Unspent liabilities and provision written back	10.77	87.76
Foreign exchange fluctuation (net)	-	1038.73
Reversal of provision for doubtful debts	-	1183.79
Miscellaneous income	367.86	438.34
	1345.85	4055.79

20. Interest income	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Interest		
- from bank on fixed deposits	-	0.23
- from customers and others	90.84	308.56
	90.84	308.79

21. (a) Cost of raw material and components consumed	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Inventory at the beginning of the year	11524.83	9245.22
Add: Purchases	65185.71	64468.05
	76710.54	73713.27
Less: inventory at the end of the year	10796.40	11524.83
Cost of raw material and components consumed	65914.14	62188.44

Details of raw material and components consumed

Steel items	14757.49	15046.24
Components & others	51156.65	47142.20
	65914.14	62188.44

Details of raw material inventory at the end of the year

Steel items	3768.37	3811.52
Components & others	7028.03	7713.31
	10796.40	11524.83

21. (b) Purchase of traded goods	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Grease	731.49	426.85
Bearings	170.91	166.85
Others	36.74	40.35
	939.14	634.05

22. Employee benefits expenses	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Salary, wages and bonus	12053.81	10115.07
Contribution to provident and other funds	1028.06	887.05
Staff welfare expenses	352.67	383.00
Gratuity expenses (refer note 41)	318.20	453.04
Expenditure under voluntary/ early retirement scheme	61.29	37.82
	13814.03	11875.98

23. (Increase)/ decrease in inventories

	March 31, 2014	March 31, 2013	Increase /
	(Rs. in Lacs)	(Rs. in Lacs)	(Decrease)
			(Rs. in Lacs)
Inventories at the end of the year			
Finished goods	7129.51	9129.06	(1999.55)
Traded goods	89.55	66.73	22.82
Work in progress	3677.16	2942.71	734.45
Scrap	1.16	5.98	(4.82)
	10897.38	12144.48	(1247.10)
Inventories at the beginning of the year			
Finished goods	9129.06	7247.45	1881.61
Traded goods	66.73	115.93	(49.20)
Work in progress	2942.71	2650.86	291.85
Scrap	5.98	4.62	1.36
	12144.48	10018.86	2125.62
	1247.10	(2125.62)	
Work in progress			
Bearings, Axle Boxes & Steel Balls	3663.67	2921.34	
Rubber Moulded & Extruded Goods	13.49	21.37	
	3677.16	2942.71	
Finished goods			
Bearings, Axle Boxes & Steel Balls	7023.06	9007.11	
Rubber Moulded & Extruded Goods	106.45	121.95	
	7129.51	9129.06	

24. Other expenses

	March 31, 2014	March 31, 2013
	(Rs. in Lacs)	(Rs. in Lacs)
Rent	85.23	85.55
Rates and taxes	289.72	381.14
Legal & professional expenses	2371.05	2789.21
Insurance	107.44	96.67
Repairs to machinery (excluding spares consumption)	573.59	409.24
Repairs to building	228.82	330.46
Commission and brokerage (other than sole selling agents)	1738.12	1490.80
Cash discount	533.52	518.63
Other selling expenses	524.01	878.00
Warranty expenses*	81.66	82.18
Royalty and technical know-how fee	575.31	570.01
Travelling and conveyance	852.24	770.61
Packing and forwarding expenses (net of recovery of Rs. 139.64 Lacs (previous year: Rs. 175.27 Lacs))	3820.57	3345.92
Directors' fees	8.00	8.80
Directors' commission	280.00	280.00
Payment to auditor (refer details below)	60.76	58.01
Increase/ (decrease) of excise duty on variation in stocks	(526.65)	289.79
Foreign exchange fluctuation (net)	2209.23	-
Donations	544.77	230.44
Bad debts/ advances written off	66.10	992.32
Loss on disposal of fixed assets (net)	90.35	-
Provision for diminution in value of long term investment (refer note 31)	174.31	-
Miscellaneous expenses	1184.70	1405.72
	15872.85	15013.50
Payment to auditor		
As auditor:		
Audit fee	26.50	26.50
Tax audit fee	6.30	5.30
Limited review	13.20	13.20
In other capacity		
Certification fees	7.50	7.50
Reimbursement of expenses	7.26	5.51
	60.76	58.01
*Warranty expenses		
Warranty claims received during the year	80.17	62.32
Less: Utilisation against provision	80.17	62.32
Add: Provision for warranty created during the year	81.66	82.18
	81.66	82.18

25. Depreciation and amortization expense

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Depreciation of tangible assets	8839.98	7520.55
Amortisation of intangible assets	232.18	199.62
	<u>9072.16</u>	<u>7720.17</u>

26. Finance cost

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Interest expense	2630.24	2197.24
Interest on income tax	1.28	0.59
Bank charges	188.96	200.50
Amortization of ancillary borrowing costs	57.48	60.01
Exchange difference on the principal amount of foreign currency borrowings.*	1174.30	567.49
	<u>4052.26</u>	<u>3025.83</u>

* Exchange differences on the principal amount of the foreign currency borrowings to the extent that they are regarded as an adjustment to borrowing costs have been disclosed as "Finance Cost" as mandated by revised Schedule VI of Companies Act. Such exchange differences are not interest on the foreign currency borrowings.

27. Earning per equity share

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Net profit as per statement of profit and loss	8849.18	10279.46
No. of equity shares at the beginning and closing of the year	800000	800000
Weighted average number of equity shares for calculating basic and diluted EPS	800000	800000
Basic and diluted earnings per share (nominal value of share Rs. 10 (previous year: Rs. 10))	1106.15	1284.93

28. Contingent liabilities (not provided for)

	Particulars	March 31, 2014 (Rs. in Lacs)	Maarch 31, 2013 (Rs. in Lacs)
(a)	Unredeemed bank guarantees.	831.92	1484.23
(b)	Outstanding amount against counter guarantees given to banks on account of facilities granted by the said banks to subsidiaries & associates Rs. 893.08 Lacs (previous year: Rs. 2725.20 Lacs)	893.08	2725.20
(c)	Differential amount of custom duty payable in respect of machineries imported under EPCG scheme including interest thereon. Based on past sales performance and the future sales plan along with recent changes in exim policy, management is quite hopeful of meeting out the obligation by executing the required volume of exports in the future	192.97	2416.26
(d)	Show cause/ demand notices received from excise authorities*		
	(i) Demand/ show cause notice received for wrong availment of service tax credit	998.19	998.01
	(ii) Demand/ show cause notice received for non payment of service tax	648.22	217.99
	(iii) Demand/ show cause notice in respect of non payment of excise duty	2749.82	2175.72
	(iv) Show cause notice received for wrong availment of cenvat credit	56.34	42.99
	(v) Demand/ show cause notice received for short duty paid on goods re-imported	56.10	56.10
	(vi) Demand/ show cause notice on sales tax matters	44.18	44.18
(e)	Other claims against the company not acknowledged as debts *		
	(i) Demand raised by New Delhi Municipal Corporation in respect of property tax	339.02	202.85
	(ii) Demand for land and building tax	61.10	120.73
	(iii) Demand in respect of house tax	114.88	114.88
	(iv) Claim lodged by a vendor against the company for non payment of dues (including interest). The matter is pending in high court	70.61	70.61
	(v) Claim lodged by a customer for non performance of the bearings supplied by the company	52.58	52.58
	(vi) Demand against power factor incentive allowed in earlier years by Jaipur Vidhyut Vitran Nigam Limited. The matter is pending in high court	26.18	26.18
	(vii) Demand for wrong input tax credit on HSD under Rajasthan VAT Act	60.81	60.81
	(viii) Others	47.78	43.61

* Based on discussions with the solicitors / favourable decisions in similar cases/ legal opinions taken by the Company, the management believes there is fair chance of decisions in its favour in respect of all the item listed above and hence no provision has been considered necessary against the same.

29. Estimated amount of contracts remaining to be executed on:

	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Capital account (net of advances)	8861.70	11705.66

- 30.** (a) (i) External commercial borrowings of Rs. Nil (USD Nil) (previous year: Rs. 3799.60 Lacs, equivalent to USD 7.00 Million) is secured by exclusive charge on movable fixed assets of the company acquired out of the proceeds of the loan.
- (ii) External commercial borrowings of Rs. 8982.00 Lacs (equivalent to USD 15.00 Million) (previous year: Rs. 8142.00 Lacs, equivalent to USD 15.00 Million) is secured by exclusive charge on movable fixed assets of the company acquired out of the proceeds of the loan.
- (b) Short term loan of Rs. 5000.00 Lacs (previous year: Rs. nil) from a Bank is secured by subservient charge on all current assets viz. stocks of raw materials, semi-finished and finished goods, stores and spares including relating to plant and machinery (consumable stores and spares), bills receivables and book debts and all other receivables and movables, pertaining to the company, both present and future.
- (c) Buyers' credit of Rs. 8997.28 Lacs (previous year: Rs. 20831.69 Lacs) from banks are secured by first charge on current assets and second charge on movable fixed assets of the company, ranking pari passu with facilities availed as stated in (d) below.
- (d) Buyers credit of Rs. nil (previous year: Rs. 1327.85 Lacs) from a Bank is secured by subservient charge on all current assets viz. stocks of raw materials, semi-finished and finished goods, stores and spares including relating to plant and machinery (consumable stores and spares), bills receivables and book debts and all other receivables and movables, pertaining to the company, both present and future.
- (e) Cash credit/ working capital demand loan (WCDL) of Rs. 11383.24 Lacs (previous year: Rs. 2457.59 Lacs) are secured by first charge by way of hypothecation of stocks, advances, book debts and other current assets of the company, ranking pari passu with the facilities availed as stated in (c) above and second charge by way of hypothecation of movable fixed assets situated at Jaipur and Newai, both in the State of Rajasthan, Manesar, Distt. Gurgaon, in the State of Haryana and Kolkata in the State of West Bengal, ranking pari passu with the facilities availed as stated in (c) above.
- (f) Cash credit/WCDL/ short term loans from banks (secured)
- (i) Cash credit (secured) amounting Rs. 5333.24 Lacs (previous year: Rs. 207.59 Lacs) carries interest @ 10.40% p.a. to 11.15% p.a. (previous year: 9.95% p.a. to 11.75% p.a.) and repayable on demand.
- (ii) Working capital demand loan / short term loan (secured) amounting Rs. 8700.00 Lacs (previous Rs. 2250.00 Lacs) carries interest @ 10.10% p.a. to 10.35% p.a. (previous year: 9.75% p.a.) and repayable within a period of 15 days to 90 days (previous year: 18 days to 28 days).
- (iii) Export packing credit (secured) amounting Rs. 2350.00 Lacs (previous year: Rs. nil) carries interest @ 7.00 % p.a. to 7.75% p.a. (previous year: nil) and repayable within a period of 180 days.
- (g) Buyers credit from banks (secured) amounting Rs. 8997.28 Lacs (previous year: Rs. 22159.54 Lacs) carries interest @ 0.44% p.a. to 2.22% p.a (previous year: 0.65% p.a. to 2.25% p.a.) and repayable within a period of 358 days (previous year: 180 days).
- (h) Buyers credit from banks (unsecured) amounting Rs. 9005.02 Lacs (previous year: Rs. 6674.85 Lacs) carries interest @ 0.72% p.a. to 1.29% p.a (previous year: 0.45% p.a. to 2.80% p.a.) and repayable within a period of 180 days (previous year: 180 days).

- (i) Commercial papers from banks amounting Rs. nil (previous year: Rs. 6000.00 Lacs) and others amounting Rs. 1000.00 Lacs (previous year: Rs. 2000.00 Lacs) carries interest @ 10.40% p.a. (previous year: 9.40% p.a. to 9.55% p.a.) and repayable within a period of 60 days (previous year: 87 days to 90 days).
 - (j) Cash credit/ short term loan from bank (unsecured)
 - (i) Cash credit (unsecured) amounting Rs. 1774.60 Lacs (previous year: Rs. nil) carries interest @ 10.00% p.a. (previous year: nil) and repayable on demand.
 - (ii) Short term loan (unsecured) amounting Rs. 4000.00 Lacs (previous year: Rs. 750.00 Lacs) carries interest @ 10.10% p.a. (previous year: 9.70% p.a.) and repayable within a period of 90 days (previous year: 11 days).
 - (iii) Export packing credit (unsecured) amounting Rs. 4500.00 Lacs (previous year: Rs. nil) carries interest @ 7.00% p.a. to 7.70% p.a. (previous year: nil) and repayable within a period of 142 days to 178 days (previous year: nil).
- 31.** The Company has invested an amount of Rs. 239.47 Lacs (previous year: Rs. 239.47 Lacs) in the shares of a listed company. The market value of above investment as at 31st March, 2014 is Rs. 65.16 Lacs (previous year: Rs. 78.74 Lacs). The Management considered above investment being a long term strategic investment, decline in market value has been temporary. However, in view of current status of the investee company, the Management is of the opinion that decline in the market value may no longer be temporary in nature, hence provision in diminution in value there against of Rs. 174.31 Lacs has been made in the accounts.
- 32.**
- (i) The company had invested Rs. 693.00 Lacs in the share capital of an unlisted company and had also given loan of Rs. 1727.40 Lacs in earlier years. The company had already written off the entire investment and loan during earlier years due to accumulated losses and remote chances of revival of this company.
 - ii) The company has provided bank guarantee facility on behalf of associate company Birla GTM Entrepore Limited amounting Rs. 234.75 Lacs (previous year: Rs. 234.75 Lacs) to protect its interest.
- 33.** Inventory of raw materials, stores and spares and finished goods includes materials in transit amounting to Rs. 983.03 Lacs (previous year: Rs. 1141.70 Lacs), Rs. 106.95 Lacs (previous year: Rs. 118.50 Lacs) and Rs. 1793.59 Lacs (previous year: Rs. 1923.94 Lacs) respectively.
- 34.** Excise duty on sales amounting to Rs. 15849.18 Lacs (previous year: Rs. 15533.69 Lacs) has been reduced from sales in statement of profit and loss in note 18 and excise duty on increase/ (decrease) in stocks amounting to Rs. (526.65) Lacs (previous year: Rs. 289.79 Lacs) has been considered as (income)/ expense in note 24 of financial statements.
- 35.** Deferred payment liabilities comprise of:
- (i) Rs. 0.25 Lacs (previous year: Rs. 5.26 Lacs) payable to body corporate towards acquisition of vehicles.
 - (ii) Rs. 23.23 Lacs (previous year: Rs. 43.21 Lacs) payable to employees under early retirement scheme.
- 36.** The Micro, Small and Medium Enterprises have been identified by the company from the available information, which has been relied upon by the auditors. According to such identification, the disclosures as per Section 22 of 'The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006' are as follows:

S.No.	Particulars	2013-14 (Rs. in Lacs)	2012-13 (Rs. in Lacs)
i)	The principal amount and the interest due thereon remaining unpaid to any supplier		
	- Principal amount	710.45	655.06
	- Interest thereon	Nil	Nil
ii)	The amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day.	Nil	Nil
iii)	The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act.	Nil	Nil
iv)	The amount of interest accrued and remaining unpaid.	Nil	Nil
v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small investor.	Nil	Nil

37. In case of assets given on lease

Operating lease:

The company has leased out certain portion of their buildings on operating lease. The lease term is for 3 years and thereafter renewable by mutual consent on mutually agreed terms. The rent is not based on any contingencies. There are no restrictions imposed by lease arrangements. The leases are cancellable.

The company has received lease rent of Rs. 873.67 Lacs (previous year: Rs. 976.31 Lacs) disclosed as 'Rent' under note 19.

In case of assets taken on lease

Operating lease:

Certain office premises are obtained on operating lease. The lease term is for 3-4 years and renewable for further period either mutually or at the option of the company. There are no restrictions imposed by lease arrangements. There are no subleases. The leases are cancellable.

The company has paid lease rent of Rs. 85.23 Lacs (previous year Rs. 85.55 Lacs) disclosed as 'Rent' under note 24.

38. Related Party Disclosures

List of Related Parties

Related Parties where control exists

(a) Subsidiaries

- National Bearing Company (Jaipur) Limited
- NEI Properties Limited (Subsidiary of National Bearing Co. (Jaipur) Limited)
- Birlasoft Technologies Limited, India (Subsidiary of NEIL, India)
(Formerly Birla Soft Limited)

- Birlasoft Inc., U.S.A. (Subsidiary of Birlasoft Technologies Limited, India)
- Birlasoft (U.K.) Ltd., U.K. (Subsidiary of Birlasoft Inc., USA)
- Birlasoft GmbH., Germany (Subsidiary of Birlasoft (U.K.) Ltd., UK)
- Birlasoft Enterprises Ltd., India (Subsidiary of Birlasoft Technologies Limited, India)
- Birlasoft (India) Limited, India (Subsidiary of Birlasoft Enterprises Ltd., India)
- Birlasoft Sdn. Bhd., Malaysia (Subsidiary of Birlasoft (India) Ltd., India)
- Birlasoft (Beijing) Technologies Co., Ltd., China (Subsidiary of Birlasoft (India) Ltd., India)
- Birlasoft (Wuxi) Information Technologies Co. Ltd., China (Subsidiary of Birlasoft (India) Ltd., India)
- Enable Path LLC (Subsidiary of Birlasoft Inc., USA).

Related parties (other than subsidiaries) with whom transactions have taken place during the year

(b) Joint Ventures

- Birla Associates Pte. Limited

(c) Associate

- Birla GTM-Entrepose Limited

(d) Key Management Personnel (KMP)

- Mr. Rohit Saboo – President and CEO

(e) Investing Parties:

- Amer Investment (Delhi) Ltd.
- Bengal Rubber Co. Ltd.

(f) Transaction with Related Parties
(Rs. in Lacs)

Particulars	2013-14					2012-13				
	Subsidiaries	Joint Ventures	Associates	KMP	Investing Parties	Subsidiaries	Joint Ventures	Associates	KMP	Investing Parties
Transactions during the year										
<u>Dividend received</u>										
- Birla Associates Pte. Ltd.	-	4.24	-	-	-	-	4.26	-	-	-
- Amer Investment (Delhi) Ltd.	-	-	-	-	0.11	-	-	-	-	0.38
<u>Dividend paid</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	314.52	-	-	-	-	314.52
- Bengal Rubber co. Ltd.	-	-	-	-	316.76	-	-	-	-	316.77
<u>Rent received</u>										
- Birlasoft (India) Ltd.	10.76	-	-	-	-	10.76	-	-	-	-
<u>Interest received</u>										
- Birlasoft (India) Ltd.	5.49	-	-	-	-	58.82	-	-	-	-
<u>Other Income</u>										
- Birlasoft (India) Ltd.	5.46	-	-	-	-	4.90	-	-	-	-
<u>Sale of consultancy services</u>										
- Birlasoft (India) Ltd.	247.51	-	-	-	-	147.89	-	-	-	-
<u>Sale of goods</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	1855.73	-	-	-	-	1727.46
<u>Purchase of consultancy services</u>										
- Birlasoft (India) Ltd.	-	-	-	-	-	6.56	-	-	-	-
- Birlasoft Technologies Limited	-	-	-	-	-	131.95	-	-	-	-
<u>Cash discount given</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	43.88	-	-	-	-	43.05
<u>Selling commission paid/credited</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	358.37	-	-	-	-	283.70
<u>Reimbursement of expenses to</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	5.49	-	-	-	-	3.64
<u>Reimbursement of expenses from</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	0.06	-	-	-	-	-
<u>Interest paid /credited</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	11.93	-	-	-	-	10.47
<u>Remuneration*</u>										
- Mr. Rohit Saboo										
Salary, wages and bonus	-	-	-	157.35	-	-	-	-	134.04	-
Contribution to Provident and other funds	-	-	-	18.82	-	-	-	-	15.24	-
<u>Other loans & advances given</u>										
- Birla GTM Entrepouse Ltd.	-	-	4.13	-	-	-	-	1.25	-	-
<u>Sale of investments</u>										
- National Bearing Co.(Jaipur) Ltd.	256.52	-	-	-	-	-	-	-	-	-
<u>Security deposit taken</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	17.50	-	-	-	-	58.50
<u>Loans / advances received back</u>										
- Birla GTM Entrepouse Ltd.	-	-	0.47	-	-	-	-	2.25	-	-
- Birlasoft (India) Ltd.	300.00	-	-	-	-	200.00	-	-	-	-

(Rs. in Lacs)

Particulars	2013-14					2012-13				
	Subsidiaries	Joint Ventures	Associates	KMP	Investing Parties	Subsidiaries	Joint Ventures	Associates	KMP	Investing Parties
Balance Outstanding at the end of the year										
<u>Investments</u>										
- National Bearing Co.(Jaipur) Ltd.	1598.75	-	-	-	-	1598.75	-	-	-	-
- Birlasoft Technologies Limited	1600.00	-	-	-	-	1600.00	-	-	-	-
-Birla Associates Pte.Ltd., Singapore	-	7.49	-	-	-	-	7.49	-	-	-
<u>Interest free loans given</u>										
- Birla GTM Entrepouse Ltd.	-	-	4.13	-	-	-	-	0.47	-	-
<u>Interest payable</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	-	-	-	-	-	2.55
<u>Selling commission payable</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	105.52	-	-	-	-	69.38
<u>Loans given</u>										
- Birlasoft (India) Ltd.	-	-	-	-	-	300.00	-	-	-	-
<u>As trade receivables</u>										
- Birlasoft (India) Ltd.	22.68	-	-	-	-	166.93	-	-	-	-
- Amer Investment (Delhi) Ltd.	-	-	-	-	41.47	-	-	-	-	-
<u>As trade payables</u>										
- Birlasoft Technologies Limited	-	-	-	-	-	11.35	-	-	-	-
- Amer Investment (Delhi) Ltd.	-	-	-	-	2.83	-	-	-	-	8.88
<u>As other current liabilities (security and other trade deposits)</u>										
- Amer Investment (Delhi) Ltd.	-	-	-	-	141.50	-	-	-	-	124.00
<u>Guarantees given</u>										
- Birla GTM Entrepouse Ltd.	-	-	234.75	-	-	-	-	234.75	-	-
- Birlasoft (India) Ltd.	658.33	-	-	-	-	2490.45	-	-	-	-

Note: In the opinion of the management, transactions reported herein are on arm's length basis.

* As the future liability for gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the key management personnel not included above.

- 39.** The following are the details of trade receivables and loans and advances given to subsidiaries and associates and firms / companies in which directors are interested and are outstanding at the end of the year pursuant to clause 32 of the listing agreement.

(Rs. in Lacs)

	Outstanding amount as at		Maximum amount outstanding during the year	
	31.03.2014	31.03.2013	2013-14	2012-13
Loans and advances to subsidiaries-				
Birlasoft (India) Ltd.	-	300.00	300.00	500.00
Loans and advances to associates -				
Birla GTM Entrepose Ltd.	4.13	0.47	4.13	2.25
Other current assets - Interest receivables from subsidiaries				
Birlasoft Technologies Limited	-	-	-	0.41
Birlasoft (India) Ltd.	-	-	-	19.99
Trade receivable from subsidiaries -				
Birlasoft (India) Ltd.	22.68	166.93	186.32	166.93

40. Segment information

Business Segments: The identified segments are Bearings, Consultancy Services and Others.

- (a) Products considered as a part of Bearing segment are ball, taper-straight roller, cartridge, spherical, cylindrical roller, axle boxes and large dia bearings.
- (b) Consultancy segment includes fees for rendering of consultancy services in relation to marketing of products & management consultancy services.
- (c) Other segments include Rental income, Agency and Technical Services including services undertaken for long term engineering contracts, Agency Services in relation to marketing of different products on behalf of principals on commission basis and manufacturing and marketing of rubber products comprising of rubber moulded and extruded products for various industrial and household uses.

Geographical Segments: The analysis of geographical segments is based on the geographical location of the customers, i.e. Domestic and Overseas.

The following table presents revenue and profit information regarding Business Segments for the years ended March 31, 2014 and March 31, 2013 and certain asset and liability information regarding Business Segments as at March 31, 2014 and March 31, 2013

A) Primary segment information (by Business Segments)

(Rs. in Lacs)

	Bearing		Consultancy Services		Others		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
External sales/ income	124271.04	113021.07	7615.82	4968.43	2573.60	4531.96	134460.46	122521.46
Inter-segment sales/ income	-	-	-	-	-	-	-	-
Segment revenue	124271.04	113021.07	7615.82	4968.43	2573.60	4531.96	134460.46	122521.46
Segment results	13658.58	12555.56	5018.04	3113.04	386.99	1013.46	19063.61	16682.06
Segment assets	137775.79	121919.67	4317.35	2648.15	1727.71	1995.42	143820.85	126563.24
Segment liabilities	22220.82	17777.04	167.96	390.26	1150.93	1095.29	23539.71	19262.59
Capital expenditure	26315.17	16356.10	6.60	2.30	47.68	638.85	26369.45	16997.25
Depreciation/ amortisation	8902.28	7556.63	1.50	1.17	96.31	92.15	9000.09	7649.95
Non cash expenses	28.65	22.49	-	-	37.42	969.83	66.07	992.32

Reconciliation of reportable segments with the financial statements

(Rs. in Lacs)

	Revenues		Results		Assets		Liabilities	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Total of reportable segments	134460.46	122521.46	19063.61	16682.06	143820.85	126563.24	23539.71	19262.59
Add/ (Less) :								
Corporate - Unallocated	765.65	1506.07	(3026.50)	476.77	13221.39	13027.12	57415.72	52980.35
Finance cost	-	-	(4052.26)	(3025.83)	-	-	-	-
Current taxes	-	-	(2568.47)	(2691.53)	-	-	-	-
MAT	-	-	71.79	309.60	-	-	-	-
Deferred tax charge	-	-	(638.99)	(1471.61)	-	-	5169.10	4530.12
Total As per financial statements	135226.11	124027.53	8849.18	10279.46	157042.24	139590.36	86124.53	76773.06

B) Secondary segment information (by geographical segments)

The following is the distribution of the company's consolidated revenues and receivables by geographical market, regardless of where the goods were produced:

(Rs. in Lacs)

	2013-14		2012-13	
	Revenues	Receivable	Revenues	Receivable
Domestic market	110921.67	16883.88	107532.75	18048.83
Overseas markets				
U.S.A.	21357.09	6411.87	15012.64	2891.93
Others	2947.35	624.10	1482.14	543.99
Total	135226.11	23919.85	124027.53	21484.75

The company has common other assets for producing goods/ providing services to domestic and overseas markets. Hence, separate figures for other assets / additions to fixed assets have not been furnished.

41. Gratuity - Defined benefit

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the plan.

Net employee benefit expense (recognized in employee cost)

	(Rs. in Lacs)	
	2013-14	2012-13
Current service cost	284.45	248.19
Interest cost on benefit obligation	381.60	326.03
Expected return on plan assets	(403.99)	(362.64)
Net actuarial loss recognized during the year	56.14	241.46
Past service cost	-	-
Net benefit expense	318.20	453.04
Actual return on plan assets	(407.62)	(371.48)

Balance sheet

Details of provision for Gratuity

	(Rs. in Lacs)	
	2013-14	2012-13
Defined benefit obligation	(4968.47)	(4489.35)
Fair value of plan assets	4948.23	4488.77
Funded status/ difference	(20.24)	(0.58)
Less: unrecognised past service cost	-	-
Plan asset/ (liability)	(20.24)	(0.58)

Changes in the present value of the defined benefit obligation are as follows :

	(Rs. in Lacs)	
	2013-14	2012-13
Opening defined benefit obligation	4489.35	3835.62
Interest cost	381.60	326.03
Current service cost	284.45	248.18
Benefits paid	(246.71)	(170.79)
Actuarial losses on obligation	59.78	250.31
Closing defined benefit obligation	4968.47	4489.35

Changes in the fair value of plan assets are as follows :

(Rs. in Lacs)

	2013-14	2012-13
Opening fair value of plan assets	4488.77	3837.43
Expected return	403.99	362.64
Contributions by employer	298.54	450.65
Benefits paid	(246.71)	(170.79)
Actuarial gains on plan assets	3.63	8.84
Closing fair value of plan assets	4948.22	4488.77

The company expects to contribute Rs.382.07 Lacs (previous year: Rs. 480.24 Lacs) to gratuity fund during the year 2014-15.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013-14	2012-13
Investments with insurer	100%	100%

The overall expected rate of return on assets is determined based on the actual rate of return during the current year.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

Economic assumptions

	2013-14	2012-13
	<i>%</i>	<i>%</i>
Discounting rate	8.75	8.50
Future salary increase	9.25	9.00
Expected rate of return on plan assets	9.00	9.45

Demographic assumptions

Retirement age (years)	58	58
Mortality table IALM (2006-08)		
Ages	Withdrawal Rate (%)	Withdrawal Rate (%)
Up to 30 years	6.54	9.64
From 31 to 44 years	3.98	2.24
Above 44 years	9.91	5.45

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous five years are as follows:

(Rs. in Lacs)

	2013-14	2012-13	2011-12	2010-11	2009-10
Defined benefit obligation	4968.47	4489.35	3835.62	3426.25	2854.93
Plan assets	4948.22	4488.77	3837.43	3405.75	2830.29
Surplus / (deficit)	(20.24)	(0.58)	1.81	(20.50)	(24.64)
Experience adjustments on plan liabilities	(125.34)	(269.49)	(68.63)	(90.19)	(289.09)
Experience adjustments on plan assets	(16.57)	10.77	7.77	14.53	1.55

42. (a) Provident fund - Defined Contribution Plan

(Rs. in Lacs)

	2013-14	2012-13
Contribution to government provident fund	185.25	172.56
Contribution to superannuation fund	121.95	82.22
	307.20	254.78

42. (b) Provident fund - Defined Benefit Plan

Provident fund for certain eligible employees is managed by the Company through trust, in line with the Provident Fund and Miscellaneous Provision Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of separation from the Company or retirement, whichever is earlier. The benefits vests immediately on rendering of the services by the employee. In terms of the guidance note issued by the Institute of Actuaries of India for measurement of provident fund liabilities, the actuary has provided a valuation of provident fund liability and based on the assumption provided below there is no shortfall as at March 31, 2014 and March 31, 2013.

The details of the fund and plan assets position are as follows:

(Rs. in Lacs)

	2013-14	2012-13
Plan assets at year end, at fair value	21913.99	19018.90
Present value of defined obligation at year end	20973.61	18227.00
Assets recognised in Balance Sheet	-	-

The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

	2013-14	2012-13
Discounting rate	8.80%	8.50%
Expected guaranteed interest rate	8.75%	8.50%
Expected Rate of Return on Asset	8.80%	8.70%

Contribution to Birla Industries Provident Fund

(Rs. in Lacs)

	2013-14	2012-13
Contribution to Birla Industries Provident Fund	671.81	574.85

43. Information in respect of donations paid to political parties:

(Rs. in Lacs)

Party Name	March 31, 2014	March 31, 2013
All India Congress Committee	100.00	50.00
Bhartiya Janta Party	105.00	50.00
Satya Electoral Trust	200.15	-

44. Information related to Research & Development as required under Section 35 (2AB) of Income Tax Act, 1961 (as certified by the management)

a) Details relating to fixed assets used for Research & Development purposes:

(Rs. in Lacs)

Description of assets	Gross block			Depreciation/amortization				Net Value as at		
	As at April 1, 2013	Addition	Deletion	As at March 31, 2014	As at April 1, 2013	For the year	Deletion	As at March 31, 2014	March 31, 2014	March 31, 2013
Plant & machinery	1898.92	309.27	-	2208.19	161.79	113.21	-	275.00	1933.19	1737.13
Furniture & fittings	14.87	0.38	-	15.25	9.63	0.55	-	10.18	5.07	5.24
Software	387.98	69.48	-	457.46	205.72	85.94	-	291.66	165.80	182.26
Total	2301.77	379.13	-	2680.90	377.14	199.70	-	576.84	2104.06	1924.63

(b) The following expenses incurred on Research & Development are included under respective account heads (as extracted from books of account):

(Rs. in Lacs)

Particulars	2013-14	2012-13
Personnel expenses*	970.21	715.28
Travelling and conveyance	-	15.74
Miscellaneous expenses	56.58	52.52
Total	1026.79	783.54

*As the future liability for gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the employees of Research and Development department is not included above.

45. Information in respect of Joint Venture in terms of Accounting Standard 27.

The Company has 40% interest in the assets, liabilities, income and expenses of Birla Associates Pte Ltd., incorporated in Singapore, which is involved in the business of consultancy and related services outside Singapore. The Consolidated financial statements of Birla Associates Pte Ltd. are prepared in accordance with Singapore Financial Reporting Standards (SFRS) as required by Singapore Companies Act.

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entity are as follows as at December 31, 2013:

		(Rs. in Lacs)	
		Birla Associates Pte. Ltd.	
Country of Incorporation of Registration		Singapore	
Purpose		Overseas Business	
Porportion of ownership Interest		40%	
Accounting year ended		December 31, 2013	December 31, 2012
Non current assets			
Gross block		2.74	2.54
Less : depreciation		2.74	2.54
Net block		-	-
Investments		370.52	343.07
Current assets			
Trade receivables		615.58	646.84
Cash and bank balances		87.72	41.95
Loans and advances		7.68	5.65
	(A)	710.98	694.44
Current liabilities			
Short term borrowings		509.78	458.50
Liabilities		138.36	209.68
	(B)	648.14	668.18
Net current assets (A) - (B)		62.84	26.26
Income from operations		312.00	472.18
Other income		15.72	0.25
Total income		327.72	472.43
Personnel expenses		39.32	46.53
Other Expenses		225.65	390.95
Depreciation		-	0.05
Total expenses		264.97	437.53
Profit for the year		62.75	34.90

46. Derivative instruments not intended for trading or speculative purposes and unhedged foreign currency exposure.

Forward contract outstanding as at balance sheet date				
Particular of derivatives		2013-14	2012-13	Purpose
Purchase	JPY	69259859.00	713038057	Hedge of buyer's credit
	USD	5306811.82	-	

Interest rate swap

During the earlier years, the Company had entered into floating to fixed interest rate swap to hedge the interest rate exposure on US\$ 150 lacs term loan facility. The aggregate amount of loans covered under the said interest rate swap as at March 31, 2014 is US\$ 150 lacs (previous year: US\$ 150 lacs) (equivalent Rs.8982 lacs (previous year: Rs. 8142 lacs)).

Particulars of unhedged foreign currency exposure as at the balance sheet date:

Particulars	2013-14				2012-13		
	Currency	Amount in foreign currency	Rate	(Rs. in Lacs)	Amount in foreign currency	Rate	(Rs. in Lacs)
Import trade payables	USD	4538298.52	59.88	2717.53	4742790.00	54.28	2574.39
	JPY	1255351831.75	0.59	7343.81	379402044.00	0.58	2183.46
	GBP	7426.00	99.55	7.39	21200.00	82.07	17.40
	EURO	272571.84	82.25	224.18	758983.18	69.53	527.70
	CHF	24713.60	67.48	16.68	13035.50	56.99	7.43
Export receivables	USD	11037193.00	59.88	6609.07	5732217.00	54.28	3111.45
	EURO	425248.00	82.25	349.75	55980.00	69.53	38.92
	JPY	12887846.00	0.59	75.39	49620034.00	0.58	285.56
Advances given	USD	435986.93	59.88	261.07	630449.00	54.28	342.21
	EURO	310247.65	82.25	255.16	450000.00	69.53	312.87
	JPY	11442300.00	0.59	66.94	54532001.00	0.58	313.83
Buyers' credit	USD	13009717.23	59.88	7790.22	31238570.00	54.28	16956.30
	EURO	3317642.05	82.25	2728.59	2076637.00	69.53	1443.89
	GBP	171190.00	99.55	170.42	150294.00	82.07	123.35
	JPY	935239123.00	0.59	5471.15	1077661326.00	0.58	6250.44
Interest accrued on buyers' credit	USD	105636.45	59.88	63.26	102081.00	54.28	55.41
	EURO	29941.85	82.25	24.63	6890.00	69.53	4.79
	GBP	5592.84	99.55	5.57	401.00	82.07	0.33
	JPY	7955274.01	0.59	46.54	5166182.31	0.58	29.96
Interest accrued on external commercial borrowing	USD	19370.57	59.88	11.60	26434.00	54.28	14.35
External commercial borrowing	USD	15000000.00	59.88	8982.00	22000000.00	54.28	11941.60
Investment in Birla Associates Pte.Ltd., Singapore	SGD	200000.00	3.7453*	7.49	200000.00	3.7453*	7.49

*Derived average rate, as the investments are not reinstated as at year end.

47. Additional information pursuant to the provisions of paragraphs 3,4,4C and 4D of Part II of Schedule VI of the Companies Act,1956 :

A. Expenditure in foreign currency on account of : (On accrual basis)	March 31, 2014 (Rs. in Lacs)	March 31, 2013 (Rs. in Lacs)
Royalty	575.31	570.01
Interest	703.54	890.80
Miscellaneous	470.92	753.41
B. Earnings in foreign exchange : (On accrual basis)		
Export of goods (on F.O.B. basis)	19593.52	12925.47
Consultancy fees	4493.42	3118.23
Commission	127.33	339.58
Dividend	4.24	4.26
C. C.I.F. Value of imports (On accrual basis)		
i. Raw materials	23666.07	24375.48
ii. Stores and spare parts	2073.87	2424.57
iii. Capital goods	11663.31	5635.71
iv. Finished goods	51.02	64.39

D. Consumption of indigenous and imported raw materials & stores & spares

	<u>March 31, 2014</u>		<u>March 31, 2013</u>	
	Percentage	(Rs. In Lacs)	Percentage	(Rs. In Lacs)
Raw Materials				
Imported	41.06	27061.21	39.41	24510.85
Indigenous	58.94	38852.93	60.59	37677.59
		<u>65914.14</u>		<u>62188.44</u>
Stores and Spares				
Imported	22.30	1822.86	23.41	1774.29
Indigenous	77.70	6351.41	76.59	5804.98
		<u>8174.27</u>		<u>7579.27</u>

48. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our report of even date		For and on behalf of the board of directors of	
For S.R.BATLIBOI & CO. LLP		National Engineering Industries Limited	
ICAI Firm registration number: 301003E			
Chartered Accountants		C.K. Birla	M.L. Pachisia
per Rajiv Goyal		(Chairman)	(Director)
Partner			
Membership no. 94549		Rohit Saboo	R.K. Saboo
Place: Gurgaon		(President & CEO)	(Chief Financial Officer)
Date: 9th May, 2014			
	K.P. Chaudhary		
	(Company Secretary)		