

31st
ANNUAL
REPORT
2013-14

RICO

RELIABILITY
INNOVATION
COMPETITIVENESS
GLOBALIZATION



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About us

RICO is an established and reputed engineering group sharply focussed on the automobile industry.

We manufacture and supply world class high precision and fully machined components & assemblies - both aluminium and ferrous - to leading OEMs across the Globe.

Our multiple fully integrated production facilities are equipped to offer the complete spectrum of services from designing of components to development of tools, casting and precision machining and assembly of auto components.

Over the years, RICO has earned a reputation of being a reliable source of the most complex components & assemblies. Our commitment to uncompromising quality and the highest standards of excellence is matched by our ability to engineer the most demanding products at competitive cost, as well as our capability to deliver global volumes, to strict deadlines, anywhere across the world.

The result of this exemplary service is the strong customer relationships we share with the most prestigious names in the national and international automotive industry. We have continued to remain a preferred supplier to their valued brands.

Strategic linkages with leading fellow automotive suppliers have given RICO a further technological edge. Joint ventures have been established with players like FCC for clutch systems, Magna Powertrain for oil & water pump systems, and Jinfei for alloy wheels.

RICO continually works towards achieving the highest levels of efficiency, productivity and profitability - so as to sustain growth, and deliver consistent value to both customers and stakeholders.

RICO AUTO INDUSTRIES LIMITED

Our Vision

To be the preferred supplier to
Original Equipment Manufacturers across the Globe.

Our Strategies

World Class Quality

ISO TS 16949, ISO 14001, OHSAS 18001

Total Productive Maintenance (TPM) & 6 Sigma

Integrated Service - Concept to Delivery

Design, Development & Engineering Services, R&D, Testing
& Validation, Tooling & Prototyping, Casting (Aluminium &
Ferrous), Machining & Assembly, Packaging & Logistics

Preferred Supplier

Customer Focussed Enterprise

Efficient Account, Program & Launch Management

People

Regular Training, Skill Building, Involvement &
Empowerment and Leadership

Globalization

Global Teams, Global Presence & Scale

Shareholder Value

Focus on return on Capital Employed

Consistent Dividend Distribution

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Our People: Our Greatest Asset

RICO is proud of its people - dedicated, disciplined, hard-working, progressive and highly skilled in their respective roles. It is their abilities and potential which provide RICO with a vital competitive edge in our intensifying globalization phenomenon.

Each and every member of the RICO 'Parivar' understands the importance of personal responsibilities as well as of team-work. Besides, our continuous focus on comprehensive internal and external training ensures excellence in terms of knowledge, attitude and skills for higher productivity, product innovations, and relationship development. We, on our part, value their useful suggestions and ideas, which are suitably rewarded and recognised.

RICO AUTO INDUSTRIES LIMITED

Financial Highlights

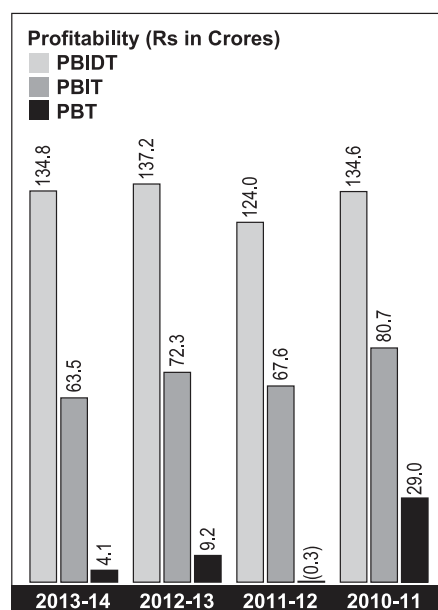
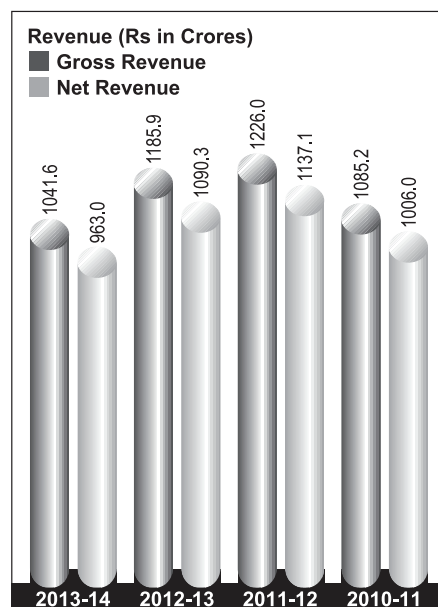
Stand Alone

(Rs in Crores)

Particulars	2013-14	2012-13	2011-12	2010-11
Gross Revenue	1041.6	1185.9	1226.0	1085.2
Net Revenue	963.0	1090.3	1137.1	1006.0
PBIDT	134.8	137.2	124.0	134.6
Depreciation	71.3	64.9	56.4	53.9
PBIT	63.5	72.3	67.6	80.7
Interest	59.4	63.1	67.9	51.6
PBT	4.1	9.2	(0.3)	29.0
Income Tax	2.5	5.1	0.1	4.8
Deferred Tax	(1.1)	(5.7)	3.6	(0.9)
MAT Credit Receivable	0.0	0.0	0.0	(1.4)
Previous Year Income Tax	0.0	(0.3)	0.0	0.0
PAT	2.6	10.2	(3.9)	26.5
Dividend (Including Tax)	1.6	2.4	2.4	3.2
Gross Fixed Assets (Incl. CWIP)	1068.7	1025.9	926.1	893.1
Net Fixed Assets (Incl. CWIP)	539.6	562.9	519.1	535.3
Net Current Assets*	(47.0)	67.3	146.4	99.4
Equity Share Capital	13.5	13.5	13.5	13.5
Reserves & Surplus	308.7	307.6	299.9	306.1
Deferred Tax Liabilities	35.4	36.5	38.5	34.9
Total Loan Funds	279.0	416.8	428.4	453.5
Key Ratios (%)				
Operating Margin (PBIDT/Net Revenue)	14.0	12.6	10.9	13.4
ROCE (PBIT/Avg. Capital Employed)	9.0	9.3	8.5	10.3
RONW (PAT/Avg. Net Worth)	0.8	3.2	(1.2)	8.7
Per Share Data (Rs)				
EPS	0.2	0.8	(0.3)	2.0
Cash EPS	5.5	5.6	3.9	5.9
Book Value	23.8	23.7	23.2	23.6
Dividend (%)	10	15	15	20

* Excluding short term and current liability of long term bank borrowings.

Note: Loss of 2011-12 includes Loss on sale of Assets and Investments.
Profit of 2010-11 includes Profit on sale/transfer of land.
Previous year's (2010-11) figures have been re-grouped/re-arranged.



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Financial Highlights

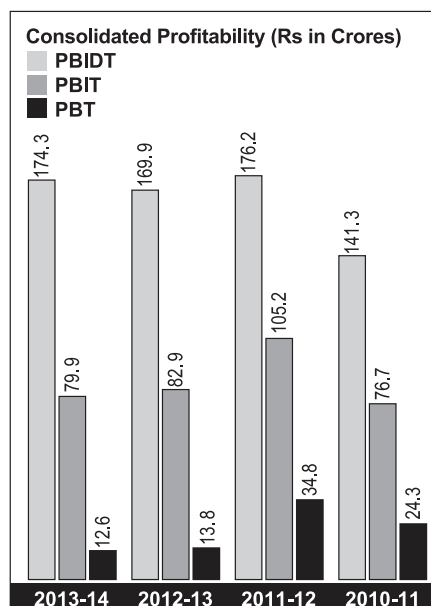
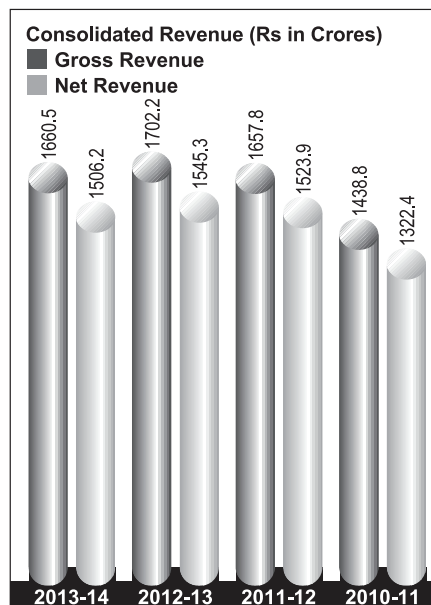
Consolidated Group

(Rs in Crores)

Particulars	2013-14	2012-13	2011-12	2010-11
Gross Revenue	1660.5	1702.2	1657.8	1438.8
Net Revenue				
Rico Auto Industries Limited	963.0	1090.3	1137.1	1006.0
Rico Auto Industries Inc. USA	85.4	78.9	94.6	99.9
Rico Auto Industries (UK) Limited UK	56.4	50.8	55.9	50.1
FCC Rico Limited (50%)	480.4	431.1	378.4	316.0
Continental Rico Hydraulic Brakes India Pvt. Ltd. (50%)	0.0	0.0	15.5	5.5
Magna Rico Powertrain Private Limited (50%)	23.2	17.9	10.0	7.0
Rico Jinfei Wheels Limited (92.5%)	52.0	50.5	36.3	35.3
Uttarakhand Automotives Limited	0.0	0.0	0.0	0.0
Rasa Autocom Limited	14.8	9.1	16.8	0.0
RAA Autocom Limited	0.0	0.0	0.0	0.0
AAN Engineering Industries Limited	0.0	0.0	0.0	0.0
Less : Inter Company Sales	(169.0)	(183.3)	(220.8)	(197.4)
Rico Group Consolidated	1506.2	1545.3	1523.9	1322.4
PBIDT	174.3	169.9	176.2	141.3
PBIT	79.9	82.9	105.2	76.7
PBT	12.6	13.8	34.8	24.3
PAT	2.7	5.4	22.5	13.3
Gross Fixed Assets (Incl. CWIP)	1308.7	1242.8	1094.3	1070.0
Net Fixed Assets (Incl. CWIP)	707.1	729.0	644.9	676.5
Net Current Assets*	(2.1)	125.1	194.3	134.6
Equity Share Capital	13.5	13.5	13.5	13.5
Reserves & Surplus	335.3	330.5	327.8	308.0
Deferred Tax Liabilities	37.5	40.4	38.8	34.3
Total Loan Funds	349.5	499.1	479.4	475.3
Key Ratios (%)				
Operating Margin (PBIDT/Net Revenue)	11.6	11.0	11.6	10.7
ROCE (PBIT/Avg. Capital Employed)	9.9	9.5	12.4	9.5
RONW (PAT/Avg. Net Worth)	0.8	1.6	6.8	4.3
Per Share Data (Rs)				
EPS	0.2	0.4	(0.2)	1.0
Cash EPS	7.2	6.8	5.1	5.8

* Excluding short term and current liability of long term bank borrowings.

Note: Profit of 2011-12 includes Loss on sale of Assets and Investments.
Profit of 2010-11 includes Profit on sale/transfer of land.
Previous year's (2010-11) figures have been re-grouped/re-arranged.



RICO AUTO INDUSTRIES LIMITED

From the Chairman's desk

Dear Shareholders,

2013-14 has been a challenging year that your Company, navigated with confidence & resilience. The business outlook was severely affected by the impact of the slowdown in the election year. A GDP growth of sub 5%, high inflation, high interest rates & poor industrial sector growth have contributed to the economic climate & the ensuing business sentiment. In addition, high fiscal deficit, expansionary subsidies and worsening current account balance all added to the slowdown.

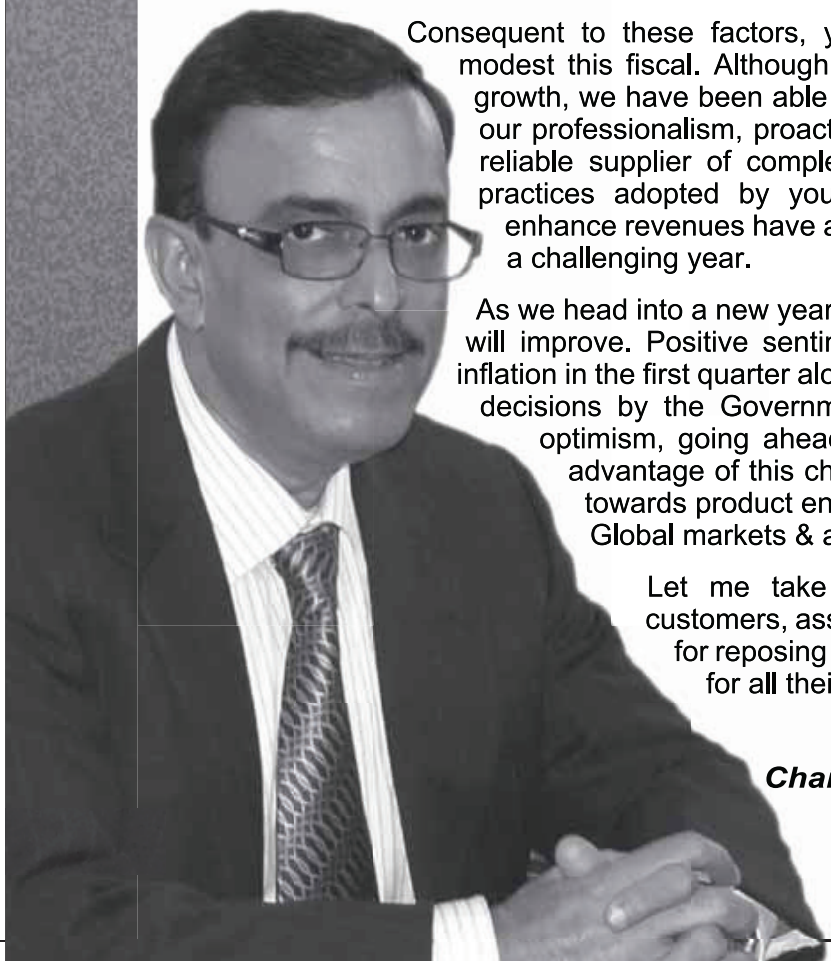
As with most industries, the impact of the macro economic variables was felt by the automotive industry in India, which is the mainstay of your Company's operations. Sluggish vehicle sales, high capital costs, high interest rates and currency fluctuations were some of the factors that adversely impacted the sector. The industry witnessed a meager 3.4% growth in domestic sales with passenger vehicles down 6.8% and commercial vehicles down a whopping 18.7%. The two-wheeler segment was the only saving grace, recording a positive growth.

Consequent to these factors, your Company's performance has been modest this fiscal. Although our Turnover has registered a negative growth, we have been able to arrest this negative growth by virtue of our professionalism, proactive approach & our reputation of being a reliable supplier of complex components & assemblies. The best practices adopted by your Company to both, optimize costs & enhance revenues have also gone a long way in making the best of a challenging year.

As we head into a new year, we are hopeful that the business climate will improve. Positive sentiment borne out of a marginal decline in inflation in the first quarter along with the hope of growth oriented policy decisions by the Government, have set stage for some cautious optimism, going ahead. Your Company is well poised to take advantage of this change as it stands committed to its efforts towards product enhancement both for the Domestic and the Global markets & augmenting its manufacturing capabilities.

Let me take this opportunity to thank our valued customers, associates, vendors, bankers & stakeholders for reposing their faith in us, and also to our employees for all their tireless efforts in a challenging year.

Arvind Kapur
Chairman, CEO and Managing Director



In conversation with the Chairman

Q1. Please share your outlook on the year 2013-14 and the plan your organization has devised for the next fiscal.

A: The year 2013-14 was challenging to say the least. A number of factors including high inflation, and poor industrial sector growth, led to a GDP of 4.7%, continuing the trend of a sub 5% GDP growth that has been plaguing us for a while now. High energy cost and high interest rates have also been limiting growth.

The above factors have severely affected the automobile industry that our Company principally serves. While overall the automobile industry witnessed a meager 3.4 % growth in domestic sales, important segments such as passenger vehicles showed a de-growth of 6.8% while commercial vehicles were down a whopping 18.7%. The silver lining was the two-wheeler segment, which recorded positive growth.

With the pro-business policies of the new Government, we are hopeful that both the economic climate & the business sentiment will take a turn for the better. The Company is fully geared up to take advantage of this positive trend. We are looking towards expanding our operations and building a stronger and wider customer base both for the Domestic and the Global markets, which will prove to be instrumental in our growth. Many of the new projects won by the Company during the last fiscal, will see realization of sales in the last quarter of the current year and further augment our standing in the market. A wide product portfolio, a strong orientation towards detail and stringent product quality guidelines and strategic associations with organizations around the globe are some of the other factors that will drive the Company in the next fiscal.

Overall a de-risked business model, strong emphasis on design and engineering capabilities, emphasis on productivity improvement, efficient utilization of assets, reduction in working capital and lean manufacturing will help in creating opportunities and maintaining our competitive advantage in the auto component industry.

Q2. What has been the performance of the JVs?

A: The JVs are doing substantially well in financial terms. Here's an overview of their performance:

FCC Rico Limited

FCC Rico recorded a gross turnover (excluding other income) of Rs.1089.22 crores for the financial year ended 31st March, 2014, a 14% growth over last year's actuals.

RICO AUTO INDUSTRIES LIMITED

In conversation with the Chairman

Further, this Company has achieved a gross turnover (excluding other income) of Rs.297.02 crores for the quarter ended 30th June, 2014, a 21% increase against the corresponding quarter last year.

Magna Rico Powertrain Private Limited

Magna Rico recorded a turnover of Rs.51.36 crores in the financial year ended 31st March, 2014 a 32% increase over previous year. The Company has earned a net profit of Rs.1.74 crores in the financial year ended 31st March, 2014 as against Rs.0.54 crore in the previous year. The Company has not declared any dividend for the financial year ended 31st March, 2014. During the financial year under review, your Company has invested Rs.1.50 crores in the Equity Share Capital and as on date our investment in the Equity Share Capital stands at Rs.21.12 crores.

Further, this Company has achieved a gross turnover (excluding other income) of Rs.12.93 crores for the quarter ended 30th June, 2014, a 25% increase against the corresponding quarter last year.

Rico Jinfei Wheels Limited

This Company earned total revenues of Rs.63.41 crores during the financial year ended 31st March, 2014 as against Rs.61.46 crores in the previous year. This Company minimized its losses which stood at Rs.12.81 crores in the financial year ended 31st March, 2014 as against Rs.14.02 crores in the previous year.

Further, this Company has achieved a gross turnover (excluding other income) of Rs.20.56 crores for the quarter ended 30th June, 2014, a 38% increase over the corresponding quarter last year.

During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

Q3. What are the highlights of the previous fiscal in terms of expansion and fortification of operations by RICO?

A: We are working extensively towards expanding our operations by way of commissioning new plants and adding production capacity and latest technology to the existing facilities. In this regard, the production facilities at our Bawal plant are being up graded to provide a better output to handle growing global demands. Similarly, our Chennai plant is soon to start operations which will further add production capacity, contributing to a wider consumer and

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In conversation with the Chairman

product portfolio. We are in the process of attaining new corporate contracts to better utilize the capacity of our Sanand plant.

Q4. As a pro-employee organization, please share the major developments that have been implemented with regard to employee welfare.

A: Being a people friendly organization, employee development has always been our prime focus. A number of initiatives and training programs for skill up-gradation are conducted on a regular basis at RICO. As a continuous endeavor to strengthen & develop our workforce, we have launched organization wide training initiatives focusing on the development of our employees. Periodic trainings on computer education & English verbal communication are being imparted to make our associates more confident to communicate and respond to our global/domestic clientele.

At RICO, our emphasis has always been on meritocracy & a performance driven work culture. To this end we give our employees all possible support towards skill upgradation leading to their meeting & exceeding their KRAs.

Our Hallmark initiatives like Best workplace award, Long service award, External & Inter unit sports activities & Employee engagement programs like Employee birthday celebrations, Employee family connect programs continue to contribute towards employee motivation & empowerment.

Q5. CSR initiatives have been a high point at RICO. What have been the major CSR highlights this year?

A: Our CSR objective is to actively contribute to the development & elevation of communities in which we operate. Our CSR policy is driven towards addressing continuous improvement and development in areas of reduction of unemployment, education, health, safety, hygiene & environmental protection.

We have been conducting mass awareness campaigns on HIV-AIDS, Cancer & Tuberculosis (TB). We have also organized health camps on Dental Check-ups, Eye Check-ups, Blood donation etc. on a regular basis in conjunction with reputed healthcare institutions.

An ethos of compassion characterized by a willingness to build a society that works for everyone permeates our CSR Policy. At RICO we undertake every possible effort to maintain compliance with this.

RICO AUTO INDUSTRIES LIMITED

Our Core Values

Excellence

The power of being the best

Commitment

The power of responsibility, accountability and ownership

Integrity

The power of honesty and transparency

Teamwork

The power of working together

Entrepreneurship

The power of pursuing new challenges with speed, flexibility and ownership

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Contents

Team & Corporate Information	2
Directors' Report	3
Management Discussion and Analysis Report	9
Corporate Governance Report	12
Independent Auditors' Report	26
Standalone Financial Statements	32
Statement and Financial Summary of Subsidiaries	63
Consolidated Financial Statements	65

RICO AUTO INDUSTRIES LIMITED

Team and Corporate Information

Board of Directors

Arvind Kapur
Chairman, CEO & Managing Director

Kanwal Monga
Amarjit Chopra
Dr. Ashok Seth
Satish Sekhri
Rakesh Kapur
Rajeev Kapoor
(w.e.f. 13.11.2013)
Vinod Kumar Nagar
(w.e.f. 13.11.2013)
Arun Kapur
Joint Managing Director

Senior Executives

O P Aggarwal
R S Kundi
N K Sethi
G S Bisht
Surendra Singh
Manjit Singh
Anuj Singhal
R K Miglani
M K Jain
R Dharna

Company Secretary

B M Jhamb
FCS No. 2446

Auditors

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Regn. No. 001076N/N500013
New Delhi, India

Bankers (in alphabetical order)

Axis Bank Limited
Export Import Bank of India
HDFC Bank Limited
IDBI Bank Limited
Kotak Mahindra Bank Limited
State Bank of India
State Bank of Hyderabad
State Bank of Patiala
Syndicate Bank
Yes Bank Limited

Registered Office & Dharuhera Plant

69 KM Stone, Delhi-Jaipur Highway,
Dharuhera - 122106, District Rewari
Haryana, India
CIN : L34300HR1983PLC023187
website: www.ricoauto.com

Corporate Office & Gurgaon Plant

38 KM Stone, Delhi-Jaipur Highway,
Gurgaon - 122001
Haryana, India

Registrar & Transfer Agent

MCS Limited
F-65, Okhla Industrial Area, Phase I
New Delhi - 110020, India

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DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting the 31st Annual Report of your Company, together with the Audited Accounts for the year ended 31st March, 2014.

FINANCIAL RESULTS

(Rs. in Crores)		
Particulars	Year Ended 31/03/2014	Year Ended 31/03/2013
Gross Sales and other Income	1041.62	1185.87
Net Sales and other Income	963.04	1090.30
Profit before Interest & Depreciation	134.79	137.23
Interest & Financial Charges	59.36	63.08
Profit before Depreciation and Tax	75.43	74.15
Depreciation	71.33	64.94
Profit before Tax (PBT)	4.10	9.21
Provision for Income Tax	2.54	4.77
Provision for Deferred Tax	(1.07)	(5.72)
Net Profit	2.63	10.16
Surplus brought forward from previous years	80.86	73.58
Amount available for appropriations	83.49	83.74
Appropriations:		
Proposed Dividend on Equity Shares @ 10%	1.35	—
Dividend on Equity Shares @ 15%	—	2.03
Corporate Dividend Tax	0.23	0.34
Transferred to General Reserve	—	0.51
Balance carried to Balance Sheet	81.91	80.86
	83.49	83.74

Your Company has recorded a turnover of Rs.1041.62 crores in the year under report as against Rs.1185.87 crores in the previous year. Your Company has earned a Profit after Tax (PAT) of Rs.2.63 crores during the year under report over the previous year's profit of Rs.10.16 crores.

OUTLOOK FOR CURRENT YEAR

The Unaudited Financial Results for the first quarter ended 30th June, 2014, already announced, show a turnover of Rs.229.97 crores for the first quarter of the current year against a turnover of Rs.293.19 crores in the corresponding quarter of the previous year. Your Directors are taking steps to improve the turnover and margin during the remaining part of the year.

RESERVES

The reserves of your Company after proposed appropriations shall stand at Rs.308.69 crores as against Rs.307.64 crores in the previous year.

EXPORT

The export turnover of your Company during the period under review was Rs.193.20 crores as against Rs.181.99 crores in the previous year. The export turnover includes sales to wholly owned subsidiaries amounting to Rs.124.33 crores as against Rs.116.56 crores in the previous year. Our wholly owned subsidiaries in United Kingdom and United States of America are engaged in providing last mile sales and customer support in the regions.

During the quarter ended 30th June, 2014 of current year, export turnover was Rs.45.42 crores as against Rs.52.77 crores in the corresponding quarter of the previous year. Further details as regards efforts of your Company on this front have been dealt with in the Management Discussion and Analysis section of this report.

DIVIDEND

Your Directors have recommended a Dividend @10 per cent i.e. Re.0.10 per Equity Share of Re.1/- each for the financial year 2013-14, amounting to Rs.1.58 crores including dividend tax of Rs.0.23 crore on the Equity Share Capital of Rs.13.53 crores as against a dividend of 15 per cent i.e. Re.0.15 per Equity Share of Re.1/- each aggregating to Rs.2.37 crores including dividend tax of Rs.0.34 crore in the previous year on the same Equity Share Capital.

FINANCE

Your Company is rated ICRA-"A3" and ICRA-"BBB-(Negative)" Ratings for Line of Credit (Basel-II) for its Short Term and Long Term Bank Facilities respectively by ICRA Limited.

NEW PLANTS AND FACILITIES

The Company continues its efforts towards expansion of its domestic and overseas customer base by first utilizing the existing available capacities and also implementing new facilities to enhance capacity by acquiring new technologies and also de-risking its operations geographically. The Company is working for setting-up its:

A. Bawal Plant

This plant has been set up for High Tonnage High Pressure Die Casting work with full automation and controls and high precision machining for Auto parts and assembly. Production was commenced in March, 2013 and we are now gearing up for higher volumes for our esteemed customers Eaton, Renault and Tata Motors.

B. Chennai Plant

The Company has been awarded orders for manufacturing of automotive parts from Renault-Nissan in Chennai. Manufacturing equipments are under installation and commissioning. Commercial Production is planned to start in the last quarter of this financial year.

C. Pathredi (Bhiwadi) Plant

Site development work has been completed. The building construction is deferred and is now expected to commence in the financial year 2015-16.

D. Sanand Plant

At present, in view of low demand by Tata Motors Limited for the components for the Nano Car, supply is being made from the Company's Gurgaon Plant. Efforts are being made to add more

RICO AUTO INDUSTRIES LIMITED

customers so the Plant capacity can be utilized. Re-starting of the Sanand Plant by last quarter of this financial year is under discussion with Tata Motors in lieu of application of parts for their running Ace Pick up model.

Further discussions are in progress with M/s. Hero Motocorp and Maruti Suzuki for supplies to their up-coming plants in Gujarat and other states.

SUBSIDIARY COMPANIES

Your Company has Wholly Owned Subsidiaries (Unlisted):

A. Rico Auto Industries Inc., USA

This Company is engaged in the business of trading of Auto Components and providing warehousing and logistics support to our OEMs and Tier-I Customers in the North American and Brazilian Markets. The Company earned total revenues of Rs.85.44 crores during the financial year ended 31st March, 2014 as against Rs.78.89 crores in the previous year. The Company earned a net profit of Rs.1.02 crores in the financial year ended 31st March, 2014 as against Rs.0.80 crore in the previous year. The Company has not declared any dividend for the financial year ended 31st March, 2014.

This Subsidiary has achieved a turnover of Rs.22.29 crores for the first quarter ended 30th June, 2014 as against Rs.18.57 crores in the corresponding quarter of the previous year, an increase of 20 per cent. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

The Subsidiary is expecting significant growth during the remaining part of the current financial year based on the demand of our OEMs and Tier-I Customers.

B. Rico Auto Industries (UK) Limited, U.K.

This Company is engaged in the business of trading of Auto Components and providing warehousing and logistics support to our OEMs and Tier-I Customers for the European Markets. The Company earned total revenues of Rs.56.45 crores during the financial year ended 31st March, 2014 as against Rs.50.75 crores in the previous year. The Company earned a net profit of Rs.0.35 crores in the financial year ended 31st March, 2014 as against Rs.0.72 crore in the previous year. The Company has not declared any dividend for the financial year ended 31st March, 2014.

This Subsidiary has recorded a turnover of Rs.12.17 crores for the first quarter ended 30th June, 2014 as against Rs.14.18 crores in the corresponding quarter of the previous year, a decrease of 14 per cent. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

The Subsidiary, despite decrease in turnover in first quarter, is expecting significant growth during the remaining part of the current financial year based on the demand of our OEMs and Tier-I Customers.

C. Rasa Autocom Limited

This Company is engaged in the business of manufacturing of high pressure and gravity die cast Auto Components. Its plant

is being equipped for automation and better controls to produce high quality parts in large volume for export. The Company has recorded a turnover of Rs.16.89 crores during the financial year ended 31st March, 2014 as against Rs.10.94 crores in the previous year. The Company has incurred loss of Rs.7.52 crores in the financial year ended 31st March, 2014 as against the loss of Rs.8.63 crores in the previous year.

This Subsidiary has achieved a turnover of Rs.2.01 crores for the first quarter ended 30th June, 2014 as against Rs.7.17 crores in the corresponding quarter of the previous year. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

D. Uttarakhand Automotives Limited

During the year under review, this Company has not started any manufacturing activities. The Company has incurred expenses of Rs.0.35 lac towards administrative and other operating expenses during the financial year 2013-14. The Company has accumulated loss of Rs.10.68 crores as on 31st March, 2014. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

E. RAA Autocom Limited

During the year under review, this Company has not started any manufacturing activities. The Company has incurred expenses of Rs.0.31 lac towards administrative and other operating expenses during the financial year 2013-14. The Company has accumulated loss of Rs.1.86 crores as on 31st March, 2014. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

F. AAN Engineering Industries Limited

This Company has been set-up to focus on, non-automotive components business, especially for manufacturing and supplying of technical and engineering equipment required for Defence i.e. Army, Aerospace, Navy and Homeland Security. The Company is now registered with the Directorate General of Supplies & Disposals (DGS&D) and the National Small Industries Corporation (NSIC). This Company is in the process of getting AS 9100C Certification for manufacture of aerospace components. This Company has also signed an International Distributor & Representation Agreement with a foreign company.

During the year under review, this Company has not started any manufacturing activities. The Company has incurred expenses of Rs.0.12 crore towards administrative and other operating expenses during the financial year 2013-14. The Company has accumulated loss of Rs.0.84 crore as on 31st March, 2014. During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

JOINT VENTURE COMPANY WHICH IS ALSO SUBSIDIARY

Rico Jinfei Wheels Limited

This Company earned total revenues of Rs.63.41 crores during the financial year ended 31st March, 2014 as against Rs.61.46 crores

in the previous year. This Company has incurred a loss of Rs.12.81 crores in the financial year ended 31st March, 2014 as against Rs.14.02 crores in the previous year.

Further, this Company has achieved a gross turnover (excluding other income) of Rs.20.56 crores for the quarter ended 30th June, 2014 as against Rs.14.94 crores in the corresponding quarter of the previous year, an increase of 38 per cent.

During the financial year and period under review, your Company has not made any additional investment in this Subsidiary.

JOINT VENTURE COMPANIES

A. FCC Rico Limited

FCC Rico recorded a gross turnover (excluding other income) of Rs.1089.22 crores for the financial year ended 31st March, 2014 as against Rs.958.03 crores in the previous year, a growth of 14 per cent.

Further, this Company has achieved a gross turnover (excluding other income) of Rs.297.02 crores for the quarter ended 30th June, 2014 as against Rs.245.06 crores in the corresponding quarter of the previous year, an increase of 21 per cent.

B. Magna Rico Powertrain Private Limited

Magna Rico recorded a turnover of Rs.51.36 crores in the financial year ended 31st March, 2014 as against Rs.38.75 crores in the previous year, a growth of 32 per cent. The Company has earned a net profit of Rs.1.74 crores in the financial year ended 31st March, 2014 as against Rs.0.54 crore in the previous year. The Company has not declared any dividend for the financial year ended 31st March, 2014. During the financial year under review, your Company has invested Rs.1.50 crores in the Equity Share Capital and as on date our investment in the Equity Share Capital stood at Rs.21.12 crores.

Further, this Company has achieved a gross turnover (excluding other income) of Rs.12.93 crores for the quarter ended 30th June, 2014 as against Rs.10.32 crores in the corresponding quarter of the previous year, an increase of 25 per cent.

FINANCIAL STATEMENTS

Pursuant to the Listing Agreements, the appended Audited Consolidated Financial Statements of the Subsidiaries and the Joint Venture Companies, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India form a part of the Annual Report.

In terms of circular issued by the Ministry of Corporate Affairs, general exemption has been granted from the provisions of Section 212 of the Companies Act, 1956 to Companies in relation to attaching accounts and other documents pertaining to its subsidiaries subject to fulfillment of the conditions mentioned in the circular. The Board of Directors have, vide their resolution passed on 28th May, 2014, consented not to attach the accounts and other documents pertaining to Company's Subsidiaries. The Company will make available these documents upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been disclosed under "Statement pursuant to section 212 and financial summary related to Subsidiary Companies" forming part of the Annual Report.

FIXED DEPOSITS

The Company has not accepted deposits from the public during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

Pursuant to Clause 49 of the Listing Agreement, MDA which forms part of this Report is annexed.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with General Shareholders information as prescribed under the Listing Agreement is annexed as a part of this Report, along with the Certificate from the Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

AUDIT COMMITTEE

Your Company has an Audit Committee to meet the requirements of the Companies Act, 2013 and Listing Agreement with the Stock Exchanges. Details of the Audit Committee are given under the Corporate Governance Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of your Company has constituted Corporate Social Responsibility Committee comprising Shri Rajeev Kapoor as Chairman, Dr. Ashok Seth, Shri Arun Kapur and Shri Rakesh Kapur as its members to comply with the Section 135 of the Companies Act, 2013 and the rules made thereunder. The Committee has been entrusted with the responsibility to recommend and monitor the CSR activities of the Company.

LISTING OF EQUITY SHARES

The Equity Shares of your Company are presently listed on BSE Limited and the National Stock Exchange of India Limited. The Annual Listing Fees have been paid for the financial year 2014-15.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2014 the applicable accounting standards have been followed and there are no material departures;
- ii) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit for the year 1st April, 2013 to 31st March, 2014;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities; and
- iv) the annual accounts for the financial year ended 31st March, 2014 have been prepared on a going concern basis.

DIRECTORS

Shri Rajeev Kapoor and Shri Vinod Kumar Nagar have been appointed as Additional Independent Directors of the Company w.e.f.

RICO AUTO INDUSTRIES LIMITED

13th November, 2013. They hold office upto the date of the ensuing Annual General Meeting.

Independent Directors may be appointed for a term upto 5 (Five) consecutive years as per Section 149 read with Section 152 of the Companies Act, 2013 (the Act). Accordingly resolutions are placed for your approval to appoint Shri Amarjit Chopra, Shri Kanwal Monga, Dr. Ashok Seth, Shri Satish Sekhri, Shri Rajeev Kapoor and Shri Vinod Kumar Nagar as Independent Directors for a term upto 5 (Five) consecutive years from the date of this Annual General Meeting. The Board has received declarations from all the above Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under the Act and the Clause 49 of the Listing Agreement. The Company has also received proposals for their appointment as Independent Directors from the members as required by the Act.

Shri Arun Kapur, Joint Managing Director of the Company who was appointed as Director not liable to retire by rotation as per Article 121 of the Articles of Association of the Company in the Annual General Meeting held on 30th September, 2009 has opted to retire by rotation to fulfill the requirements of the Act.

Brief resume relating to Directors who are being re-appointed/appointed are given in the Notice of the Annual General Meeting.

AUDITORS

M/s. Walker Chandio & Co LLP (Formerly Walker, Chandio & Co), Chartered Accountants (Firm Registration No.001076N/N500013) are eligible, as per the provisions of Section 139 of the Companies Act, 2013 (the Act) read with Rules framed thereunder, to be appointed for a period of three years. The Company has received a certificate under Section 141 of the Act from the Auditors confirming their eligibility for re-appointment. The Board recommends their re-appointment as Auditors for the period upto 34th Annual General Meeting and to fix their remuneration for the financial year 2014-15.

Auditors have made some observations by way of disclaimer pertaining to the Joint Venture Company namely FCC Rico Limited contained in their Report on consolidated financial statements for the financial year 2013-14, which stated that the Company has considered the Unaudited Financial Statements of FCC Rico Limited in absence of the Audited Financial Statements. The management of your Company is of the view that there will not be any material change to the reported numbers. The management of FCC Rico Limited has informed that they are in the process of adopting the financial statements. Accordingly, impact, if any, will be taken by your Company in the current financial year 2014-15 in the consolidated financial statements.

The other observations in the Auditors' Report are dealt within the notes to accounts at appropriate places and being self-explanatory, need no further comments.

COST AUDITORS

The Board in its meeting held on 30th May, 2013 has appointed M/s. J.K. Kabra & Co., Cost Accountants, New Delhi as Cost Auditors to carry out the cost audit of the Company for the financial year 2013-2014. The Cost Audit Report for the year 2013-14 would

be filed with Hon'ble Ministry of Corporate Affairs, New Delhi within stipulated time.

TRANSFER OF UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained unpaid/unclaimed for a period of seven years have been transferred by the Company to the IEPF established by the Central Government pursuant to Section 205C of the said Act.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

As required by the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information is given in the annexure forming part of this report.

PERSONNEL

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company Secretary at the Corporate Office of the Company. The said information is also available for inspection at the Corporate Office and Registered Office of the Company during working hours up to the date of the Annual General Meeting.

During the year under report, the Industrial relations with personnel remained cordial, at all Plants. Your Directors wish to place on record their appreciation of the sincere and unstinted support provided to the Company by its employees at all levels.

COMPANIES ACT, 2013

During the current financial year the Companies Act, 1956 has been replaced by the Companies Act, 2013 which became applicable for every Company from 1st April, 2014. Your Company has been regular in keeping pace with the changes that have become applicable and initiated necessary actions accordingly to comply with the same.

ACKNOWLEDGEMENTS

The Board wishes to place on record its sincere appreciation for the continued assistance and support extended to the Company by Financial Institutions, Banks and various departments of Central and State Governments. Your Directors acknowledge with gratitude the encouragement and support extended by our valued customers, business associates and shareholders.

On behalf of the Board of Directors

Arvind Kapur

Chairman, CEO & MD

DIN: 00096308

Place : Gurgaon

Dated : 11th August, 2014

ANNEXURE TO DIRECTORS' REPORT

INFORMATION 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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

Energy Conservation is an ongoing process with us, taken as a challenge. The various measures taken by your Company are:

- i) Using natural gas as a fuel for Core Backing in Core Shop and Leddel heating in Foundry Division.
- ii) Installation of 12 Pulse Controlled Induction Melting Furnace in place of 6 Pulse Controlled Induction Furnace in Foundry Division.
- iii) Reduce energy consumption through:
 - Installation of VCBs in place of OCBs.
 - Installation of Induction Lamps in place of Metal Halide Lamps.
 - Room Air Conditioning Temperature increased from 21°C to 25°C.

b) Additional Investment and Proposals for reduction of consumption of energy:

- i) Installation of power plant based on Solar Energy.
- ii) Installation of Reverse Osmosis (RO) Plant for further recovery of treated water from RO waste water.
- iii) Replacement of Furnace Oil by Natural Gas in hot water generator and paint shop.

c) Impact of the above Measures:

With the implementation of the various energy conservation measures, the energy cost is expected to be reduced which consequently will result in cost saving.

d) Total Energy Consumption and Energy Consumption per unit of production:

Being not applicable to auto components sector, the Form A is not furnished.

B. TECHNOLOGY ABSORPTION

e) Efforts made in technology absorption as per Form B:

The details in this regard are set out in Form B attached hereto.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans are mentioned below:

- i) Activities relating to exports: Despite overall Global slowdown and economic uncertainty with many programs falling short of the projections, your Company was able to post a decent 6.2% growth in exports over last year due to new programs launches as well as ramp up in certain programs. There are positive signals emerging from NAFTA & European markets and your Company would be able to catch on and consolidate its position in the 2nd half of the current financial year.
- ii) Initiatives taken to increase exports: In past few years, there has been a continuous endeavor to add new products and customers in our portfolio across the Globe. The new Differential Housing Business won from GKN and BMW is expected to be launched in the last quarter of the current financial year. Also ramp up in Jatco and Renault is expected to add to this year's sales. All our customers have continued to show their keen intent to engage with RICO as their preferred supplier and work as a long term strategic partner. This intent is based on the demonstrated ability to supply superior quality critical and complex parts at most competitive prices and manage an extended supply chain to deliver just in time. RICO is building capability and infrastructure to produce more complex and higher value parts in order to build a competitive position in this segment.
- iii) Development of new export markets, products and services: Your Company has been successful to win new business from key customers like GKN, BMW, Renault and Honeywell.
- iv) Export plans: The exports market in US and Europe is stabilizing and expected to grow by around 3-4% in 2014-15. Your Company is working towards leveraging this uptrend and will be launching some critical programs in the last quarter of the current financial year which will continue to strengthen its position.

g) Total foreign exchange used and earned:

(Rs. in Crores)

Particulars	2013-2014	2012-2013
i) CIF value of imports	4.97	23.40
ii) Expenditure in foreign currency	4.96	6.77
iii) Foreign Exchange earned	190.44	177.64

RICO AUTO INDUSTRIES LIMITED

FORM – B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:
 - a) Metallurgical analysis of die-steel used in manufacturing of dies & moulds. Comparative analysis of all the different types of die steel used in Rico have been taken up to further improve life of dies.
 - b) Computer Aided Engineering (CAE) has been carried out on new models of alloy wheels of customer and the analysis results were aligned with the customer findings.
 - c) Defect analysis of inserts & components have been carried out.
2. Benefits derived as a result of R&D:
 - a) Increase in customer's confidence in RICO R&D's capabilities.
 - b) Cross functional team working across plants.
 - c) Problem solving confidence building.
3. Future plan of action:
 - a) To complete the analysis of die-steel of all Vendors.
4. Expenditure on R&D:
 - a) Capital Expenditure (Net of Sale/Disposal) including Capital Work-in-Progress as on 31/03/2014 : Rs.10.47 crores
 - b) Capital Expenditure during the year 2013-14 : Rs.0.14 lac
 - c) Capital Work-in-Progress during the year 2013-14 : —
 - d) Recurring Expenditure : Rs.2.23 crores
 - e) Depreciation : Rs.0.43 crore
 - f) Total (b to e) : Rs.2.66 crores
 - g) Total R&D expenditure as percentage to total turnover : 0.26%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
 - While conducting physical & chemical analysis of die-steel materials of different grades, in-depth study was conducted by analyzing international patents, publications & discussion with National Materials Laboratory (NML-Jamshedpur).
 - While conducting CAE work on alloy wheel, the database of typical wheel failure was analysed and the same was incorporated in the loading conditions of CAE analysis.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.:
 - Die-steel material : Comparative analysis will give rise to the justification of material cost and longest life.
 - CAE work : New model alloy wheel analysis results were shared with the customer and their approval has helped in confidence building amongst team members.
3. Details of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), are furnished as under:

Technology Imported:

 - i) The Company has signed a Technical Assistance Agreement with HONSEL AG of Germany to develop and manufacture Aluminium Cylinder Blocks for Diesel Engines solely relating to the 2-Cylinder blocks for "Tata Nano Diesel".
 - a) Year of import : 2009
 - b) Has technology been fully absorbed : Yes
 - c) If not fully absorbed, areas where this has not taken place, reasons & future implementation course of action : N.A.

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Rico Auto Industries Limited (RICO) is amongst the leading players in the Indian Auto Components Industry. RICO supplies Aluminium and Ferrous Machined Components and Assemblies to Original Equipment Manufacturers (OEMs) and Tier-I Customers across the Globe.

INDUSTRY STRUCTURE AND DEVELOPMENTS

According to a joint study by ACMA and Ernst & Young, the Indian Auto Component Industry would grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent through 2011-21. Not only meeting domestic demand, India is poised to scale new heights in terms of exports as well. The said report estimates that exports would grow at a CAGR of 18.8 per cent through the forecast period.

The year 2013-14 however, was one of the most challenging ones for the automobile industry with auto components witnessing a decline. During the fiscal year ending March, 2014, domestic automobile sales have recorded a cumulative sales growth of 3.4 per cent at 18.42 million units as against previous year figures of 17.81 million units, passenger cars and multi utility vehicle segment had a negative growth rate of 4.4 per cent at 3.09 million units compared to 3.24 million units in the previous year. The commercial vehicle segment registered a massive de-growth of 18.7 per cent at 0.71 million units against 0.87 million units last year. The two wheeler segment was the only silver lining, which registered a growth of 7.2 per cent with aggregated unit sales of 16.88 million units as compared to 15.75 million units in the previous year. Export has clocked a growth of 7.2 per cent at 3.11 million units as against previous year figures of 2.90 million units.

The Indian Auto Component Industry turnover stood close to US\$ 35.1 Billion for the year 2013-14 over the previous year turnover of US\$ 39.7 Billion, a dip of 11 per cent in Dollar terms. However, in Rupee terms this has reduced by 2 per cent. Exports of Auto Components from India during the financial year 2013-14 increased to US\$ 10.2 Billion from US\$ 9.7 Billion compared to previous year 2012-13 recording a modest growth of 5 per cent.

OPPORTUNITIES, THREATS AND OUTLOOK

India's Auto Component Industry today has the capability to manufacture the entire range of auto components at competitive costs. India is, therefore, fast emerging as an auto components hub and is expected to play a significant role in the global automotive supply chains in the coming years. Almost all Global auto makers have set up plants in India to cater to the domestic as well as export markets.

Your Company, with a view to explore opportunities with existing and new customers, has, (a) developed dedicated account teams to focus on each specific customer; (b) kept pace with the latest technological developments; (c) adopted quality standards in line with the global standards to meet its commitments; and (d) adopted best practices for global distribution of its products.

Your Company is well poised to benefit from opportunities available to the auto component industry on account of its reputation of being a reliable source of complex components and assemblies, multiple fully integrated production facilities, equipped to offer the complete spectrum of services from designing of components to development

of tools, casting and precision machining and assembly of auto components.

Although there was a decline in the domestic sales in line with the industry trends, yet your Company's exports showed a marginal growth. Combating the global slowdown as well uncertain economic climate, Your Company was able to post a decent 6.2 per cent growth in exports.

Exports always have been a focus area for your Company and it is continuously engaging its global customer base to bag new programs and launch them as per the customer requirements. In 2013-14, significant new business was added from GKN, BMW, Jatco and Renault. The Company has aligned its strategy to build infrastructure and capability for more complex and higher tonnage parts; thus giving more value to the customers and increasing its segment competitiveness.

The exports market in US and Europe is stabilizing and expected to grow by around 3-4 per cent in 2014-15. Your Company is working towards leveraging this uptrend and will be launching programs in the last quarter of the current financial year which will continue to strengthen its position.

ECONOMIC OUTLOOK

As discussed in our previous report, the business outlook for 2013-14 was restrained and challenged by the impact of slowdown in the election year with the manufacturing sector getting less than its fair share of Govt. attention. The GDP growth for 2013-14 is estimated to be around 4.7 per cent as compared to 4.5 per cent in the last year, which was one of the lowest in the last decade. In seven of the last eight quarters, India's GDP has grown at less than 5 per cent – held back by a combination of high inflation, high interest rates and poor industrial sector growth.

The estimates for current year peg the economy to grow at a healthier 5.5 per cent but with a down side risk due to deficient monsoon and external geopolitical situation in the Middle East which can directly impact the oil prices. Global oil prices remained at levels well over US\$100 per barrel for the first quarter of the current fiscal and are expected to firm up towards the end of the year which will definitely put severe pressure on operating margins. Higher energy cost and high interest rates due to high inflation could also be containing factors for growth of the industry.

Positive sentiment borne out of a marginal decline in inflation in the first quarter of the current fiscal and some promised growth oriented policy decisions promise to ease out liquidity and in turn lead the way for lowering of interest rates in the subsequent quarters. Starting with a weaker rupee in the first quarter compared to the dollar, would partially improve the competitive position for your Company in the export market.

BUSINESS OUTLOOK

The last fiscal has been one of the most challenging for the automotive industry in India; sluggish vehicle sales, high capital costs, high interest rates, currency fluctuations and slowing down of investment in manufacturing have adversely impacted the growth of auto component industry. Political uncertainty had added negative impact on the growth. Trying to recover from the impact of macro-

RICO AUTO INDUSTRIES LIMITED

economic variables, the automotive industry, the primary sector serviced by your Company, witnessed a meager 3.4 per cent growth in domestic sales with the passenger vehicles and commercial vehicles showing de-growth while the two wheelers witnessing growth during the same period. The key factors for the dismal industry performance were the increasing fuel prices, weakening rupee, prolonged high interest rate regime – leading to rising vehicle financing cost apart from slow down in demand.

Post-election, the new stable Government at the center and a pro-business environment in the country is likely to provide a boost to the Automotive Industry. Many of the new projects won by your Company during the last year will see start of sales realization in the last quarter of current year and augment our standing in the market. Your Company has been trying to utilize our current resources optimally and have minimized any new Capex this year. We are also working on lean operations and rationalizing our cost structure.

With the automotive sector being a key driver of the economy and growth returning to vehicle consumption in the last couple of months, we expect the auto component industry to grow in the range of 4-6 per cent in the current fiscal 2014-15.

Your Company believes that a de-risked business model, strong emphasis on design and engineering capabilities, emphasis on productivity improvement, efficient utilization of assets, reduction in working capital and lean manufacturing will help in creating opportunities and maintaining our competitive advantage in the auto component industry.

In order to address the impact of rising interest rate, material cost, energy cost, availability of power and volatility in foreign exchange, your Company is taking appropriate measures to reduce the adverse impact on profitability for a sustained growth.

SEGMENT WISE PERFORMANCE

The Company is operating mainly in the Auto Components business segment.

FINANCIAL PERFORMANCE

1. Revenue

Gross revenue of Rs.1041.62 crores was recorded in the financial year ended 31st March, 2014 as compared to Rs.1185.87 crores in the previous year. The total revenue for the financial year ended 31st March, 2014 includes export revenue of Rs.193.20 crores as against Rs.181.99 crores in the previous year.

2. Profits

The Company has earned Profit before Interest, Depreciation and Tax (PBITD) of Rs.134.79 crores during the financial year ended 31st March, 2014 over the previous year's PBITD of Rs.137.23 crores. Due to decline in turnover and increase in depreciation, the Profit before Tax of Rs.4.10 crores and Profit after Tax of Rs.2.63 crores respectively recorded no growth over the previous year Profit before Tax of Rs.9.21 crores and Profit after Tax of Rs.10.16 crores.

3. Earning Per Share (EPS)

The Basic and Diluted EPS of Re.1/- paid up share is Re.0.19 and Re.0.19 respectively for the financial year ended 31st March, 2014. The previous year's Basic and Diluted EPS was Re.0.75 and Re.0.75 respectively on Re.1/- paid up share.

4. Dividend

The Board has recommended a Dividend @10 per cent i.e. Re.0.10 per Equity Share of Re.1/- each for the financial year 2013-14, amounting to Rs.1.58 crores including dividend tax of Rs.0.23 crore on the Equity Share Capital of Rs.13.53 crores as against a dividend of 15 per cent i.e. Re.0.15 per Equity Share of Re.1/- each aggregating to Rs.2.37 crores including dividend tax of Rs.0.34 crore in the previous year on the same Equity Share Capital.

5. Investment

During the year under review, your Company has made an investment of Rs.1.50 crores in the Equity Share Capital of the Joint Venture Company namely M/s. Magna Rico Powertrain Pvt. Ltd. Investments made are expected to contribute towards the growth and profitability of the Company in the coming years.

6. Reserves and Surplus

The Reserves and Surplus stood at Rs.308.69 crores in the financial year ended 31st March, 2014 as compared to Rs.307.64 crores in the previous year, which shows marginal increase of 0.34 per cent year on year.

7. Loan Funds

Total debt outstanding as on 31st March, 2014 has decreased to Rs.279.04 crores as against Rs.416.84 crores in the previous year. The ratio of total debts to net worth now stands at 0.90 compared to 1.35 in the previous year.

8. Fixed Assets

Net Addition to gross block has been Rs.57.12 crores during the financial year ended 31st March, 2014, which has increased the total gross block to Rs.1047.16 crores (Refer Note 13 to Balance Sheet for additional details). Net Addition to Plant & Machinery of Rs.35.72 crores comprises 63 per cent of the total additions made during the year. Ratio of gross sales to gross block has decreased from 1.2 times to 0.99 times in the financial year 2013-14. Ratio of net sales to net block has decreased from 1.94 times to 1.86 times in the financial year 2013-14. The impact of these additions would be reflected by increase in turnover in the coming financial years. These additions besides raising the plant's production capabilities and capacities to meet the increased demand of the customers will also help us to reduce delivery time for customers.

RISKS AND CONCERNS

The Company is exposed to external and internal risks associated with the business.

The operations of the Company are directly dependent on the Automotive Industry and the cyclical nature of the industry affects us. General economic conditions impact the automotive industry and in turn our operations as well. To counter these risks, we continue to broaden our product portfolio, increase our customer profile and geographic reach.

The Company is exposed to strong competitive pressures, both domestic and overseas. Company's established reputation, close customer relationships, ability to provide higher level of engineering, design support and relentless drive for improvement gives us a competitive edge. We are also exposed to financial risk from changes in interest rates, foreign exchange rates, and commodity prices.

We are fully aware of other risks and are therefore implementing a structured risk management system. The Company is taking steps to ensure the effective risk management including risk identification and its mitigation through proper insurance covers and other strategies.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has effective and adequate internal control systems covering all areas of operations. These are being periodically reviewed by Auditors of the Company and continuous improvements made.

HUMAN RESOURCES

At RICO, our people have always been our most valued resource. We support our people with continuous in-house and outside training and education facilities. Our relations with employees are cordial at all Company locations.

There are 4728 employees including 2282 contractual employees in the Company as on 31st March, 2014.

ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT

The Company is committed to continuous improvement in Environment, Health and Safety Systems (EHS) in the organisation and ensuring compliance with all applicable legal and customer requirements. Behaviour based safety and Clean Development Mechanism (CDM) Projects are new initiatives taken to inculcate safe working culture and to reduce carbon emission.

Emergency preparedness through periodic drills, safety and health

awareness through competitions, campaigns and event celebrations are part of regular EHS Practice which enhance employee involvement.

Different trainings and tool box talks on EHS are making employees aware on different aspects of safety, health, and environment. Continuous training on various topics is imparted to improve employees' competence in EHS. This strategy will help to improve EHS performance indicators e.g. Near Miss Reporting, reduction in Lost Time Injury Frequency Rate (LTIFR) and Severity Rate.

We believe that health is wealth, so regular health camps and awareness sessions are incorporated in the EHS plan. The Company is committed to continual improvement in the ISO-14001 and OHSAS-18001 Systems through periodic audits by one of the World's Leading Certification Agency - American Systems Registrar (USA).

INFORMATION TECHNOLOGY

RICO is continually acquiring state-of-the-art technology and information resources. Continuous improvement in terms of availability and security of information is our prime motto. Technologies like Private Cloud and Cloud Storage are helping us protect vital information in the event of any disaster. The Organization is moving more towards generating business intelligence reports using IT Infrastructure.

CAUTIONARY NOTE

This report contains certain forward looking statements. All such statements are subject to risks and uncertainties. Actual results could differ materially from those expressed or implied.

RICO AUTO INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

Corporate Governance aims to maximize long-term stakeholders value. It is a combination of many factors to achieve the objectives of transparency, full disclosure, a system of checks and balances between the Shareholders, Directors, Auditors and the Management. Your Company's Board comprises of not only Promoter Directors, but professionally competent Non-Executive and Independent Directors who have effective control over the affairs of the Company. The Board on a continuous basis monitors implementation of decisions taken and at the same time provides management and employees a stable environment to plan and execute strategy.

The Company is in compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and the compliance report for the period from 1st April, 2013 to 31st March, 2014 on the Corporate Governance is given below:

1. COMPOSITION OF BOARD

Rico Auto's Board meets the requirement of code of Corporate Governance as stipulated in the Listing Agreement in respect of composition of the Board of Directors. It consists of Nine Directors - Two Executive and Seven Non-Executive Directors and of which six are Independent. They all have with them considerable experience in their respective fields. The Chairman of the Board is an Executive Director w.e.f. 10th November, 2012.

Particulars of Directors of the Company and their directorship in other Companies, Membership/Chairmanship in committees across all Companies in which they are Directors and shareholding in the Company as on 31st March, 2014 are as follows:

Name of the Director & DIN	Category	Number of Committees		Number of other Directorship held#	Shareholding as on 31/03/2014
		Membership held#	Chairmanship held#		
Shri Kanwal Monga - 00153473	Independent – Non Executive	1	—	2	Nil
Shri Amarjit Chopra - 00043355	Independent – Non Executive	1	3	2	Nil
Dr. Ashok Seth - 00050540	Independent – Non Executive	—	—	—	25000
Shri Satish Sekhri - 00211478	Independent – Non Executive	4	—	4	1501
Shri Vinod Kumar Nagar* - 02487061	Independent – Non Executive	2	—	1	Nil
Shri Rajeev Kapoor* - 02051466	Independent – Non Executive	1	—	—	Nil
Shri Rakesh Kapur - 00100359	Non-Executive	1	—	9	2398720
Shri Arun Kapur - 00100270	Executive – Jt. Managing Director	1	—	6	8651160
Shri Arvind Kapur - 00096308	Executive – Chairman, CEO & Managing Director	1	—	7	12652460

#Excluding Private Limited Companies

*Shri Vinod Kumar Nagar and Shri Rajeev Kapoor were appointed as Additional Directors on 13th November, 2013.

Shri Arvind Kapur, Shri Arun Kapur and Shri Rakesh Kapur being brothers are related to each other.

There are no pecuniary relationship or transactions of Independent Directors vis-à-vis the Company. Only two Committees viz. the Audit Committee and Shareholders/Investors Grievance Committee are considered for the purpose of ascertaining the membership and chairmanship of the Directors. None of the Director is either a member of more than ten aforesaid Board Committees or Chairman of more than five such Committees.

A. Managing Director and Joint Managing Director

The Company has one Managing Director and one Joint Managing Director who are responsible for overall management, planning, policy, strategy, operations, marketing, production, sales subject to the superintendence, control and direction of the Board of Directors. The Managing Director & Joint Managing Director are being paid remuneration as prescribed under the Companies Act, 1956. The remuneration being paid is recommended by the Remuneration Committee followed by the approval from the Board, Shareholders and the Central Government, if required. No sitting fee is being paid to them.

B. Board Meetings, Shareholder Meetings and Attendance Record of the Directors

The details of the Meetings as well as attendance record of all Directors during the year 2013-14 are as under and the maximum interval between any two meetings was not more than four months::

Details of Board Meetings held

Date of the Board Meeting	Place of the Meeting	Directors	
		Number	Present
30/05/2013	Corporate Office	8	5
12/08/2013	—do—	7	5
13/11/2013	—do—	9	8
14/02/2014	—do—	9	7

Attendance at Meetings

Name of the Director	No. of Board Meetings		Attended Last AGM*
	Held	Attended	
Shri Kanwal Monga	4	1	No
Shri Amarjit Chopra	4	4	Yes
Dr. Ashok Seth	4	—	No
Shri Satish Sekhri	4	4	No
Shri Vinod Kumar Nagar ⁽¹⁾	2	2	No
Shri Rajeev Kapoor ⁽¹⁾	2	2	No
Prof. Vinod Kumar Bhalla ⁽²⁾	1	—	No
Shri Rakesh Kapur	4	4	Yes
Shri Arun Kapur	4	4	Yes
Shri Arvind Kapur	4	4	Yes

*30th Annual General Meeting (AGM) held on 30th September, 2013 at the Registered Office of the Company.

⁽¹⁾ Shri Vinod Kumar Nagar and Shri Rajeev Kapoor were appointed as Additional Directors on 13th November, 2013.

⁽²⁾ Prof. Vinod Kumar Bhalla passed away on 6th August, 2013.

C. Post Meeting Follow-up

The Board has an effective post meeting follow-up procedures. At every Board Meeting a status statement pertaining to the decisions taken by the previous Board Meetings is discussed keeping in view the action taken or action to be taken.

2. REMUNERATION COMMITTEE

The Remuneration Committee presently comprises of the four Directors, all being Independent and Non-Executive Directors. The Committee considers and recommends payment of remuneration of the Managing Director and Joint Managing Director. During the financial year ended 31st March, 2014 no meeting of this Committee was held as it was not considered necessary. The composition, after reconstitution by the Board of Directors on 14th February, 2014, is as under:

Name of the Director	Position held
i) Shri Satish Sekhri	— Chairman
ii) Shri Kanwal Monga	— Member
iii) Shri Amarjit Chopra	— Member
iv) Shri Rajeev Kapoor*	— Member

*Shri Rajeev Kapoor was appointed as a member on 14th February, 2014.

The Company Secretary acts as Secretary to the Committee.

A. Remuneration paid to Directors

The Non-Executive Directors are entitled to sitting fee and commission based on Net Profit of the Company, as per provisions of the Companies Act, 1956.

The sitting fee being paid to Non-Executive Directors for attending each of the meeting is as under:

Board Meeting	— Rs.20,000/-
Audit Committee Meeting	— Rs.15,000/-
Budget Committee Meeting	— Rs.15,000/-
Shareholders/Investors Grievance Committee Meeting	— Rs.3,000/-
Remuneration Committee Meeting	— Rs.3,000/-

RICO AUTO INDUSTRIES LIMITED

The Non-Executive Directors are also entitled to remuneration by way of 1% Commission on net profits calculated as per the Companies Act, 1956, subject to a maximum of Rs.24.00 lacs in each financial year collectively to be divided among them as may be determined by the Board. The Shareholders and Central Government approvals for payment of Commission of Rs.24.00 lacs were obtained on 30th September, 2010 and 9th February, 2011 respectively for a period of five years w.e.f. 1st April, 2010.

Remuneration to Managing Director and Joint Managing Director is governed by resolutions passed by the Remuneration Committee, Board of Directors and Shareholders of the Company, which cover the terms of appointment and payment of remuneration. The remuneration is by way of salary, perquisites and allowances (fixed components) and commission (variable components) on net profits of the Company subject to overall ceiling of 10 per cent as stipulated in Section 198 & 309 of the Companies Act, 1956. In any financial year, if profits are inadequate to cover the remuneration of Managing Director/Joint Managing Director then approval of the Central Government has to be sought. The Central Government has granted approval for payment of remuneration to Managing Director for the period from 1st April, 2012 to 16th December, 2014. There is no separate provision for service contracts, notice period and payment of severance fees. The details and terms of appointment and remuneration are as covered under the resolutions passed by the Shareholders.

There are no other pecuniary relationships or transactions with the Company.

Details of the Remuneration paid during 2013-14 are given below:

(Rupees' 000)

Name of the Director	Sitting Fees	Salary	Perks	Commission*	Total
Prof. Vinod Kumar Bhalla ⁽¹⁾	33	N.A.	N.A.	136	169
Shri Kanwal Monga	20	N.A.	N.A.	136	156
Shri Amarjit Chopra	167	N.A.	N.A.	136	303
Dr. Ashok Seth	Nil	N.A.	N.A.	136	136
Shri Satish Sekhri	170	N.A.	N.A.	136	306
Shri Rakesh Kapur	122	N.A.	N.A.	136	258
Shri. Vinod Kumar Nagar ⁽²⁾	40	N.A.	N.A.	Nil	40
Shri Rajeev Kapoor ⁽²⁾	40	N.A.	N.A.	Nil	40
Shri Arun Kapur ⁽³⁾	N.A.	3581	1219	Nil	4800
Shri Arvind Kapur ⁽⁴⁾	N.A.	10450	3555	Nil	14005

*Commission paid for the financial year 2012-2013.

⁽¹⁾ Prof. Vinod Kumar Bhalla passed away on 6th August, 2013.

⁽²⁾ Shri Vinod Kumar Nagar and Shri Rajeev Kapoor were appointed as Additional Directors on 13th November, 2013.

⁽³⁾ Re-appointed w.e.f. 2nd May, 2010 for a period of 5 years upto 1st May, 2015 and remuneration approved by the shareholders upto 31st March, 2015.

⁽⁴⁾ Re-appointed w.e.f. 17th December, 2009 for a period of 5 years upto 16th December, 2014 and remuneration approved by the Central Government upto 16th December, 2014.

B. Stock Option

At present the Company has no stock option plans.

3. AUDIT COMMITTEE

Your Company has an Audit Committee since 1996 and is fully operational. The Committee consists of four Non-Executive and Independent Directors. The Chairman is a Chartered Accountant and other being well qualified and experienced in the field of accounting matters, financial reporting and internal controls. The power and role of the Audit Committee is as per guidelines set out in the listing agreement and as prescribed under section 292A of the Companies Act, 1956. The composition, after reconstitution by the Board of Directors on 14th February, 2014 and attendance at its meetings, is as under:

Name of the Director	Position held	Meetings held on	Members Present
Shri Amarjit Chopra	Chairman	29/05/2013	3
Prof. Vinod Kumar Bhalla ⁽¹⁾	Member	09/07/2013	3
Shri Satish Sekhri	Member	12/08/2013	2
Shri Rakesh Kapur ⁽²⁾	Member	13/11/2013	3
Shri. Vinod Kumar Nagar ⁽³⁾	Member	14/02/2014	3
Shri Rajeev Kapoor ⁽³⁾	Member		

⁽¹⁾ Prof. Vinod Kumar Bhalla passed away on 6th August, 2013.

⁽²⁾ Shri Rakesh Kapur was appointed as a Member on 13th November, 2013 and resigned on 14th February, 2014.

⁽³⁾ Shri Vinod Kumar Nagar and Shri Rajeev Kapoor were appointed as Members on 14th February, 2014.

Besides the Chief Financial Officer Shri O.P. Aggarwal, both Statutory Auditors and Internal Auditors regularly attend the Audit Committee Meetings and the Audit Committee discuss with them various issues.

The Minutes of each Audit Committee Meeting are placed before the Meetings of the Board. The Company Secretary acts as Secretary to the Committee.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The "Shareholders/Investors Grievance Committee" as required under Clause 49 of the Listing Agreement consisting of the two Independent and one Non-Executive Director met four times during the year 2013-14. The composition, after reconstitution by the Board of Directors on 14th February, 2014 and attendance at its meetings, is as under:

Name of the Director	Position held	Meetings held on	Members Present
Prof. Vinod Kumar Bhalla ⁽¹⁾	Chairman	29/05/2013	3
Shri Amarjit Chopra ⁽²⁾	Chairman	12/08/2013	2
Shri Rakesh Kapur	Member	13/11/2013	2
Shri Vinod Kumar Nagar ⁽³⁾	Member	14/02/2014	2

⁽¹⁾ Prof. Vinod Kumar Bhalla passed away on 6th August, 2013.

⁽²⁾ Shri Amarjit Chopra was appointed as Chairman on 14th February, 2014.

⁽³⁾ Shri Vinod Kumar Nagar was appointed as a Member on 14th February, 2014.

The Minutes of each Shareholders/Investors Grievance Committee meeting are placed before the meetings of the Board. The Company Secretary acts as Secretary to the Committee.

5. SHARE TRANSFER COMMITTEE

The Share Transfer Committee met 9 (Nine) times in the last financial year (01/04/2013 to 31/03/2014). The Minutes of each Share Transfer Committee Meeting are placed before the meetings of the Board. The composition, after re-constitution by the Board of Directors on 14th February, 2014, is as under:

Name of the Director	Position held
i) Shri Arvind Kapur	– Chairman
ii) Shri Arun Kapur	– Member
iii) Shri Rakesh Kapur	– Member
iv) Prof. Vinod Kumar Bhalla ⁽¹⁾	– Member
v) Shri Vinod Kumar Nagar ⁽²⁾	– Member

⁽¹⁾ Prof. Vinod Kumar Bhalla passed away on 6th August, 2013.

⁽²⁾ Shri Vinod Kumar Nagar was appointed as a Member on 14th February, 2014.

Name and Designation of Compliance Officer:

Shri B.M. Jhamb – Company Secretary

6. DETAILS OF GENERAL BODY MEETINGS

Financial Year	Type of the Meeting	Location of Meeting	Date	Time
2010-2011	28 th Annual General Meeting	Registered Office	30/09/2011	12.00 Noon
2011-2012	29 th Annual General Meeting	–do–	29/09/2012	12.00 Noon
2012-2013	30 th Annual General Meeting	–do–	30/09/2013	12.00 Noon

The following Special Resolutions were taken up in the AGMs held during the last three financial years and were passed with the requisite majority on show of hands:

28th AGM (30/09/2011)

- Approval for payment of remuneration to Shri Arvind Kapur, Vice Chairman, CEO & Managing Director of the Company for remaining tenure of service w.e.f. 01/04/2012 to 16/12/2014.

29th AGM (29/09/2012)

- Approval for payment of remuneration to Shri Arun Kapur, Joint Managing Director of the Company for three years w.e.f. 01/04/2012 to 31/03/2015.

30th AGM (30/09/2013)

- No Special Resolutions was passed in this meeting.

Postal Ballot

No Special/Ordinary Resolutions were put through Postal Ballot during the last financial year. At the ensuing AGM also there is no Resolution proposed to be passed through postal ballot.

RICO AUTO INDUSTRIES LIMITED

7. DISCLOSURES

i) **Related Party Transactions:**

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

- a) A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee.
- b) There are no material individual transactions with related parties, which are not in the normal course of business, and which are not on an arm's length basis.

ii) **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:**

None of the transactions with any of the related parties were in conflict with the interests of the Company. The related party's disclosure is annexed to and forms part of the accounts for the year ended 31st March, 2014 (Refer Note No.45).

iii) **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to the capital markets, during the last three years:**

No penalties have been imposed or strictures passed on the Company by the Stock Exchanges or SEBI or by any other regulatory authority on any matter related to the capital markets during the last three years.

iv) **Risk Management:**

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are subject to review to ensure that management controls risks through means of a properly defined framework. The compliance statements regarding the insurance policy, coverage and settlement of claims thereof is presented to the Audit Committee on quarterly basis.

v) **Disclosure of Accounting Treatment:**

The financial statement are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued under the Companies (Accounting Standards) Amended Rules, 2009 and provisions of the Companies Act, 1956.

vi) **Preferential Issue:**

During the financial year 2013-14, no Preferential Issue was made.

vii) **Management Discussion and Analysis:**

A Management Discussion and Analysis Report which forms part of the Annual Report is given by means of a separate annexure and is attached to the Directors' Report.

viii) **Compliance with Mandatory Requirements:**

The Company has obtained a Certificate from the Company Secretary in Practice to the effect that the Company has complied with the conditions of the Corporate Governance. The same is annexed and sent alongwith the Annual Report of the Company to all the Shareholders and to the Stock Exchanges.

ix) **Adoption of the Non-Mandatory Requirements:**

The Clause further states that the Non-Mandatory requirements may be implemented as per the discretion of the Company.

The Compliance Status of the Non-Mandatory requirements of the Clause 49 of the Listing Agreement as mentioned in Annexure 1-D is as under:

A. **The Board**

- a) Maintenance of Chairman Office – As the Company has an Executive Chairman, disclosure is not required.
- b) Tenure of Independent Directors – No Specific tenure has been fixed for the Independent Directors.

B. **Remuneration Committee**

This Non-Mandatory requirements has been adopted by the Company and the detail is provided under Item No. 2 of this report.

C. **Shareholder Rights**

The Company regularly publishes its quarterly results in the newspapers. These results are also available on Company's website at www.ricoauto.com. A half-yearly declaration of financial performance including summary of significant events is presently not being sent to each household of shareholders.

D. Audit Qualifications

During the financial year under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

E. Training of Board Members

At present, no such training is being provided, as all Board Members are well experienced and qualified in their respective fields.

F. Mechanism for Evaluating Non-Executive Board Member

At present, no such mechanism is in place to evaluate the performance of Non-Executive Directors.

G. Whistle Blower Policy

The Company has not denied access to any employee to approach the management on any issue. However, as required under the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company is in the process of formulating a Whistle Blower Policy.

8. MEANS OF COMMUNICATION

- i) Quarterly Results are published in the following Newspapers:
 - a) Business Standard (English Newspaper) – Delhi & Mumbai
 - b) Veer Arjun (Hindi Newspaper) – Delhi
- ii) Quarterly Results and Shareholding Pattern are displayed on Company's website at www.ricoauto.com and all important/price sensitive informations are submitted to the BSE/NSE where the shares of the Company are listed and these Stock Exchanges display these announcements on their respective websites.
- iii) The Shareholder Information section forms part of the Annual Report.

9. RECONCILIATION OF SHARE CAPITAL AUDIT REPORT

M/s. K.K. Sachdeva & Associates, Company Secretaries, New Delhi carried out Reconciliation of Share Capital Audit on quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital as on 31st March, 2014 is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. The Reconciliation of Share Capital Audit Report is being submitted to the Stock Exchanges and is also placed before the Board Meetings from time to time for confirmation.

10. CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI Regulations on prevention of Insider Trading, the Company has adopted a Code of Conduct for its Directors and Designated Employees. The code lays down guidelines which includes procedures to be followed and disclosures to be made while dealing into the shares of the Company.

The Company observes a closed period for trading in securities of the Company by the Directors/Officers and Designated Employees of the Company for the period of atleast Seven days prior to the Board Meeting to consider results and upto 24 hours after the date on which the results for the respective quarter/half year/financial year is notified to the Stock Exchanges.

11. CHIEF EXECUTIVE OFFICER (CEO), CHIEF FINANCIAL OFFICER (CFO) AND COMPLIANCE OFFICER

Shri Arvind Kapur, Chairman & Managing Director is Chief Executive Officer, Shri O.P. Aggarwal, Executive Director (Finance) is Chief Financial Officer and Shri B.M. Jhamb, Company Secretary is Compliance Officer as per requirements of the Listing Agreement.

12. CODE OF CONDUCT

The Company has adopted a Code of Conduct for its Board Members and Senior Management. The Code of Conduct has also been posted on the website of the Company at www.ricoauto.com. The code has been circulated to all the Directors and Senior Management.

The Declaration by the Chief Executive Officer (CEO) of the Company concerning compliance with the Code of Conduct for Board Members and Senior Management is given below:

I hereby confirm that:

The Company has obtained from all the Board Members and Senior Management personnel, affirmation that they have complied with the Code of Conduct for Board Members and Senior Management in respect of the financial year ended 31st March, 2014.

Arvind Kapur
Chairman,
Chief Executive Officer &
Managing Director

RICO AUTO INDUSTRIES LIMITED

13. CEO AND CFO CERTIFICATION

To
The Board of Directors
Rico Auto Industries Limited
38 KM Stone, Delhi-Jaipur Highway
Gurgaon – 122001 (Haryana)

We, Arvind Kapur, Chairman, Chief Executive Officer & Managing Director and O.P. Aggarwal, Chief Financial Officer & Executive Director (Finance) of Rico Auto Industries Limited, responsible for the finance function, to the best of our knowledge and belief, certify that:

- a) We have reviewed the Balance Sheet and Profit and Loss Account (Consolidated and Unconsolidated) for the financial year ended 31st March, 2014 and all its schedules and notes on accounts, as well as the Cash Flow Statements and that to the best of our knowledge and belief:
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These financial statements and other financial information included in the report, present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended 31st March, 2014 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Company's Auditors and the Audit Committee that there are no deficiencies in the design or operation of internal controls.
- d) We have indicated to the Auditors and the Audit Committee:
 - i) that there has not been any significant changes in internal control over financial reporting during the year under report;
 - ii) that there has not been any significant changes in accounting policies during the year which required disclosure in the notes to the financial statements; and
 - iii) that we are not aware of any instances during the year under report of any fraud with involvement therein, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Arvind Kapur
Chairman,
Chief Executive Officer &
Managing Director

O.P. Aggarwal
Chief Financial Officer &
Executive Director (Finance)

Place : Gurgaon
Date : 28th May, 2014

GENERAL SHAREHOLDERS' INFORMATION

1. **Annual General Meeting**
 - Date and Time : 30th September, 2014 at 12.00 Noon
 - Venue : Registered Office
69 KM Stone, Delhi-Jaipur Highway,
Dharuhera, Distt. Rewari – 122106
(Haryana) India
2. **Financial Calendar**
 - Financial Year : 1st April to 31st March
 - For the year 2013-14, Results were announced on**
 - First quarter ended June 30, 2013 : August 12, 2013
 - Second quarter and half year ended September 30, 2013 : November 13, 2013
 - Third quarter ended December 31, 2013 : February 14, 2014
 - Fourth quarter and year ended March 31, 2014 : May 28, 2014
 - For the year 2014-15, Results will be announced on (Tentative)**
 - First quarter ended June 30, 2014 (announced) : August 11, 2014
 - Second quarter and half year ending September 30, 2014 : November, 2014
 - Third quarter ending December 31, 2014 : February, 2015
 - Fourth quarter and year ending March 31, 2015 : May, 2015
3. **Dates of Book Closure** : 20th September, 2014 to 30th September, 2014
(both days inclusive).
4. **Dividend Payment Date** : Dividend @Re.0.10 per share would be paid within 30 days of
declaration by the shareholders in the Annual General Meeting.
5. **Registered Office** : 69 KM Stone, Delhi-Jaipur Highway
Dharuhera, Distt. Rewari – 122106
(Haryana) India
6. **Registrar and Transfer Agent** : M/s. MCS Limited
(Common for Physical Transfer
as well as Dematerialisation of Shares) F-65, Okhla Industrial Area
Phase I, New Delhi – 110020
7. **Plant Locations** : **Dharuhera Plant**
69 KM Stone, Delhi-Jaipur Highway
Dharuhera, Distt. Rewari – 122106
(Haryana) India
Gurgaon Plant
38 KM Stone, Delhi-Jaipur Highway
Gurgaon – 122001 (Haryana) India
Haridwar Plant
Plot No.1, Industrial Park IV,
Village Begumpur, Distt. Haridwar
(Uttarakhand) India
Sanand Plant
Plot No.D2, Tata Motors Vendor Park
Village Sanand, P.O. Viroch Nagar
Ahmedabad – 382170
(Gujarat) India
Bawal Plant
Plot No.23, Sector-5,
Industrial Estate,
Phase-II, G.C. Bawal,
(Haryana) India

RICO AUTO INDUSTRIES LIMITED

8. Share Transfer System

Physical

The transfer, transmission, remat, split of share certificate and issue of duplicate share certificate are approved by the Share Transfer Committee. This Committee normally meets as and when required to complete the transfer related works within the stipulated period. The shares are transferred and returned within a period of 15 days from the date of receipt, provided that the documents are clear in all respects. In Compliance with the Listing Agreement, a Certificate from M/s. K.K. Sachdeva & Associates, Company Secretaries, New Delhi is being obtained half yearly that all the shares received by the Company for transfer, split and replacement have been duly transferred, splitted and replaced and issued by the Company within the period stipulated under the Listing Agreement.

Demat

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) directly by the Registrar and Share Transfer Agent.

9. Dematerialisation of Shares and Liquidity

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th August, 2000 for all investors. The ISIN Number of both NSDL and CDSL is INE209B01025. The Equity Shares of the Company are regularly traded on BSE Limited and National Stock Exchange of India Limited.

Break-up of Shares in Physical and Demat segment as on March 31, 2014

Segment	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Physical	1331	3.19	840924	0.62
Demat	40335	96.81	134444076	99.38
Total	41666	100.00	135285000	100.00

10. Investors' Services – Complaints status during the year upto March 31, 2014

Complaints from	Opening	Received	Resolved	Pending
Stock Exchanges, SEBI/Depository Shareholders	Nil	8	8	Nil
	Nil	Nil	Nil	Nil
Total	Nil	8	8	Nil

11. Listing and Stock Codes

Shares of the Company are listed on the following Stock Exchanges and Depositories and the Company has paid the Fees due to them.

Name of Stock Exchanges/Depositories	Stock Codes/ISIN
BSE Limited	– 520008
National Stock Exchange of India Limited	– RICOAUTO
National Securities Depository Limited and Central Depository Services (India) Limited	– INE209B01025

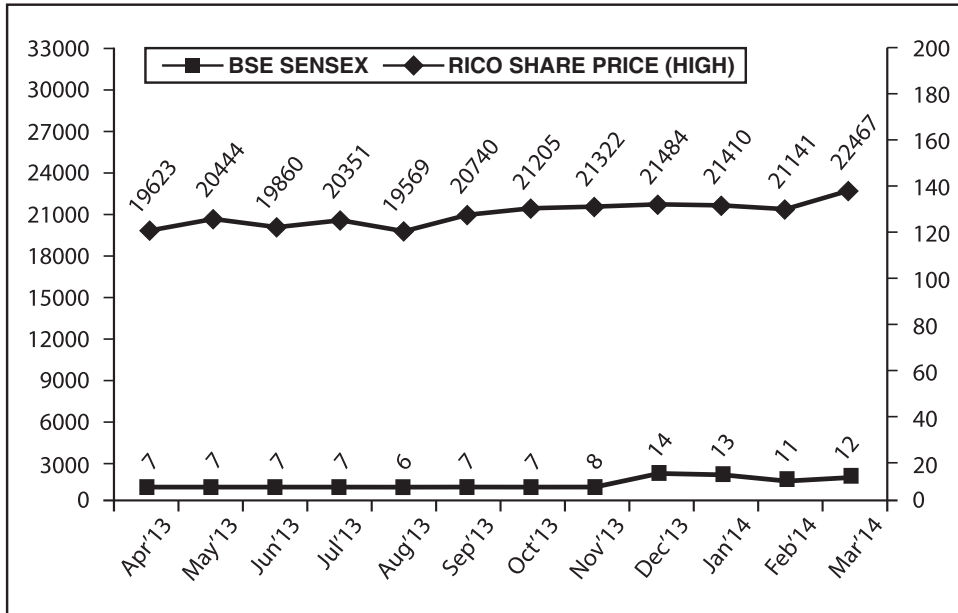
12. Stock Market Data

The closing price as on 31st March, 2014 of the Equity Shares at BSE and NSE is Rs.10.95 & Rs.10.90 respectively. Monthly high & low price and volume of Shares of Re.1/- each traded at BSE and NSE for 2013-14 are as under:

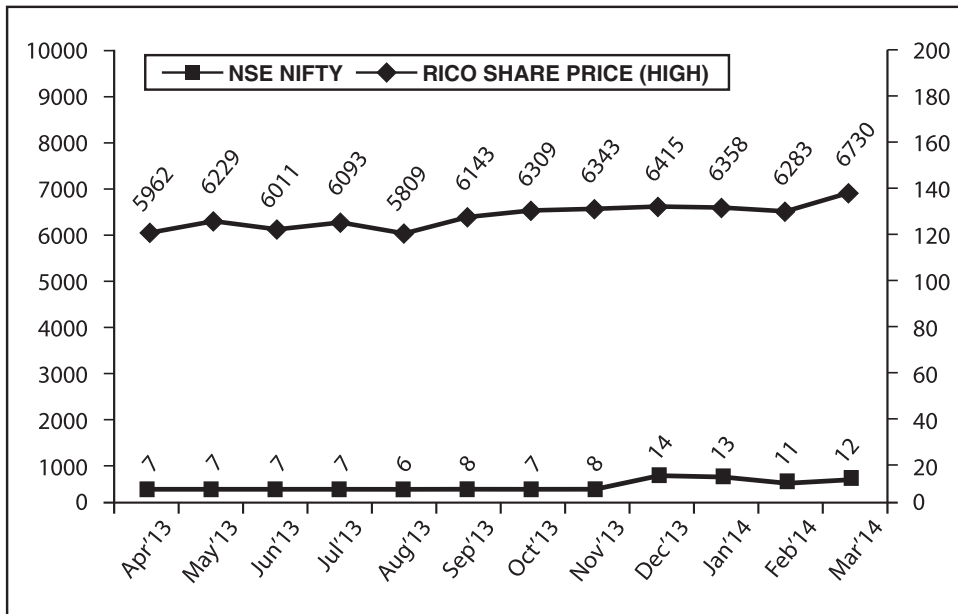
Month/Year	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume of Shares Traded	High (Rs.)	Low (Rs.)	Volume of Shares Traded
April, 2013	7.29	6.20	380759	7.35	6.00	754032
May, 2013	7.48	6.25	239595	7.40	6.25	892034
June, 2013	6.97	6.01	208025	7.10	6.00	586495
July, 2013	6.94	4.91	209571	6.95	4.95	1024255
August, 2013	6.35	4.16	632706	6.40	4.25	1592354
September, 2013	6.50	5.13	325171	7.50	5.05	890415
October, 2013	7.30	5.61	436565	7.15	5.65	1072906
November, 2013	7.85	5.85	583057	7.90	5.90	1823433
December, 2013	14.05	6.01	3847714	14.00	6.00	9699891
January, 2014	12.98	8.65	1680805	13.00	8.70	3913533
February, 2014	10.69	7.72	650133	10.70	7.70	1678139
March, 2014	11.59	9.11	1043742	11.60	9.20	2409908

13. Stock Performance of Rico Auto Industries Limited Vs. Stock Exchange Indices

INDEX COMPARISON – RICO SHARE PRICE VS. BSE SENSEX (HIGH)



INDEX COMPARISON – RICO SHARE PRICE VS. NSE NIFTY (HIGH)



RICO AUTO INDUSTRIES LIMITED

14. Distribution of Shareholding as on March 31, 2014

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 – 5000	40265	96.64	21787036	16.10
5001 – 10000	756	1.81	5612422	4.15
10001 – 20000	309	0.74	4518953	3.34
20001 – 30000	102	0.25	2503219	1.85
30001 – 40000	61	0.15	2133131	1.58
40001 – 50000	41	0.10	1868267	1.38
50001 – 100000	64	0.15	4777209	3.53
100001 & above	68	0.16	92084763	68.07
Total	41666	100.00	135285000	100.00

15. Shareholding Pattern as on March 31, 2014

Category Code	Category of Shareholders	Number of Shareholders	Total Number of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a Percentage of Total Number of Shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a Percentage
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/Hindu Undivided Family	12	27501188	27501188	20.33	20.33	20000000	72.72
(b)	Central Government/ State Government(s)	—	—	—	—	—	—	—
(c)	Bodies Corporate	3	40199790	40199790	29.71	29.71	27400000	68.16
(d)	Financial Institutions/Banks	—	—	—	—	—	—	—
(e)	Any Other (Specify)	—	—	—	—	—	—	—
	Sub-Total (A)(1)	15	67700978	67700978	50.04	50.04	47400000	70.01
(2)	Foreign							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	1	79000	79000	0.06	0.06	—	—
(b)	Bodies Corporate	—	—	—	—	—	—	—
(c)	Institutions	—	—	—	—	—	—	—
(d)	Qualified Foreign Investor	—	—	—	—	—	—	—
(e)	Any Other (Specify)	—	—	—	—	—	—	—
	Sub-Total (A)(2)	1	79000	79000	0.06	0.06	0.00	0.00
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	16	67779978	67779978	50.10	50.10	47400000	69.93

(B)	Public Shareholding						NA	NA
(1)	Institutions						NA	NA
(a)	Mutual Funds/UTI	—	—	—	—	—		
(b)	Financial Institutions/Banks	1	5000	5000	0.00	0.00		
(c)	Central Government/ State Governments	—	—	—	—	—		
(d)	Venture Capital Funds	—	—	—	—	—		
(e)	Insurance Companies	—	—	—	—	—		
(f)	Foreign Institutional Investors	—	—	—	—	—		
(g)	Foreign Venture Capital Investors	—	—	—	—	—		
(h)	Any Other (Specify)	—	—	—	—	—		
	Sub-Total (B)(1)	1	5000	5000	0.00	0.00		
(2)	Non-Institutions						NA	NA
(a)	Bodies Corporate	825	8243370	8203370	6.09	6.09		
(b)	Individuals:							
i)	Individual Shareholders holding nominal share capital upto Rs.1 lac	40443	36678650	35877726	27.11	27.11		
ii)	Individual Shareholders holding nominal share capital in excess of Rs.1 lac	39	19040000	19040000	14.07	14.07		
(c)	Any Other (Specify)							
i)	NRI	339	3536002	3536002	2.61	2.61		
ii)	Foreign Companies	—	—	—	—	—		
iii)	OCBs	—	—	—	—	—		
iv)	Trusts & Foundations	3	2000	2000	0.00	0.00		
	Sub-Total (B)(2)	41649	67500022	66659098	49.90	49.90		
	Total Public Shareholding (B)=(B)(1)+(B)(2)	41650	67505022	66664098	49.90	49.90		
	Total (A) + (B)	41666	135285000	134444076	100.00	100.00	47400000	35.04
(C)	Shares held by Custodians and against which Depository Receipts have been issued						NA	NA
(1)	Promoter and Promoter group	—	—	—	—	—		
(2)	Public	—	—	—	—	—		
	Grand Total (A) + (B) + (C)	41666	135285000	134444076	100.00	100.00	47400000	35.04

RICO AUTO INDUSTRIES LIMITED

16. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

The Company has not issued any GDRs/ADRs/Warrants or any Convertible Instruments.

17. Unclaimed Dividends

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 the amount of dividend which remains unpaid/unclaimed for a period of 7 years is transferred to the "Investor Education and Protection Fund" (IEPF), constituted by the Central Government and member(s) would not be able to claim any amount of dividend so transferred to IEPF. As such, member(s) who have not yet encashed his/their dividend warrant(s) is/are requested in his/their own interest to write to the Company for claiming outstanding dividend declared by the Company. The amount of unpaid or unclaimed dividend relating to the financial year ended 31st March, 1995 to 31st March, 2007 have already been transferred to the Investor Education and Protection Fund (IEPF).

Date of Transferring Unclaimed Dividend to the Central Government

Year	Rate of Dividend (%)			Date of Declaration	Due date for transfer to IEPF
2008	Final	—	60	30/09/2008	30/10/2015
2009	Final	—	15	30/09/2009	30/10/2016
2010	Final	—	15	30/09/2010	30/10/2017
2011	Final	—	20	30/09/2011	30/10/2018
2012	Final	—	15	29/09/2012	29/10/2019
2013	Final	—	15	30/09/2013	30/10/2020

Unclaimed Dividend as on March 31, 2014

Year	Rate of Dividend (%)			No. of Warrants Issued	Amount of Dividend (Rs.)	Amount of Unclaimed Dividend (Rs.)	Unclaimed Dividend (%)
2008	Final	—	60	51888	75351000.00	871063.20	1.16
2009	Final	—	15	50117	18837750.00	271014.75	1.44
2010	Final	—	15	50925	19328250.00	293570.10	1.52
2011	Final	—	20	54441	27057000.00	413124.80	1.53
2012	Final	—	15	52225	20292750.00	332690.85	1.64
2013	Final	—	15	42173	20292750.00	435037.50	2.14

18. Unclaimed Shares Suspense Account

In terms of Clause 5A of the Listing Agreement, the Company reports the following details in respect of equity shares lying in the suspense account in dematerialized form. This account is being held by the Company on behalf of the shareholders entitled for these shares. Shareholders who have not yet claimed their shares are requested to approach the Company to enable us to release the said shares to the rightful owner either in physical form or demat mode.

The status of equity shares lying in the Unclaimed Suspense Account being maintained with ICICI Bank is as under:

Balance as on 01/04/2013		No. of Shareholders who approached the Company for Transfer of Shares and Shares transferred from Unclaimed Suspense Account during the Year		Closing Balance as on 31/03/2014	
No. of Holders	No. of Shares	No. of Holders	No. of Shares	No. of Holders	No. of Shares
6600	1523500	11	6760	6589	1516740

The voting rights on the shares in the Unclaimed Suspense Account as on 31st March, 2014 shall remain frozen till the rightful owners of such shares claim the shares.

19. National Electronic Clearing Service (NECS) Facility

The Company, with respect to payment of dividend, provides the facility of NECS to Shareholders wherever the facility is available, as permitted by the Reserve Bank of India.

Shareholders holding shares in the physical form who now wish to avail the NECS Facility, may authorize the Company by sending their NECS Mandate, in the prescribed form to the Company, in case the same has not been furnished earlier. The NECS Mandate form can be obtained from the Corporate Office of the Company.

20. Nomination Facility

Shareholders holding shares in physical form and desirous of making/changing nomination in respect of their shareholding in the Company, may submit the prescribed Form to the Company. Members holding shares in dematerialized mode may contact their Depository Participant (DP) for availing this facility.

21. MCA's Green Initiative for Paperless Communications

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail IDs, so far, are requested to register their e-mail IDs, in respect of electronic holdings with concerned Depository Participants. Members who hold shares in physical form are requested to register the same with the Company's Registrar and Share Transfer Agent, M/s. MCS Limited, New Delhi.

22. SEBI Complaints Redress System (SCORES)

The Company processes the Investors' complaints received by it through a computerized complaints redressal system. The salient features of this system are computerized database of all the inward receipts and action taken on them, online submission of Action Taken Reports (ATRs) along with supporting documents electronically in SCORES. The investors can view online the current status of their complaints submitted through SEBI Complaints Redress System (SCORES).

23. Investors/Shareholders Correspondence

- | | | |
|--|---|---|
| i) Transfer/dematerialisation of Shares and any other queries relating to Shares | : | M/s. MCS Limited
F-65, Okhla Industrial Area, Phase I
New Delhi – 110020, India
Tel : (011)41406149 Fax : (011)41709881
E-mail : admin@mcsdel.com |
| ii) Any queries relating to the Financial Statements of the Company | : | Shri O.P. Aggarwal
Executive Director (Finance)
Tel : (91)(0124) 2824110
E-mail : opaggarwal@ricoauto.in |
| iii) Payment of dividend on Shares and any other queries relating to Annual Report | : | Shri B.M. Jhamb
Company Secretary
Rico Auto Industries Limited
38 KM Stone, Delhi-Jaipur Highway
Gurgaon – 122001 (Haryana) India
Tel : (91)(0124) 2824000
Fax: (91)(0124) 2824200
E-mail : bmjhamb@ricoauto.in & cs@ricoauto.in |

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

**To the Members of
Rico Auto Industries Limited**

We have examined the compliance of conditions of Corporate Governance by Rico Auto Industries Limited (the Company) for the year ended 31st March, 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 procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of 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 Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 **K.K. Sachdeva & Associates**
Company Secretaries

Place : Gurgaon
Date : 11th August, 2014

K.K. Sachdeva
Proprietor
FCS No. 7153, CP No. 4721

RICO AUTO INDUSTRIES LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of
Rico Auto Industries Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Rico Auto Industries Limited, ("the Company"), which comprise the Balance Sheet as at March 31, 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

2. 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 the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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.

Auditors' Responsibility

3. 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Company'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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

Emphasis of Matter

7. We draw attention to note 38 to the financial statements regarding investments in subsidiaries aggregating to Rs.50.53 crores and trade receivables and advances due from them aggregating to Rs.54.07 crores as at March 31, 2014. The management, based on the factors discussed in the said note, believes that the decline in the value of investments is temporary in nature and balance of trade receivables and advances are recoverable, and hence no provision in respect of aforesaid amounts has been made in the accompanying statement. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

8. 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.
9. 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 financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 ; and
 - e. on the basis of written representations received from the directors, as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Regn. No. 001076N

Place : Gurgaon
Dated : 28th May, 2014

per **Ashish Gupta**
Partner
Membership No.504662

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF RICO AUTO INDUSTRIES LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (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; however, there is a regular program of verification once in every three years, 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) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management.
- (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.
- (c) The Company is maintaining proper records of inventory and material discrepancies noticed on physical verification have been properly dealt with in the books of account.
- (iii) (a) The Company has granted unsecured loans to one party covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs.34.89 crores and the year-end balance is Rs.34.89 crores.
- (b) In respect of one interest free long term loan granted, the principal amount is repayable after stipulated period, upon demand and in case of interest free short term loan the principal amount is repayable on demand, in our opinion, terms and conditions of such loan are not, *prima facie*, prejudicial to the interest of the Company.
- (c) In respect of interest free long term loan, the principal amount is not due for repayment currently and in respect of interest free short term loan given the principal amount is repayable on demand and since the repayment of such loans has not been demanded, in our opinion, receipt of the principal amount is regular.
- (d) There is no overdue amount in respect of loans granted to such company.
- (e) 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 Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, 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, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the 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 clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, *have not been regularly deposited with the appropriate authorities and there have been delays in number of cases*. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable
- (b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:

RICO AUTO INDUSTRIES LIMITED

Name of the Statute	Nature of dues	Amount (Rs. in crores)	Amount paid under protest (Rs. in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Claim of cenvat on roof ventilator, evaporating cooling machine and others	0.44	0.03	Financial year 2005-06	Custom Excise & Service Tax Appellate Tribunal
Central Excise Act, 1944	Demand of excise duty on removal of dies under Rule 67/95 of Central Excise without payment of Duty (Refer Note 1 below)	2.57	Nil	Financial year 2002-03 to 2006-07	Custom Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Claim of cenvat on construction & other repair & maintenance service	2.04	Nil	Financial year 2005-06 to 2010-11	Custom Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Denial of input credit for direct/indirect services	0.96	Nil	Financial year 2004-05 to 2010-11	Custom Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Claim of cenvat on outward freight	0.24	Nil	Financial year 2005-06 to 2006-07	Commissioner of Central Excise (Appeals)
Finance Act, 1994	Claim of cenvat on CHA and courier export related services	1.40	0.24	Financial year 2004-05 to 2007-08	Custom Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Denial of cenvat credit related to services	0.05	Nil	Financial year 2008-09 to 2010-11	Commissioner of Central Excise (Appeals)
Finance Act, 1994	Denial of cenvat credit on certain material and services	0.06	Nil	Financial year 2007-08	Custom Excise & Service Tax Appellate Tribunal
Haryana Local Area Development Tax Act, 2000	Applicability of local area development tax on items purchased.	0.01	Nil	Financial year 2001-02 to 2003-04	Joint Commissioner (Appeal)
Income Tax Act, 1961	Errors and mismatch of challans in returns filed to Income Tax Department	0.15	Nil	Assessment year 2013-14	Assessing Officer, Income Tax Department
Haryana VAT Act, 2003	Disallowance of input tax on purchase of furnace oil	0.43	0.43	Financial year 2006-07	Commissioner (Appeal)
Haryana VAT Act, 2003	Disallowance of certain expenses	0.04	Nil	Financial year 2007-08	Deputy Excise and Taxation Commissioner
Haryana Electricity Reforms Act, 1997	Demand for short assessment for sanction of extended load of electricity	5.60	3.60	Financial year 2005-06 to 2011-12	Hon'ble High Court, Punjab and Haryana
Finance Act, 1994	Denial of cenvat credit of service tax on audit fees	0.11	Nil	Financial year 2013-14	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Denial of credit taken on services of insurance, catering, tent house and cab	1.23	Nil	Financial year 2008-09	Commissioner of Central Excise (Appeal)

Name of the Statute	Nature of dues	Amount (Rs. in crores)	Amount paid under protest (Rs. in crores)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Denial of credit taken on services of insurance, catering, tent house and cab and transit insurance of goods	0.18	Nil	Financial year 2008-09	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Denial of credit taken on services of mediclaim insurance, all risk insurance, policy, vehicle insurance, catering, tent and maxi cab services	0.27	Nil	Financial year 2009-10	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Denial of credit taken on services of insurance, catering, tent house and cab	0.40	Nil	Financial year 2010-11	Customer Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Denial of credit taken on services of insurance, catering, tent house and cab	0.01	Nil	Financial year 2011-12	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Denial of credit taken on services of insurance, catering, tent house and cab	0.68	Nil	Financial year 2012-13	Commissioner of Central Excise (Appeal)
Note 1: Company has furnished a bond and bank guarantee of Rs.0.42 crore and Rs.0.004 crore respectively.					

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) There are no dues payable to financial institutions and debenture-holders. *The Company has defaulted in repayment of dues to the following banks:*

Name of Bank	Amount (Rs. in Crores)	Due Date	Delay in day upto March 31, 2014
Axis Bank - Term Loan III	1.79	June 30, 2013	10
	0.24	September 30, 2013	71
	1.55	September 30, 2013	84
	1.79	December 31, 2013	83
	1.79	March 31, 2014	1
Axis Bank - Term Loan II	2.14	May 27, 2013	1
	0.45	August 27, 2013	18
	0.60	August 27, 2013	32
	0.34	August 27, 2013	39
	0.75	August 27, 2013	67
	2.01	February 27, 2013	30
State Bank of Patiala - I	2.50	June 21, 2013	32
	2.50	September 21, 2013	88
	0.15	December 21, 2013	27
	0.09	December 21, 2013	77
	0.09	December 21, 2013	81
	2.26	December 21, 2013	88
	2.50	March 21, 2014	10

RICO AUTO INDUSTRIES LIMITED

Name of Bank	Amount (Rs. in Crores)	Due Date	Delay in day upto March 31, 2014
State Bank of Patiala - II	4.17	April 7, 2013	10
	4.17	July 7, 2013	16
	0.30	October 7, 2013	51
	0.40	October 7, 2013	68
	2.50	October 7, 2013	71
	0.97	October 7, 2013	80
	0.24	January 7, 2014	56
	0.23	January 7, 2014	64
	0.26	January 7, 2014	70
	1.68	January 7, 2014	77
	0.46	January 7, 2014	83
	0.81	January 7, 2014	83
State Bank of Hyderabad - I	2.86	April 30, 2013	7
	2.86	July 30, 2013	13
	1.00	October 31, 2013	84
	1.86	October 31, 2013	88
	2.85	January 31, 2014	59
State Bank of Hyderabad - II	2.14	June 15, 2013	10
	2.14	September 15, 2013	86
	1.00	December 15, 2013	85
	1.14	December 15, 2013	86
	2.14	March 15, 2014	16
Exim Bank Term Loan	0.92	May 22, 2013	57
	0.30	August 22, 2013	50
	0.50	August 22, 2013	78
	0.92	August 22, 2013	84
	0.19	November 22, 2013	62
	0.30	November 22, 2013	67
	1.23	November 22, 2013	88
	1.72	February 22, 2014	37
Exim Bank - USD	0.62	August 22, 2013	89
	0.63	November 22, 2013	89
	0.62	February 22, 2014	37
Indus Ind Bank - USD	4.30	April 1, 2013	7
	4.67	July 1, 2013	8
	4.93	October 1, 2013	86
	4.89	January 1, 2014	85

- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) *In our opinion, the Company has used funds raised on short-term basis for long-term investment. During the year the Company has raised funds from short term borrowings amounting to Rs.48.08 crores which would fall due for repayment within one year from the date of the receipt and such funds have been used for making long term investments, for acquiring fixed assets and repayment of long term loans.*
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandio & Co LLP**
(Formerly Walker, Chandio & Co)
Chartered Accountants
Firm Regn. No. 001076N

per **Ashish Gupta**
Partner
Membership No.504662

Place : Gurgaon
Dated : 28th May, 2014

RICO AUTO INDUSTRIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
I. EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	3	13.53	13.53
b) Reserves & Surplus	4	308.69	307.64
		<u>322.22</u>	<u>321.17</u>
2. NON-CURRENT LIABILITIES			
a) Long-Term Borrowings	5	61.07	116.69
b) Deferred Tax Liabilities (Net)	6	35.39	36.46
c) Other Long-Term Liabilities	7	1.20	2.10
d) Long-Term Provisions	8	9.72	7.85
		<u>107.38</u>	<u>163.10</u>
3. CURRENT LIABILITIES			
a) Short-Term Borrowings	9	147.27	212.09
b) Trade Payables	10	196.05	161.23
c) Other Current Liabilities	11	167.59	154.65
d) Short-Term Provisions	12	4.34	4.83
		<u>515.25</u>	<u>532.80</u>
TOTAL		<u>944.85</u>	<u>1017.07</u>
II. ASSETS			
1. NON-CURRENT ASSETS			
a) Fixed Assets			
i) Tangible Assets	13	516.78	525.46
ii) Intangible Assets	13	1.27	1.57
iii) Capital Work-in-Progress		21.58	35.87
b) Non-Current Investments	14	76.40	74.90
c) Long-Term Loans and Advances	15	78.49	79.33
		<u>694.52</u>	<u>717.13</u>
2. CURRENT ASSETS			
a) Inventories	16	58.68	78.63
b) Trade Receivables	17	101.05	134.58
c) Cash and Bank Balances	18	0.92	6.02
d) Short-Term Loans and Advances	19	80.62	74.03
e) Other Current Assets	20	9.06	6.68
		<u>250.33</u>	<u>299.94</u>
TOTAL		<u>944.85</u>	<u>1017.07</u>

The accompanying notes (1 to 50) are an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

For **Walker Chandio & Co LLP**
(Formerly Walker, Chandio & Co)
Chartered Accountants

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

For and on behalf of the Board of Directors

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

		Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
REVENUE			
Revenue from Operations (Gross)	21	1008.97	1142.61
Less : Excise Duty		78.58	95.57
Revenue from Operations (Net)		930.39	1047.04
Other Income	22	32.65	42.96
Total Revenue		963.04	1090.00
EXPENSES			
Cost of Raw Materials and Components Consumed	23	497.62	636.34
Change in Inventories of Finished Goods and Work in Progress	24	12.99	5.28
Employee Benefit Expenses	25	113.82	111.66
Finance Costs	26	59.36	63.08
Depreciation and Amortisation	13	71.33	64.94
Other Expenses	27	203.86	199.79
Prior Period Items (Net)	28	(0.04)	(0.30)
Total Expenses		958.94	1080.79
Profit Before Tax		4.10	9.21
Tax Expenses:			
1) Current Tax		2.54	1.92
2) Reversal of MAT credit entitlement		—	3.15
3) Deferred Tax		(1.07)	(1.75)
4) Prior year Deferred Tax		—	(3.97)
5) Income Tax earlier years		—	(0.30)
Profit for the year		2.63	10.16
Basic and Diluted earning per equity share [nominal value of share Re.1/- (March 31, 2013 : Re.1/-)]	29	0.19	0.75

The accompanying notes (1 to 50) are an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

For and on behalf of the Board of Directors

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

RICO AUTO INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
A. Cash Flow from Operating Activities		
Net Profit Before Tax	4.10	9.21
Adjustments for:		
Depreciation and Amortisation	71.33	64.94
(Profit)/Loss on disposal of Assets, Net	(0.09)	0.17
Provision for Gratuity	2.08	3.06
Provision for Leave Encashment	0.09	0.79
Provision for MTM - Forward Contracts	0.34	0.60
Finance Cost	59.36	63.08
Dividend	(2.96)	(2.96)
Operating Profit before Working Capital Changes	134.25	138.89
Adjustments for:		
Decrease in trade and other receivables	27.52	41.33
Decrease in inventories	19.95	17.25
Increase in trade and other payables	65.01	39.35
	246.73	236.82
Income Tax Paid	(4.66)	(5.85)
Net Cash generated in Operating Activities	242.07	230.97
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Addition to Capital Work in Progress	(53.73)	(114.78)
Proceeds from Sale of Fixed Assets	5.76	5.85
Purchase of Investments	(1.50)	(43.70)
Dividend Received	2.96	2.96
Net Cash used in Investing Activities	(46.51)	(149.67)
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	7.50	18.45
Repayment of Long Term Borrowings	(80.48)	(66.70)
Net proceeds/(repayment) of Short Term Borrowings	(64.82)	36.68
Dividend Paid	(2.36)	(2.33)
Interest Paid	(60.48)	(63.96)
Net Cash used in Financing Activities	(200.64)	(77.86)
Net Increase in Cash and Cash Equivalents (A+B+C)	(5.08)	3.44
Cash and Cash Equivalents at the beginning of the year	5.69	2.25
Cash and Cash Equivalents at the close of the year	0.61	5.69

CASH FLOW STATEMENT (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note:		
Cash and Cash Equivalents includes		
Cash and Cheques in Hand	0.37	0.84
Balance with Banks	0.24	4.85
Cash and Bank Balances	0.61	5.69
Balance in unpaid Dividend Account	0.31	0.33
Balance with Bank not considered as Cash and Cash Equivalent	0.31	0.33
Cash and Bank Balances (Refer Note 18)	0.92	6.02

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

For and on behalf of the Board of Directors

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes

Note 1 – CORPORATE INFORMATION

Rico Auto Industries Limited was incorporated in India on 7 March, 1983. Rico supplies a broad range of high-precision fully machined aluminium and ferrous components and assemblies to Original Equipment Manufacturers across the globe. Its integrated services include design, development, tooling, casting, machining, assembly and research and development across aluminium and ferrous products. The Company is in the business of manufacturing and sale of auto components for two wheelers and four wheelers.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation

The financial statements have been prepared to comply with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956 (the 'Act') and Companies Act, 2013. The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

ii) Use of Estimates

The preparation of financial statements in conformity with the principles generally accepted in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the current and future periods.

iii) Revenue Recognition

a) Revenue from Sale of Goods

Revenue from sale of goods is recognised upon transfer of significant risks and rewards incident to ownership and when no significant uncertainty exists regarding realisation of the sale consideration. Sales are recorded net of sales returns, rebates, trade discounts and price differences and are inclusive of excise duty.

b) Revenue from Sale of Services

Service income comprising technical and other support services fee is recognised as per the terms of the agreement.

Revenue in respect of time and material contracts are recognised based on time spent in accordance with the contractual terms.

c) Duty Draw Back and Export Incentive

Export benefit entitlements are recognised in the Statement of Profit and Loss when the right to receive benefit is established in respect of the exports made.

d) Interest Income

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

e) Dividend Income

Dividend on investments is recognised when the right to receive dividend is established.

iv) Fixed Assets and Intangibles

a) Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses, direct and indirect, specifically attributable to its acquisition and bringing it to its working condition for its intended use.

Incidental expenditure pending allocation and attributable to the acquisition of fixed assets is allocated/capitalised with the related fixed assets.

b) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Initial recognition of intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

v) Depreciation and Amortisation

Depreciation on building and plant and equipment is provided under straight line method at the rates prescribed in Schedule XIV of the Act.

Depreciation on other fixed assets (except for dies and moulds) is provided on written down value method at the rates and in the manner prescribed in Schedule XIV of the Act.

Depreciation on dies and moulds is provided based on useful life of the items ascertained on a technical estimate by the management.

Depreciation on fixed assets acquired/ disposed off during the year is recorded on a pro-rata basis with reference to the date of

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

acquisition/disposal. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of purchase, the cumulative amount of such assets fully depreciated being immaterial. The cost of leasehold land is being amortised over the period of the lease.

Intangible assets are being amortised on written down value method over the useful life of 5-10 years, as estimated by management to be the economic life of the asset over which economic benefits are expected to flow.

vi) Investments

Long term investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. A provision for diminution in the value of long term investments, other than temporary in the value, is recognised through the statement of profit and loss.

Current investments are stated at lower of cost and fair value determined on an individual basis.

vii) Inventories

Inventories are valued as follows:

a) Raw Materials and Loose Tools

Lower of cost or net realisable 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 is determined on a weighted average basis.

b) Work in Progress

Work in progress is valued at cost up to the stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

c) Finished Goods

Finished goods are valued at lower of cost or net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost of finished goods includes excise duty.

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

viii) Employee Benefits

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company. The Company also provides benefit of compensated absences under which un-availed leaves are allowed to be accumulated and can be availed in future.

The Company has following employee benefit plans in operation:

a) Provident Fund and Employee State Insurance Scheme

Provident fund benefit and Employee State Insurance benefit are defined contribution plans under which the Company pays fixed contributions into funds established under Employee Provident Fund and Miscellaneous Provision Act, 1952 and Employee State Insurance Act, 1948 respectively. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature.

b) Gratuity

Gratuity is a post-employment benefit and is in the nature of defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. Gratuity Fund is administered through Life Insurance Corporation of India. The defined benefit obligation is calculated at the balance sheet date on the basis of actuarial valuation by an independent actuary using projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the Statement of Profit and Loss in the year in which such gains or losses arise.

c) Unavailed Leaves

The Company also provides benefit of compensated absences to its employees which are in the nature of long term benefit plan. The compensated absences comprises of vesting as well as non-vesting benefit. Liability in respect of compensated absences becoming due and expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefits expected to be availed by the employees. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the Statement of Profit and Loss in the year in which such gains or losses arise. Leave encashment fund is administered through Life Insurance Corporation of India and India First Life Insurance Company Limited.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

ix) **Research and Development Expenses**

Revenue expenditure on research is expensed off under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Statement of Profit and Loss as an expense as incurred.

Fixed assets used for research and development are depreciated in accordance with the Company's policy on fixed assets as stated above.

x) **Borrowing Costs**

Borrowing costs directly attributable to acquisition, construction or erection of fixed assets, which necessarily take a substantial period of time (generally 12 months or more) to be ready for the intended use are capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use are complete.

Other borrowing costs are recognised as an expense in the Statement of Profit and Loss in accordance with the Accounting Standard 16 - Borrowing Cost.

xi) **Foreign Currency Transactions**

a) *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.

b) *Subsequent Recognition*

Foreign currency monetary assets and liabilities are reported using the closing rate as at the reporting date.

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.

c) *Exchange Differences*

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognised as income or expense in the year in which they arise, except for exchange differences arising on foreign currency monetary items.

Exchange differences arising on long term foreign currency monetary items in so far as it relates to the acquisition of depreciable capital assets are added to the cost of such assets.

xii) **Derivative Instruments**

The Company uses foreign exchange forward contracts to hedge its exposure towards underlying assets or liability or for highly probable and forecasted transactions. These foreign exchange forward contracts are not used for trading or speculation purposes.

a) *Forward Contracts taken for Highly Probable/Forecast Transactions*

Such forward exchange contracts are marked to market at the balance sheet date if such mark to market results in exchange loss such exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies notified under the Companies Act, 1956.

b) *Forward Contracts where an underlying Asset or Liability exists*

In such case, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

Profit or loss arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal is made.

All other derivate contracts are accounted for using the principle of prudence enunciated in Accounting Standard I - Disclosure of Accounting Policies, whereby mark to market losses are recognised and gains are ignored.

xiii) **Taxation**

Tax expense comprises current tax and deferred tax.

a) *Current Tax*

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

b) *Deferred Tax*

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. However, in the case of brought forward tax losses and tax depreciation, deferred tax assets are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised.

Minimum Alternative Tax credit ("MAT credit") is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

xiv) **Leases**

a) *Operating Leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets 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.

b) *Finance Leases*

Assets acquired on lease where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. The resultant interest cost is charged to the Statement of Profit and Loss on accrual basis.

xv) **Provisions and Contingencies**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. Disclosure is also made in respect of a present obligation that probably requires an outflow of resources, where it is not possible to make a reliable estimate of the related outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

xvi) **Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the 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, except where results would be anti-dilutive.

xvii) **Impairment of Assets**

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is charged to the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of its depreciated historical cost.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)		As at March 31, 2013 (Rs. in Crores)	
Note 3 – SHARE CAPITAL				
a) AUTHORITY				
25,00,00,000 Equity Shares of Re.1/- each		25.00		25.00
(Previous year 25,00,00,000 Equity Shares of Re.1/- each)				
50,00,000 Redeemable Preference Shares of Rs.10/- each		5.00		5.00
(Previous year 50,00,000 Shares of Rs.10/- each)				
		<u>30.00</u>		<u>30.00</u>
b) ISSUED, SUBSCRIBED AND PAID-UP				
13,52,85,000 Equity Shares of Re.1/- each fully paid up		13.53		13.53
(Previous year 13,52,85,000 Equity Shares of Re.1/- each)				
		<u>13.53</u>		<u>13.53</u>
c) RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING				
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the year	135285000	13.53	135285000	13.53
Movement during the year	—	—	—	—
Outstanding at the end of the year	135285000	13.53	135285000	13.53
d) DESCRIPTION OF THE RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO EACH CLASS OF SHARES				
The Company has only one class of equity shares having a face value of Re.1/- per share. All the existing equity shares rank pari passu in all respects including but not limited to entitlement for dividend, bonus issue and rights issue. These equity shares are listed on the National Stock Exchange of India Limited and the BSE Limited.				
e) DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% EQUITY SHARES IN THE COMPANY				
Name of Shareholder	% of Holding	Number of Shares	% of Holding	Number of Shares
Kapsons Associates Investments Private Limited	28.77	38917050	28.77	38917050
Arvind Kapur	9.35	12652460	9.35	12652460
Arun Kapur	6.39	8651160	6.39	8651160
Ashish Dhawan	5.38	7273092	5.38	7273092
The above information is furnished as per the shareholder register as on March 31, 2014.				
f) The Company has not issued bonus shares, equity shares for consideration other than cash and also no shares have been bought back during the period of five years immediately preceding the reporting period.				

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 4 – RESERVES AND SURPLUS		
CAPITAL RESERVE		
Opening Balance	0.00	0.00
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance*	0.00	0.00
CAPITAL REDEMPTION RESERVE		
Opening Balance	2.00	2.00
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	2.00	2.00
SECURITIES PREMIUM ACCOUNT		
Opening Balance	145.04	145.04
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	145.04	145.04
STATE CAPITAL SUBSIDY		
Opening Balance	0.20	0.20
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	0.20	0.20
GENERAL RESERVE		
As per last Balance Sheet	79.54	79.03
Add: Transferred from Statement of Profit and Loss	—	0.51
	79.54	79.54
STATEMENT OF PROFIT AND LOSS		
As per last Balance Sheet	80.86	73.58
Add : Profit transferred from Statement of Profit and Loss	2.63	10.16
Less : Proposed Dividend on Equity Shares	1.35	2.04
Less : Corporate Dividend Tax	0.23	0.33
Less : Transferred to General Reserve	—	0.51
Net Surplus as per Statement of Profit and Loss	81.91	80.86
	308.69	307.64

*Rounded off to zero

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 5 – LONG TERM BORROWINGS		
SECURED		
Term Loans from Banks:		
Foreign Currency Loans	9.72	27.85
Rupee Loans	110.44	171.33
Vehicle Loans:		
From Banks	0.28	0.42
From Others	—	0.16
	<u>120.44</u>	<u>199.76</u>
Less: Current maturities of long term secured borrowings	68.24	86.89
Total	<u>52.20</u>	<u>112.87</u>
UNSECURED		
From Financial Institutions:		
Rupee Loans	11.33	4.99
	<u>11.33</u>	<u>4.99</u>
Less: Current maturities of long term unsecured borrowings	2.46	1.17
Total	<u>8.87</u>	<u>3.82</u>
Grand Total	<u>61.07</u>	<u>116.69</u>

Security details and terms of repayment for borrowings covered under Note 5 and Note 11 are as follows:

A. Secured Loans

1. Term loan from Export Import Bank of India carries interest @Libor+4.50% p.a. and is repayable in 20 equal quarterly installments after moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year, the Company defaulted in the payment of its installment due as on February 22, 2014 which was subsequently made good in the month of April, 2014. 9.72 10.46
2. Term loan from IndusInd Bank carries interest @8.05% p.a. and is repayable in 11 equal quarterly installments. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. — 17.39
3. Term loan from Axis Bank carries interest @13.75% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. 8.57 17.15
4. Term loan from Axis Bank carries interest @13.50% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
and Gurgaon. The Company has defaulted in the payment of one installment which was due as on March 31, 2014 which was subsequently made good in the month of April, 2014.	16.07	21.43
5. Term loan from Export Import Bank of India carries interest @11.80% p.a. and is repayable in 20 equal quarterly installments after a moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	25.70	33.62
6. Term loan from State Bank of Hyderabad carries interest @13.20% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	5.64	17.07
7. Term loan from State Bank of Hyderabad carries interest @13.20% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year, the Company has defaulted in the repayment of one installment of this loan which was due as on March 15, 2014 which was subsequently made good in the month of April, 2014.	12.86	19.29
8. Term loan from State Bank of Patiala carries interest @14% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year, the Company has defaulted in the repayment of two of its installments, which were due as on December 21, 2013 and March 21, 2014. Instalment due as on December 21, 2013 was debited by Bank in the month of April, 2014.	7.18	12.50
9. Term loan from State Bank of Patiala carries interest @14% p.a. and is repayable in 12 equal quarterly installments after a moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. There is a delay in repayment of partial installment of Rs.0.81 crore which was due as on January 7, 2014 and was subsequently made good in April, 2014.	34.15	50.00
10. Vehicle loans are secured by the hypothecation of vehicles financed and are repayable in equal monthly installments.	0.55	0.85
	120.44	199.76
B. Unsecured Loans		
1. Term loan is taken from Tata Capital Limited as a part of facilitation agreement which carries interest @14.50% p.a. and was repayable in 60 equal monthly installments after a moratorium of 12 months and is secured by personal guarantee of Managing Director of the Company.	3.83	4.99

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
2. Term loan with IFCI Venture Capital Funds Limited (IFCI Venture) carries interest @ 15.50% p.a. and is repayable in 13 quarterly installments after a moratorium of 12 months and is secured by the first pari passu charge on equity shares of Rico Auto Industries Limited pledged by the promotor group Company with the IFCI Venture and properties located at New Delhi and Gurgaon. Further the loan is secured by residential property in Gurgaon exclusively in favour of IFCI Venture and personal guarantee of Mr. Arvind Kapur, Chairman, CEO & Managing Director and Mr. Arun Kapur, Joint Managing Director. The above pledged securities are held by M/s. Kapsons Associates Investments Private Limited.	7.50 <u>11.33</u>	— <u>4.99</u>
Note 6 – DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities arising on account of:		
Depreciation	36.46	40.32
Less:		
Deferred Tax Asset arising on account of:		
Employee Benefits	1.07 <u>35.39</u>	3.86 <u>36.46</u>
Note 7 – OTHER LONG TERM LIABILITIES		
Security Deposits	1.20 <u>1.20</u>	2.10 <u>2.10</u>
Note 8 – LONG TERM PROVISIONS		
Provision for Gratuity (Refer Note 33)	8.90	6.92
Provision for Compensated Absences	0.82 <u>9.72</u>	0.93 <u>7.85</u>
Note 9 – SHORT TERM BORROWINGS		
SECURED		
Working Capital Loans from Banks:		
Foreign Currency Loans	35.80	51.06
Rupee Loans	85.59	131.43
Buyers' Credit in Foreign Currency from Banks	25.88 <u>147.27</u>	29.60 <u>212.09</u>
Security Details		
1. Working capital loans/facilities are secured against first pari-passu charge on all the current assets of the Company including all types of stocks and book debts/receivables (both present and future).	91.38	152.90
2. The packing credit facility from Kotak Bank is secured against subservient charge on current assets and moveable fixed assets for Rs.30 crores.	30.01	29.59
3. The buyer's credit facility from State Bank of Patiala is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	6.26	8.96

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
4. The buyer's credit facility from Axis Bank is secured by exclusive charge on all machineries/assets imported/acquired by utilising the said facilities and additionally secured by the personal guarantee of Mr. Rakesh Kapur (Director) of the Company.	14.04	11.83
5. The buyer's credit facility from Axis Bank is secured against first pari-passu charge on all the current assets of the Company including all types of stocks and book debts/receivable (both present and future).	3.13	8.81
6. The packing credit facility from IDBI Bank is secured against first pari passu charge on the entire current assets of the Company in the form of stock of raw materials, packaging materials, stock in process, finished goods, stores, consumables and receivables.	2.45	—
	<u>147.27</u>	<u>212.09</u>
Note 10 – TRADE PAYABLES		
Due to Micro & Medium Enterprises (Refer Note 31)	12.58	6.43
Others		
Acceptances	53.85	45.82
Other than Acceptances	124.29	91.66
Due to Related Parties (Refer Note 45)	—	15.79
Other Payables	5.33	1.53
	<u>196.05</u>	<u>161.23</u>
Note 11 – OTHER CURRENT LIABILITIES		
Current Maturities of Long-Term Debts (Refer Note 5 for security and re-payment details)		
SECURED		
Foreign Currency Loans	3.04	16.48
Rupee Loans	65.20	70.41
UNSECURED		
Rupee Loans	2.46	1.17
Interest accrued but not due on borrowings	1.57	2.69
Unclaimed Dividends	0.31	0.33
Statutory Liabilities	5.19	3.83
Payable for Capital Purchases	6.79	5.66
Employee Benefits Payable	11.39	9.40
Security Deposits	2.44	1.65
Advances from Customers	64.79	41.37
Other Liabilities	4.41	1.66
	<u>167.59</u>	<u>154.65</u>
Note 12 – SHORT TERM PROVISIONS		
Provision for Gratuity (Refer Note 33)	1.28	1.19
Provision for Compensated Absences	1.48	1.28
Provision for Dividend	1.35	2.03
Provision for Tax on Dividend	0.23	0.33
	<u>4.34</u>	<u>4.83</u>

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Note 13 – FIXED ASSETS

(Rs. in Crores)											
		GROSS BLOCK					ACCUMULATED DEPRECIATION			NET BLOCK	
Particulars	As on 01.04.2013	Additions During the Year	Disposals During the Year	Exchange Differences	Other Adjustments Borrowing Costs	As at 31.03.2014	As on 01.04.2013	Charge for the Year	Adjustment upon Deletion	As at 31.03.2014	As at 31.03.2013
TANGIBLE ASSETS											
LAND											
(a) Freehold	16.41	—	—	—	—	16.41	—	—	—	16.41	16.41
(b) Leasehold	16.92	—	—	—	—	16.92	0.62	0.12	—	0.74	16.30
BUILDINGS	99.83	1.34	—	—	—	101.17	23.90	3.32	—	27.22	75.93
FURNITURE & FIXTURES	5.21	0.22	—	—	—	5.43	3.96	0.25	—	4.21	1.25
PLANT & MACHINERY	776.75	39.19	5.23	1.55	0.21	812.47	393.09	54.03	3.94	443.18	383.66
DIES & MOULDS	29.73	24.63	4.29	—	—	50.07	8.30	10.71	0.30	18.71	21.43
OFFICE EQUIPMENT	22.80	0.37	0.14	—	—	23.03	17.46	1.00	0.11	18.35	5.34
VEHICLES	12.47	0.25	1.24	—	—	11.48	7.33	1.34	0.88	7.79	5.14
	980.12	66.00	10.90	1.55	0.21	1036.98	454.66	70.77	5.23	520.20	525.46
INTANGIBLE ASSETS											
COMPUTER SOFTWARE	9.92	0.26	—	—	—	10.18	8.35	0.56	—	8.91	1.57
	9.92	0.26	—	—	—	10.18	8.35	0.56	—	8.91	1.57
CURRENT YEAR											
TOTAL	990.04	66.26	10.90	1.55	0.21	1047.16	463.01	71.33	5.23	529.11	527.03
PREVIOUS YEAR											
TOTAL	858.27	141.28	14.93	4.18	1.24	990.04	406.98	64.94	8.91	463.01	451.29

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 14 – NON CURRENT INVESTMENTS		
Long Term Investment (At Cost) – Unquoted		
Investments in Subsidiaries		
Rico Auto Industries Inc., USA	0.12	0.12
2,500 Equity Shares of US\$ 10/- each (Previous year 2,500 Equity Shares of US\$ 10/- each)		
Rico Auto Industries (UK) Limited, U.K.	0.17	0.17
20,000 Equity Shares of GBP 1/- each (Previous year 20,000 Equity Shares of GBP 1/- each)		
Rasa Autocom Limited	20.00	20.00
2,00,00,000 Equity Shares of Rs.10/- each (Previous year 2,00,00,000 Equity Shares of Rs.10/- each)		
Uttarakhand Automotives Limited	0.41	0.41
4,10,000 Equity Shares of Rs.10/- each (Previous year 4,10,000 Equity Shares of Rs.10/- each)		
RAA Autocom Limited	0.05	0.05
50,000 Equity Shares of Rs.10/- each (Previous year 50,000 Equity Shares of Rs.10/- each)		
AAN Engineering Industries Limited	0.05	0.05
50,000 Equity Shares of Rs.10/- each (Previous year 50,000 Equity Shares of Rs.10/- each)		
Rico Jinfei Wheels Limited	30.53	30.53
3,05,25,000 Equity Shares of Rs.10/- each (Previous year 3,05,25,000 Equity Shares of Rs.10/- each)		
	<u>51.33</u>	<u>51.33</u>
Investment in Joint Ventures		
FCC Rico Limited	3.95	3.95
39,49,994 Equity Shares of Rs.10/- each (Previous year 39,49,994 Equity Shares of Rs.10/- each)		
Magna Rico Powertrain Private Limited	21.12	19.62
2,11,20,000 Equity Shares of Rs.10/- each (Previous year 1,96,20,000 Equity Shares of Rs.10/- each)		
	<u>25.07</u>	<u>23.57</u>
Total Value of unquoted Investments	<u>76.40</u>	<u>74.90</u>
Note 15 – LONG TERM LOANS AND ADVANCES		
a) Capital Advances:		
Unsecured, considered good	11.68	10.37
Unsecured, considered doubtful	0.14	0.14
Less : Provision for doubtful advances (Includes advances to related parties, refer Note 45)	(0.14)	(0.14)
b) Security Deposits:		
Unsecured, considered good	5.00	4.72
c) Loans and Advances to Related Parties:		
Unsecured, considered good (Refer Note 45)	46.13	49.49
d) Loans and Advances to Employees:		
Unsecured, considered good	0.08	0.16
e) Advance Income Tax (Net of Provisions)	15.57	13.46
f) Prepaid Expenses	0.03	0.11
g) Others	—	1.02
	<u>78.49</u>	<u>79.33</u>

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 16 – INVENTORIES (valued at lower of cost or net realizable value)		
Stores & Spares	26.08	26.96
Raw Material & Components	11.44	17.17
Goods-in-Transit – Components	1.05	1.40
Work-in-progress	18.76	30.32
Finished Goods	1.35	2.78
	<u>58.68</u>	<u>78.63</u>
Note 17 – TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they were due for payment	4.10	14.22
Other debts	96.95	120.36
	<u>101.05</u>	<u>134.58</u>
Note 18 – CASH AND BANK BALANCES		
Cash in hand	0.37	0.24
Cheques in hand	—	0.60
Balances with Banks		
In Current Accounts	0.24	4.85
Other Bank Balances		
In Dividend Accounts	0.31	0.33
	<u>0.92</u>	<u>6.02</u>
Note 19 – SHORT TERM LOANS AND ADVANCES (Unsecured considered good)		
Inter Corporate Deposits	9.13	12.25
Loans and Advances to Employees	0.08	1.08
Advance to Suppliers	7.13	14.22
Advance to Related Parties (Refer Note 45)	39.38	20.85
Prepaid Expenses	2.71	2.53
Balance with Statutory/Government Authorities on account of:		
Service Tax	2.25	1.92
Excise Duty	12.32	13.78
Sales Tax	1.03	0.31
Others	6.59	7.09
	<u>80.62</u>	<u>74.03</u>
Note 20 – OTHER CURRENT ASSETS		
Interest accrued on Electricity Security Deposit	0.02	0.04
Insurance Claim Receivable (Refer Note 36)	0.02	1.02
Export Incentive Receivable	4.86	5.62
Unbilled revenue	4.16	—
	<u>9.06</u>	<u>6.68</u>

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note 21 – REVENUE FROM OPERATIONS		
Sales of Products (Refer Note A below)	978.87	1127.09
Job Work Charges	0.96	2.36
Other Operating Revenues		
Scrap Sales	17.26	4.06
Duty Draw Back and other Export Incentives	6.79	6.56
Others	5.09	2.54
	<u>1008.97</u>	<u>1142.61</u>
Note A:		
Detail of major Products Sold		
Auto Parts - Aluminium	741.88	864.97
Auto Parts - Ferrous	233.03	257.89
Dies & Moulds	3.96	4.23
	<u>978.87</u>	<u>1127.09</u>
Note 22 – OTHER INCOME		
Interest Income	3.36	8.78
Dividend Income	2.96	2.96
Exchange Rate Fluctuation (Net)	6.10	3.89
Rental Income from Operating Lease	2.32	3.10
Support Services	14.96	18.43
Miscellaneous Income	2.95	5.80
	<u>32.65</u>	<u>42.96</u>
Note 23 – COST OF RAW MATERIALS AND COMPONENTS CONSUMED		
Raw Materials & Components		
Opening Stock	17.17	17.60
Add : Purchase during the year	491.89	635.91
Less : Closing Stock (Refer Note B)	11.44	17.17
Raw Materials & Components Consumed (Refer Note A)	<u>497.62</u>	<u>636.34</u>
Note:		
A. Detail of major Components of Raw Material Consumption are as follows:		
Aluminium Alloy	185.05	238.58
Pig Iron & Steel Scrap	48.29	63.29
Other Materials & Components	264.28	334.47
Total	<u>497.62</u>	<u>636.34</u>
B. Detail of closing stock of Raw Materials and Components are as follows:		
Aluminium Alloy	2.56	2.76
Pig Iron & Steel Scrap	3.42	1.71
Other Materials & Components	5.46	12.70
Total	<u>11.44</u>	<u>17.17</u>

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note 24 – CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		
a) Work-in-Progress		
Opening Stock	30.32	34.12
Closing Stock	18.76	30.32
	<u>11.56</u>	<u>3.80</u>
b) Finished Goods		
Opening Stock	2.78	4.17
Closing Stock	1.35	2.78
	<u>1.43</u>	<u>1.39</u>
Excise duty on Finished Goods*	—	0.09
Total	<u>12.99</u>	<u>5.28</u>
* Amount for the current year has been rounded off to zero.		
Note 25 – EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages and Bonus	99.79	98.23
Contribution to Provident and other Funds	9.60	9.54
Staff Welfare Expenses	4.43	3.89
	<u>113.82</u>	<u>111.66</u>
Note 26 – FINANCE COST		
Interest Expenses on		
i) Borrowings	44.91	53.80
ii) Trade Payables	3.72	3.26
Other Borrowing Costs	2.01	1.24
Net Loss on Foreign Currency transactions and translation on borrowings	8.72	4.78
	<u>59.36</u>	<u>63.08</u>
Note 27 – OTHER EXPENSES		
Consumption of Stores and Spares	51.25	34.21
Power and Fuel	78.75	85.09
Sub Contracting Expenses	30.07	35.32
Rent	1.80	1.33
Repairs		
To Buildings	0.74	1.18
To Machinery	2.60	3.99
To Others	2.43	2.24
Insurance	3.58	2.75
Rates and Taxes	2.01	2.04
Directors' Sitting Fees	0.07	0.08
Travelling and Conveyance	2.30	2.89
Legal and Professional (Refer Note 1)	2.42	2.26
Vehicle Running and Maintenance Expenses	3.49	3.78
Freight and forwarding	14.95	14.33
Line Rejection and re-work charges	5.19	4.12
Miscellaneous Expenses	2.21	4.18
	<u>203.86</u>	<u>199.79</u>

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note 1:		
Payment to the Auditors comprises*:		
As Auditors	0.27	0.17
Taxation Matters	0.03	0.01
Other Matters	0.01	0.03
For Expenses	0.08	0.02
	<u>0.39</u>	<u>0.23</u>
*Excludes Service Tax		
Note 28 – PRIOR PERIOD ITEMS (NET)		
Impairment Loss, reversed	—	(4.36)
Interest Expenses on Borrowings	—	3.54
Line Rejection, Re-work and Warranty Claim	—	0.13
Other Operating Revenues	—	(0.13)
Rates and Taxes	—	0.12
Repairs		
To Buildings	—	0.07
Legal and Professional	—	0.10
Power and Fuel	—	0.00
Other Stores and Spares Consumed	—	0.08
Staff Welfare Expenses	—	0.05
Other Expenses	(0.04)	0.10
	<u>(0.04)</u>	<u>(0.30)</u>
Note 29 – EARNING PER SHARE		
Profit after Tax (A)	2.63	10.16
Weighted average number of Equity Shares (basic/diluted)(B)	135285000	135285000
Nominal value of Equity Share (Rupee)	1.00	1.00
Earning Per Share (basic and diluted) (A/B) (Rupee)	<u>0.19</u>	<u>0.75</u>

Note 30 – CONTINGENT LIABILITIES

I) Demand against the Company not acknowledged as Liability

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
i) Income Tax	0.15	0.16
ii) Sales Tax	0.47	0.77
iii) Excise and Service Tax	10.64	9.53
iv) Others	5.61	5.61

Income Tax Cases

- Income tax department has raised demand for Rs.0.15 crore (previous year Rs.0.12 crore). This is on account of filing of incorrect particulars regarding challans deposited as compared to actual challans deposited.
- Demand of Rs.0.04 crore, including interest, for the assessment year 2005-06 was issued in relation to disallowance of certain expenses. The demand was set aside by Commissioner (Appeals) and a further appeal was filed on November 27, 2012 before Income Tax Appellate Tribunal, Chandigarh. During the year, the Company has received an order from the Income Tax Appellate Tribunal, Chandigarh in its favour.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Sales Tax Cases

- a. Demand order of assessment received under Haryana VAT Act 2003 for Rs.0.43 crore (previous year Rs. 0.43 crore) for disallowing the input tax on purchase of furnace oil. An appeal has been filed on May 15, 2010 before the Joint Excise & Taxation Commissioner (Appeals), Faridabad. The appeal has been decided by the Joint Commissioner (Appeals) and the case has been remanded back to the Deputy Excise and Taxation Commissioner, Gurgaon (West) and it is pending before it.
- b. The Deputy Excise and Taxation Commissioner-cum-assessing authority, Gurgaon has raised demand order dated March 29, 2013 of Rs.0.30 crore against short submission of C forms in previous year. During the year, the Company has submitted C Forms.
- c. A demand was raised under Haryana VAT Act 2003 for denial of input credit availed on purchase of furnace oil. The demand was confirmed by Joint Commissioner (Range) for Rs.0.04 crore (previous year Rs.0.04 crore). An appeal was filed with Haryana Sales Tax Tribunal on February 23, 2013. The Tribunal has remanded the case back to the Deputy Excise and Taxation Commissioner (ST)-cum-assessing authority and it is pending before it.

Excise and Service Tax Cases

- a. Department has issued a show cause notice dated August 23, 2007 on the ground that the capital goods namely roof ventilator and evaporating cooling machine are not capital goods for the purpose of availment of CENVAT credit. Commissioner of Central Excise has confirmed the demand along with an equal amount of penalty. Appeal filed to CESTAT on April 28, 2009 against the decision. However, the CESTAT has granted unconditional stay from recovery of impugned amount on deposit of Rs.0.03 crore. Amount involved is Rs.0.44 crore (previous year Rs.0.42 crore). No hearing has taken place since June 15, 2009.
- b. A show cause notice was received from the Commissioner of Central Excise on March 16, 2004 by Dharuhera division. Through order of Commissioner of Central Excise, Cenvat credit disallowed is Rs.0.55 crores and penalty and interest is also levied. CESTAT has in its order dated May 8, 2013 decided the appeal in favor of the Company. Total amount involved is Rs.1.91 crores. The time limit for the department to file further appeal against the decision has elapsed during the year.
- c. Central Excise Authority had denied MODVAT/CENVAT availed for wrong description of material and tariff number on invoice of the vendor. The Additional Commissioner, Central Excise, Delhi has decided the case in favor of the Company. An appeal was filed by Commissioner of Central excise, Delhi, before CESTAT on July 29, 2008, against the order. CESTAT upheld the decision given by Commissioner (Appeals) in favor of the Company. Total amount involved is Rs.0.15 crore. The time limit for the department to file further appeal against the decision has elapsed during the year.
- d. A show cause notice was issued by the Commissioner on removal of dies for job work without payment of duty. Commissioner passed the order on September 15, 2008 demanding excise duty of Rs.0.75 crore, penalty of equal amount, interest at the applicable rate and a fine in lieu of confiscation of Rs.0.10 crore on the dies released provisionally. Further, Company has also furnished a bond of Rs.0.42 crore and a bank guarantee of Rs.0.004 crore. A stay application was filed with CESTAT and is pending before the same. Total amount involved is Rs.2.57 crores (previous year Rs.2.36 crores). Current year movement represents interest.
- e. A show cause notice has been received from the Additional Commissioner of Central Excise towards Cenvat availed on outward freight during 2005-06 and 2006-07. The Joint Commissioner confirmed the demand against which the Company appealed before CESTAT. The Tribunal remanded back the case to the Commissioner (Appeals) and it is pending before it. Amount involved is Rs.0.24 crore (previous year Rs.0.22 crore). Current year movement represents interest.
- f. A show cause notice was received from the Joint Commissioner of Central Excise towards cenvat credit availed on custom house agent and courier export related services during previous years 2004-05 to 2007-08. The Commissioner has confirmed the demand against which the Company filed an appeal before CESTAT. CESTAT ordered pre deposition of Rs.0.24 crore. Matter is pending for final decision before the Tribunal. The amount involved is Rs.1.40 crores (previous year Rs.1.33 crores). Current year movement represents interest.
- g. A show cause notice was received from Additional Commissioner of Central Excise on availment of cenvat on construction and other repair and maintenance service during previous years 2005-06 to 2010-11. Commissioner of Central Excise confirmed the demand against which the Company filed an appeal before the CESTAT on June 29, 2012. CESTAT has granted an unconditional stay on February 19, 2013. Matter is pending for final decision before the Tribunal. The amount involved is Rs.2.04 crores (previous year Rs.1.92 crores). Current year movement represents interest.
- h. Additional commissioner disallowed cenvat credit availed on consultancy charges, courier charges etc. for the period March, 2005 to December 2010 amounting to Rs.0.39 crore, imposed penalty of Rs.0.39 crore and provisional interest of Rs.0.18 crore. The Company filed an appeal against the order before the Commissioner (Appeals) which was adjudged in favor of the Company on February 15, 2013. Department has filed further appeal before CESTAT against the order on June 06, 2013. Hearing for the appeal is awaited. The amount involved is Rs.0.96 crore (previous year Rs.0.88 crore). Current year movement represents interest.
- i. Assistant Commissioner disallowed cenvat credit availed on service tax paid on different activities. Amount involved is Rs.0.06 crore (previous year Rs.0.06 crore). The case is decided by the Commissioner (Appeal) against the Company on February 11, 2011. Company has filed an appeal before the Tribunal against the order which has been accepted by the Tribunal.
- j. A show cause notice was issued by the department as the Company did not charge service tax on the amount charged for modification of dies on request of customers. The case is decided by Additional Commissioner in favor of the Company on May 25, 2013. The time limit for the department to file further appeal against the decision has elapsed during the year. Total amount involved is Rs.0.24 crore.

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

- k. A show cause notice was issued disallowing cenvat credit related to service tax. An appeal was filed before the Commissioner (Appeals) and the decision was given in favor of the department. The Company filed an appeal to Tribunal against the decision and the Tribunal remanded back the case to Commissioner (Appeals) and it is pending before it. Amount involved is Rs.0.05 crore (previous year Rs.0.04 crore). Current year movement represents interest.
- l. Department has issued a show cause notice dated September 14, 2011 in respect of claim of cenvat on input services namely courier, insurance, bank processing, transport, travel agency for the period 2011-12. On February 3, 2014, Commissioner of Central Excise has confirmed the demand. Appeal filed before the Commissioner of central excise (Appeals) on April 7, 2014. The amount involved is Rs.0.11 crore (Previous year Rs. Nil).
- m. Department has issued a show cause notice dated January 17, 2011 in respect of claim of cenvat on insurance, catering, tent house and taxi and travels for the period 2010-11. Joint Commissioner has confirmed the demand against the reply filed. An appeal was filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on January 31, 2012. Commissioner (Appeals) in its order dated January 21, 2013 decided the appeal in favour of the Company. On May 07, 2013, Department has filed appeal before Tribunal against said order. The amount involved is Rs.0.40 crore (Previous year Rs. Nil).
- n. Department has issued a show cause notice dated October 08, 2008 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period 2004-05 to 2007-08. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.1.23 crores (Previous year Rs. Nil).
- o. Department has issued a show cause notice dated April 17, 2009 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period 2008-09. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.18 crore (Previous year Rs. Nil).
- p. Department has issued a show cause notice dated February 18, 2010 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period February, 2009 to December, 2010. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.27 crore (Previous year Rs. Nil).
- q. Department has issued a show cause notice dated December 27, 2011 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period January, 2011 to November, 2011. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.01 crore (Previous year Rs. Nil).
- r. Department has issued a show cause notice dated December 31, 2012 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period December, 2011 to November, 2012. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.68 crore (Previous year Rs. Nil).

Others

- a. Dakshin Haryana Bijli Vitran Nigam (DHBVN) has demanded Rs. 5.60 crores (previous year Rs. 5.60 crores) for overdrawing power as compared to approved load limit. Case is pending at Hon'ble High court of Punjab and Haryana through writ petition filed on January 22, 2013 by DHBVN. The case came up for hearing on March 5, 2013 and is adjourned till September 10, 2013 for further hearing. The Company filed a counter suit against ombudsman order on September 10, 2013. The case came up for hearing on January 27, 2014 wherein notice of motion was issued to DHBVN. Next date fixed for hearing was March 25, 2014. DHBVN submitted written statement on March 25, 2014; hearing is now adjourned to July 25, 2014.
- b. A demand was raised under Haryana Local Area Development Tax Act, 2000 for tax on central purchase of certain items. An appeal was filed before with Joint Commissioner (Appeal) and the amount involved is Rs. 0.01 crore (previous year Rs. 0.01 crore).

II) Guarantees

- a. On behalf of Subsidiary Companies:

The Company has given Corporate Guarantees to the Bankers for the loan taken by following Subsidiaries:

(Rs. in Crores)

Name of the Subsidiary	Year ended March 31, 2014	Year ended March 31, 2013
i) Rasa Autocom Limited	43.00	43.00
ii) Rico Jinfei Wheels Limited	10.00	10.00

The outstanding amount as on March 31, 2014 of the above mentioned loan as per the books of accounts of Rasa Autocom Limited is Rs.15.66 crores and as per the books of accounts of Rico Jinfei Wheels Limited is Rs.1.79 crores.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

III) Others

- a. Surety bonds executed in favor of the President of India, under Export Promotion Capital Goods Scheme (EPCG) for importing capital goods at concessional rate of custom duty, amounting to Rs.120.83 crores (previous year Rs.120.83 crores).

Note 31 – Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
1. Principal amount remaining unpaid	12.58	6.43
2. Interest due thereon	0.38	—
3. Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	—	—
4. Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	—	—
5. Interest accrued and remaining unpaid as at 31 March, 2014	0.38	—
6. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	—	—

Note 32 – COMMITMENTS

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Estimated amount of contracts remaining to be executed on account of Capital commitments [net of advances Rs.0.27 crore (previous year Rs.10.51 crores)]	3.19	11.06

Note 33 – EMPLOYMENT BENEFITS

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
A. Provident Fund and other Funds		
Employer's contribution to Provident Fund	4.98	4.39
Employer's contribution to ESI	0.70	0.88
B. Defined Benefit Plan		
I) Change in Defined Benefit Obligation		
a) Present Value of Obligation as at beginning of the year	13.01	10.33
b) Current Service Cost	1.24	1.02
c) Interest Cost	1.03	0.86
d) Benefits Paid	(0.84)	(0.85)
e) Actuarial Loss	0.23	1.65
Present Value of Obligation as at end of the year	14.67	13.01
II) Change in Fair Value of Plan Assets		
a) Fair Value of Plan Assets at the beginning of the year	4.90	5.28
b) Expected Return on Plan Assets	0.42	0.45
c) Employer's Contributions	0.03	0.01
d) Benefits Paid	(0.84)	(0.85)
e) Actuarial Gain	(0.02)	0.01
Fair Value of Plan Assets as at end of the year	4.49	4.90

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
III) The Amounts to be Recognized in Balance Sheet		
a) Present Value of Obligation as at the end of the period	14.67	13.01
b) Fair Value of Plan Assets as at the end of the period	4.49	4.90
Net Liability Recognized in Balance Sheet	10.18	8.11
— Non Current	8.90	6.92
— Current	1.28	1.19
IV) Expense Recognized in the Statement of Profit and Loss		
a) Current Service Cost	1.24	1.02
b) Interest Cost	1.03	0.86
c) Net Actuarial Loss Recognized	0.25	1.63
d) Expected Return on Planned Assets	(0.42)	(0.45)
Expenses Recognised in the Statement of Profit and Loss	2.10	3.06
V) Amount for the Current and Previous Years are as follows		

(Rs. in Crores)

S. No.	Particulars	Year ended				
		March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
1.	Defined Benefit Obligation at the end of the period	(6.40)	(8.23)	(10.33)	(13.01)	(14.67)
2.	Plan Assets at the end of the period	4.51	4.55	5.28	4.90	4.49
3.	Funded Assets	(1.89)	(3.68)	(5.05)	(8.11)	(10.18)
4.	Experience loss adjustments on Plan Liabilities	(0.32)	(0.97)	(0.64)	(0.96)	(0.28)
5.	Experience gain adjustments on Plan Assets	0.00*	0.00*	0.01	0.01	(0.02)
6.	Actuarial gain/(loss) due to change in Actuarial Assumptions	0.15	—	(0.70)	(0.68)	0.05

*Amounts have been rounded off to zero.

VI) Assumptions Used to Determine the Benefit Obligations

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Discount Rate	9.25%	8.20%
Rate of increase in compensation levels	7.00%	6.00%
Expected rate of return on Planned Assets	9.25%	9.25%

In respect of Employee's Gratuity Fund, constitution of Plan Assets is not readily available from the Life Insurance Corporation of India.

C. Other Long Term Benefit Plans

Other long term benefit plans represents the compensated absences provided to the employees of the Company

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
I) Actuarial Valuation has been done with the following Assumptions		
Discount Rate	9.25%	8.20%
Rate of increase in compensation levels	7.00%	6.00%
Expected rate of return on Planned Assets	9.25%	9.25%

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Note 34 – EXPENSES ON RESEARCH AND DEVELOPMENT

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Capital Expenditure	0.00	0.08
Employees Remuneration and Benefits	2.45	2.32
Revenue Expenses other than Depreciation	0.60	0.92
Depreciation on Research and Development Assets	0.43	0.45

Note 35 – COMPOSITION OF IMPORTED AND INDIGENOUS RAW MATERIALS (INCLUDING COMPONENTS AND SPARES)

(Rs. in Crores)

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Value	Percentage to Total Consumption	Value	Percentage to Total Consumption
1. ALUMINIUM ALLOY				
Indigenous	198.30	30.14%	238.90	31.00%
Imported	0.01	—	—	—
2. PIG IRON & STEEL SCRAP				
Indigenous	47.93	7.29%	62.75	8.14%
Imported	0.36	0.05%	0.54	0.07%
3. OTHER MATERIALS & COMPONENTS				
Indigenous	349.93	53.19%	399.66	51.86%
Imported	2.26	0.34%	2.97	0.39%
4. STORES & SPARE PARTS				
Indigenous	56.23	8.55%	60.37	7.83%
Imported	2.82	0.44%	5.47	0.71%

— Consumption includes interunit Rs.108.97 crores (previous year Rs.100.11 crores).

Note 36 – A fire broke out on December 7, 2012 at one section of the Company's ferrous foundry unit located at the Gurgaon plant. As a result, fixed assets having a written down value of Rs.1.55 crores and stores and spares amounting to Rs.0.29 crore were destroyed. Net amount of Rs. 0.02 crore (last year Rs.1.02 crores) has been shown as receivable from insurance Company in the books of accounts. The management has lodged a claim with the insurance Company and does not foresee any financial loss on this account.

Note 37 – CIF VALUE OF IMPORTS

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Capital Goods	0.30	17.19
Raw Materials	0.34	0.82
Components	2.04	1.87
Stores & Spares	2.29	3.52

Note 38 – The Company has performed a detailed assessment involving an independent valuer to determine whether there is any permanent diminution in the value of investments in two subsidiaries namely Rasa Autocom Limited and Rico Jinfei Wheels Limited and if advances or other receivables as of March 31, 2014, from such subsidiaries are recoverable. Material estimates and judgments used for the purposes of business plans of these subsidiaries, which form the basis of such assessment, continue to be appropriate, accordingly, the management has concluded that no adjustments to the carrying values of underlying investments aggregating to Rs.50.53 crores and advances or other receivables aggregating to Rs.54.07 crores pertaining to these subsidiaries are required to be made in the financial statements for the year ended March 31, 2014.

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Note 39 – EXPENDITURE IN FOREIGN CURRENCY

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Bank Charges against Export	0.05	0.01
Travelling Expenses	0.22	0.48
Professional Charges	0.32	0.11
Repair & Maintenance – Machinery	0.01	0.01
Others	4.36	6.16

Note 40 – EARNINGS IN FOREIGN CURRENCY

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
F.O.B. Value of Export	188.10	170.00
Others	2.34	7.64

Note 41 – CURRENT ASSETS, LOANS & ADVANCES

In the opinion of the Board of Directors, current assets, loans and advances are having the value at which they are stated in the Balance Sheet, if realized in the ordinary course of business save as otherwise stated in this Balance Sheet.

Note 42 – DETAILS OF DERIVATIVE INSTRUMENTS OUTSTANDING ON MARCH 31, 2014

Particulars of Hedged Derivatives	March 31, 2014	March 31, 2013	Purpose
Forward contracts - cash flow hedge(in US\$)			
Buy (in US\$)	—	0.10	Hedge of future payments towards term loan
Sell (in US\$)	—	0.04	Hedge of future receipts towards export
Sell (in Euro)	—	0.02	Hedge of future receipts towards export
Cross Currency Swaps	1.05	0.00	

The foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below as on each Balance Sheet date:

(Rs. in Crores)

Particulars	March 31, 2014	March 31, 2013
Receivables and Advances		
Exports outstanding	29.25	51.56
Payables		
Payable on Imports	4.99	4.54
Loans (Secured)		
Buyer's Credit Facility	23.43	29.60
Term Loan	9.72	27.75

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Note 43 – INFORMATION PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENTS WITH STOCK EXCHANGES

(Rs. in Crores)

Loans and Advances in the Nature of Loans to Subsidiaries		Balance as on		Maximum Balance during the Year ended	
Name of Entity	Status	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Rasa Autocom Limited	Subsidiary	19.18	0.17	19.19	12.46
Rico Jinfei Wheels Limited	Subsidiary	34.89	23.72	34.89	40.37
Uttarakhand Automotives Limited	Subsidiary	23.40	23.32	23.40	23.32
RAA Autocom Limited	Subsidiary	1.81	1.80	1.81	1.80
AAN Engineering Industries Limited	Subsidiary	1.06	0.48	1.06	0.48

Note 44 – The Company's operating lease payments are due on premises taken on lease for operating activities. Aggregate rental expenses under operating leases amounted to Rs.1.80 crores (previous year Rs.1.33 crores) for the year, has been charged to the statement of profit and loss.

The future minimum operating lease payments in respect of premises taken on lease are as follows:

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Minimum lease payments		
Due within one year	1.46	1.42
Due for period more than one but less than five years	5.26	6.22
Due for period more than five years	16.49	16.76
Total minimum lease payment	23.21	24.40

Note 45 – RELATED PARTY DISCLOSURES

A. Related Parties where control exists

Name of the Related Parties	Description of Relationship
Rico Auto Industries Inc. USA	Subsidiary
Rico Auto Industries (UK) Limited, UK	Subsidiary
Rasa Autocom Limited	Subsidiary
Uttarakhand Automotives Limited	Subsidiary
RAA Autocom Limited	Subsidiary
Rico Jinfei Wheels Limited	Subsidiary
AAN Engineering Industries Limited	Subsidiary
FCC Rico Limited	Joint Venture
Magna Rico Powertrain Private Limited	Joint Venture
Kapsons Associates Investments Private Limited	Entity in which KMP exercise significant influence
Rico Castings Limited	Entity in which KMP exercise significant influence
Higain Investments Private Limited	Entity in which KMP exercise significant influence
Octan Media Limited	Entity in which KMP exercise significant influence
Kapbros Engineering Industries Limited	Entity in which KMP exercise significant influence
Raasaa Retail Private Limited	Entity in which KMP exercise significant influence
Haridwar Estates Private Limited	Entity in which KMP exercise significant influence

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

B. Key Management Personnel

Details of Key Managerial Personnel are as under:

- i) Shri Arvind Kapur – Chairman, CEO & Managing Director
- ii) Shri Arun Kapur – Joint Managing Director

C. Amount for the Current and Previous years are as follows:

(Rs. in Crores)

Particulars	Key Management Personnel and their relatives		Other parties which significantly influence/influenced by Company (either individually or otherwise)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
I) Transactions during the year				
A. Goods Purchased				
Rico Castings Limited	—	—	21.76	42.26
FCC Rico Limited	—	—	8.77	9.84
Rasa Autocom Limited	—	—	10.42	9.15
Rico Jinfei Wheels Limited	—	—	0.69	0.57
Kapbros Engineering Industries Limited	—	—	1.86	0.51
B. Goods Sold				
Rico Auto Industries Inc, USA	—	—	78.43	69.94
FCC Rico Limited	—	—	51.27	57.34
Rico Auto Industries (UK) Limited, UK	—	—	44.92	46.59
Kapbros Engineering Industries Limited	—	—	5.00	5.66
Magna Rico Powertrain Private Limited	—	—	3.93	2.15
Rico Jinfei Wheels Limited	—	—	0.87	1.88
Rico Castings Limited	—	—	1.22	0.93
Rasa Autocom Limited	—	—	0.28	0.56
C. Assets Purchased				
Kapbros Engineering Industries Limited	—	—	2.97	2.72
Rasa Autocom Limited	—	—	0.06	1.91
Rico Castings Limited	—	—	2.20	0.32
D. Assets Sold				
Rico Jinfei Wheels Limited	—	—	0.26	0.76
Rasa Autocom Limited	—	—	0.25	0.53
Kapbros Engineering Industries Limited	—	—	0.26	0.14
E. Miscellaneous Sales				
Rasa Autocom Limited	—	—	—	0.15
Rico Castings Limited	—	—	0.05	—
Magna Rico Powertrain Private Limited	—	—	0.41	—
F. Job Work Expenses				
Kapbros Engineering Industries Limited	—	—	12.17	12.29
FCC Rico Limited	—	—	—	0.02
Rico Jinfei Wheels Limited	—	—	0.17	0.02
Rasa Autocom Limited	—	—	—	0.02
Rico Castings Limited	—	—	3.48	—
G. Job Work Income				
Rico Jinfei Wheels Limited	—	—	0.01	0.60
Rasa Autocom Limited	—	—	0.01	0.18
FCC Rico Limited	—	—	0.85	—
Kapbros Engineering Industries Limited	—	—	0.27	—
H. Rent Received				
AAN Engineering Industries Limited	—	—	0.01	0.07
I. Investments made during the year				
Rico Jinfei Wheels Limited	—	—	—	21.28
Rasa Autocom Limited	—	—	—	19.92
Magna Rico Powertrain Private Limited	—	—	1.50	2.50

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

(Rs. in Crores)

Particulars	Key Management Personnel and their relatives		Other parties which significantly influence/influenced by Company (either individually or otherwise)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
J. Administration, Finance, Production Support Service				
FCC Rico Limited	—	—	13.85	11.61
Rasa Autocom Limited	—	—	0.28	1.60
Rico Castings Limited	—	—	0.34	1.80
Kapbros Engineering Industries Limited	—	—	0.28	1.80
Magna Rico Powertrain Private Limited	—	—	—	0.02
Rico Jinfei Wheels Limited	—	—	0.22	1.60
K. Rent Paid				
Kapsons Associates Investments Private Limited	—	—	0.38	0.35
L. Net Loan given/(repaid) during the year				
Rico Jinfei Wheels Limited	—	—	10.13	(14.62)
Rasa Autocom Limited	—	—	19.01	(11.95)
AAN Engineering Industries Limited	—	—	0.58	0.34
Uttarakhand Automotives Limited	—	—	0.07	2.70
RAA Autocom Limited	—	—	0.01	0.20
Rico Castings Limited	—	—	(0.74)	—
M. Interest Received on Loan				
Uttarakhand Automotives Limited	—	—	—	2.71
Rico Jinfei Wheels Limited	—	—	1.75	3.29
Rasa Autocom Limited	—	—	0.01	0.84
RAA Autocom Limited	—	—	—	0.21
AAN Engineering Industries Limited	—	—	—	0.04
N. Dividend Received				
FCC Rico Limited	—	—	2.96	2.96
O. Guarantees given				
Rasa Autocom Limited	—	—	43.00	43.00
Rico Jinfei Wheels Limited	—	—	10.00	10.00
P. Remuneration Paid to Key Management Personnel	1.88	1.79	—	—
II) Balance Outstanding at Year End				
A. Balance Recoverable				
FCC Rico Limited	—	—	4.48	5.24
Rico Auto Industries Inc, USA	—	—	8.30	19.19
Rico Auto Industries (UK) Limited, UK	—	—	7.93	16.66
Haridwar Estates Private Limited	—	—	9.72	9.72
Rico Castings Limited	—	—	5.17	19.86
Rasa Autocom Limited	—	—	—	10.31
Rico Jinfei Wheels Limited	—	—	—	2.10
Kapbros Engineering Industries Limited	—	—	5.99	5.92
Magna Rico Powertrain Private Limited	—	—	1.44	0.59
B. Balance Payable				
FCC Rico Limited	—	—	—	0.04
Rasa Autocom Limited	—	—	—	3.56
Rico Jinfei Wheels Limited	—	—	—	0.68
Kapbros Engineering Industries Limited	—	—	—	1.27
Rico Castings Limited	—	—	—	10.24

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

(Rs. in Crores)

Particulars	Key Management Personnel and their relatives		Other parties which significantly influence/influenced by Company (either individually or otherwise)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
C. Loan Outstanding				
Rico Jinfei Wheels Limited	—	—	34.89	23.72
Uttarakhand Automotives Limited	—	—	23.40	23.32
RAA Autocom Limited	—	—	1.81	1.80
AAN Engineering Industries Limited	—	—	1.06	0.48
Rasa Autocom Limited	—	—	19.18	0.17

Note 46 – INVESTMENTS IN JOINT VENTURES

S.No.	Joint Venture	Location	Principal Activities	Ownership Interest
1.	FCC Rico Limited	India	Manufacture and Sale of Auto Components	50%
2.	Magna Rico Powertrain Private Limited	India	Manufacture and Sale of Auto Components	50%

The Company's share of the assets, liabilities, income and expenditure of the significant joint ventures (under jointly controlled entities) are as follows:

(Rs. in Crores)

Particulars	Magna – 50%		FCC – 50%	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Liabilities				
Reserves and Surplus	(7.13)	(8.00)	107.57	90.08
Non-current Liabilities	0.07	0.06	24.73	33.13
Current Liabilities	6.04	5.52	106.52	84.69
Assets				
Non-current Assets	10.01	8.09	93.26	93.07
Current Assets	10.45	9.27	150.63	120.07
Income	21.50	17.88	450.54	426.21
Expenses	22.31	16.54	449.69	376.77
Profit after Tax and Prior Period Items	(0.81)	1.34	(7.14)	53.56

The Company's share of the contingent liability and capital commitment of the significant joint ventures (under jointly controlled entities) are as follows:

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Service Tax	1.76	1.76
Excise Duty	0.06	0.06
Custom Duty	0.07	0.07
Income Tax	4.04	1.97
	5.93	3.86
Export obligation to be undertaken by the Company under EPCG Licence	0.74	0.20
	6.67	4.06
Capital Commitment	0.97	2.60

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Notes (Contd.)

Note 47 – Segment Information, as required under AS-17 “Segment Reporting”, has been provided in the consolidated financial statements of the company and therefore no separate disclosure on segment information is given in these standalone financial statements.

Note 48 – Pursuant to the notification issued by The Ministry of Corporate Affairs dated May 11, 2011 read with the notification issued on March 31, 2009, the Company has chosen to avail the option to capitalise exchange differences arising on long term foreign currency monetary items to the cost of the relevant fixed assets and amortising it over the remaining useful life of the fixed assets. Amount remaining to be amortised is as under:

(Rs. in Crores)		
Particulars	March 31, 2014	March 31, 2013
Un-amortised exchange differences	12.21	12.20

Note 49 – As per the transfer pricing norms applicable in India, the Company is required to use certain specified methods in computing arm's length price of transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of the transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Company is in the process of conducting a transfer pricing study for the current financial period. However, in the opinion of the management the same would not have a material impact on these financial statements. Accordingly, these financial statements do not include any adjustments for the transfer pricing implications, if any.

Note 50 – Previous year's amounts have been regrouped/ reclassified, wherever considered necessary to make them comparable with those of the current year.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Ashish Gupta**
Partner

Place : Gurgaon
Dated : 28th May, 2014

O.P. Aggarwal
Executive Director (Finance)

B.M. Jhamb
Company Secretary

For and on behalf of the Board of Directors

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

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

1.	Name of the Subsidiary Company	Rico Auto Industries Inc., USA	Rico Auto Industries Limited	Rasa Autocom Limited	Uttarakhand Automotives Limited	Rico Jinfei Wheels Limited	RAA Autocom Limited	AAN Engineering Industries Limited
2.	Date from which it became Subsidiary Company	12 th June, 2001	12 th August, 2004	12 th October, 2007	9 th July, 2007	16 th July, 2007	24 th June, 2008	08 th April, 2011
3.	Financial Year of the Subsidiary ended on	31 st March, 2014	31 st March, 2014	31 st March, 2014	31 st March, 2014	31 st March, 2014	31 st March, 2014	31 st March, 2014
4.	Shares of the Subsidiary held by Rico Auto Industries Limited on the above dates i) Number & Face Value ii) Extent of Holding	2500 Equity Shares @ US\$ 10/- each fully paid up (Rs.14.74 Lacs) 100%	20000 Equity Shares @ GBP 1/- each fully paid up (Rs.19.60 Lacs) 100%	20000000 Equity Shares @ Rs.10/- each (Rs.2000 Lacs) 100%	410000 Equity Shares @ Rs.10/- each (Rs.41.00 Lacs) 100%	30525000 Equity Shares @ Rs.10/- each (Rs.3052.50 Lacs) 92.50%	50000 Equity Shares @ Rs.10/- each (Rs.5.00 Lacs) 100%	50000 Equity Shares @ Rs.10/- each (Rs.5.00 Lacs) 100%
5.	Net Aggregate amount of Profit/Losses of Subsidiary Company so far as it concerns the Members of Rico Auto Industries Limited a) Not dealt with in the accounts of Rico Auto Industries Limited i) for the Subsidiary's financial year above referred ii) for the previous financial year of Subsidiary since it became Subsidiary of Rico Auto Industries Limited b) Dealt with in the accounts of Rico Auto Industries Limited i) for the Subsidiary's financial year above referred ii) for the previous financial year of Subsidiary since it became Subsidiary of Rico Auto Industries Limited	Profit US\$ 172291 (Rs.101.55 Lacs) Profit US\$ 2407451 (Rs.1418.95 Lacs) Nil Nil	Profit GBP 36208 (Rs.35.48 Lacs) Profit GBP 409859 (Rs.401.58 Lacs) Nil Nil	Loss Rs.751.92 Lacs Loss Rs.1708.21 Lacs Nil Nil	Loss Rs.0.35 Lacs Loss Rs.1067.48 Lacs Nil Nil	Loss Rs.1281.08 Lacs Loss Rs.2859.40 Lacs Nil Nil	Loss Rs.0.31 Lacs Loss Rs.185.96 Lacs Nil Nil	Loss Rs.11.55 Lacs Loss Rs.72.07 Lacs Nil Nil
6.	Changes in the interest of Rico Auto Industries Limited in the Subsidiary Company between the end of the financial year of the Subsidiary and the financial year of the Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
7.	Material changes between the end of the financial year of the Subsidiary and the financial year of the Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

For and on behalf of the Board of Directors

O.P.Agarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

RICO AUTO INDUSTRIES LIMITED

FINANCIAL SUMMARY RELATING TO SUBSIDIARY COMPANIES AS ON 31.03.2014

(Rs. in Thousand)

Sl. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rates as on 31/03/2014 (Rs.)	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1.	Rico Auto Industries Inc., USA	US \$	58.94	1474	152050	405420	251897	—	854428	15802	5647	10155	—
2.	Rico Auto Industries (UK) Limited, U.K.	GBP	97.98	1628	52221	141972	88123	—	564499	4474	926	3548	—
3.	Rasa Autocom Limited	INR	—	200000	(246013)	447879	493891	—	147822	(75192)	—	(75192)	—
4.	Uttarakhand Automotives Limited	INR	—	4100	(106783)	131323	234006	—	—	(35)	—	(35)	—
5.	Rico Jinfei Wheels Limited	INR	—	330000	(414047)	567800	651847	—	562606	(128108)	—	(128108)	—
6.	RAA Autocom Limited	INR	—	500	(18627)	24	18151	—	—	(31)	—	(31)	—
7.	AAN Engineering Industries Limited	INR	—	500	(8362)	2782	10644	—	6	(1155)	—	(1155)	—

Note: The Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Reports of the Subsidiaries are not being attached in view of general exemption granted by Ministry of Corporate Affairs Govt. of India, New Delhi vide its General Circular No. 2/2011 dated 08th February, 2011. The said annual accounts of the Subsidiary companies and the related detailed information will be made available to the holding & subsidiary company's investors seeking such information at any point of time (during business hours). The annual accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Corporate Office of the Company/Subsidiary Company.

For and on behalf of the Board of Directors

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2013-14

INDEPENDENT AUDITORS' REPORT

The Board of Directors,
Rico Auto Industries Limited

1. We were engaged to audit the accompanying consolidated financial statements of Rico Auto Industries Limited, ("the Company") and its subsidiaries, and joint ventures (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Because of the matters described in the basis for Disclaimer of Opinion paragraph, we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

4. In preparation of the accompanying consolidated financial statements, the Company has considered the unaudited financial statements of FCC Rico Limited a joint venture of the Company. In the absence of financial statements of FCC Rico duly audited by an independent auditor, we were unable to determine whether any adjustments were necessary in respect of the Company's proportional share of FCC Rico Limited's assets, liabilities, income and expenses for the year, and the elements making up the Cash Flow Statement and other disclosures in the consolidated financial statements.

Disclaimer of Opinion

5. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Other Matter

6. We did not audit the financial statements of certain subsidiaries and joint venture included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs.39.58 crores as at March 31, 2014; total revenues (after eliminating intra-group transactions) of Rs.79.63 crores and net cash flows aggregating to Rs.1.13 crores for the year then ended. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

For Walker, Chandio & Co LLP
(Formerly Walker, Chandio & Co)
Chartered Accountants
Firm Regn. No. 001076N

Place : Gurgaon
Dated : 28th May, 2014

per Ashish Gupta
Partner
Membership No.504662

RICO AUTO INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
I. EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	6	13.53	13.53
b) Reserves & Surplus	7	335.28	330.51
		<u>348.81</u>	<u>344.04</u>
2. NON-CURRENT LIABILITIES			
a) Long-Term Borrowings	8	95.76	163.53
b) Deferred Tax Liabilities (Net)	9	37.46	40.42
c) Other Long-Term Liabilities	10	1.21	2.11
d) Long-Term Provisions	11	10.27	8.14
		<u>144.70</u>	<u>214.20</u>
3. CURRENT LIABILITIES			
a) Short-Term Borrowings	12	170.71	244.98
b) Trade Payables	13	267.54	209.24
c) Other Current Liabilities	14	199.75	174.53
d) Short-Term Provisions	15	38.54	34.00
		<u>676.54</u>	<u>662.75</u>
TOTAL		<u>1170.05</u>	<u>1220.99</u>
II. ASSETS			
1. NON-CURRENT ASSETS			
a) Fixed Assets			
i) Tangible Assets	16	670.10	675.03
ii) Intangible Assets	16	2.09	2.57
iii) Capital Work-in-Progress		34.89	51.37
b) Long-Term Loans and Advances	17	41.85	39.37
c) Other Non Current Assets	18	0.32	0.36
		<u>749.25</u>	<u>768.70</u>
2. CURRENT ASSETS			
a) Inventories	19	158.49	174.70
b) Trade Receivables	20	166.98	160.13
c) Cash and Bank Balances	21	10.72	11.05
d) Short-Term Loans and Advances	22	69.69	99.11
e) Other Current Assets	23	14.92	7.30
		<u>420.80</u>	<u>452.29</u>
TOTAL		<u>1170.05</u>	<u>1220.99</u>

The accompanying notes (1 to 45) are an integral part of the financial statements.
This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandio & Co LLP**
(Formerly Walker, Chandio & Co)
Chartered Accountants

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

For and on behalf of the Board of Directors

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Notes	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
REVENUE			
Revenue from Operations (Gross)	24	1634.40	1662.89
Less : Excise Duty		154.30	156.89
Revenue from Operations (Net)		1480.10	1506.00
Other Income	25	26.08	39.29
Total Revenue		1506.18	1545.29
EXPENSES			
Cost of Raw Materials and Components Consumed	26	875.98	972.76
Change in Inventoris of Finished Goods and Work in Progress	27	15.43	7.14
Employee Benefit Expenses	28	151.06	141.15
Finance Costs	29	67.38	69.12
Depreciation and Amortisation	16	94.32	87.07
Other Expenses	30	289.11	267.68
Prior Period Items (Net)	31	0.00	0.00
Total Expenses		1493.28	1544.92
Profit Before Exceptional Items and Tax		12.90	0.37
Exceptional Items	32	0.33	(13.38)
Profit Before Tax		12.57	13.75
Tax Expenses:			
1) Current Tax		12.94	7.55
2) Reversal of MAT credit entitlement		(0.11)	3.16
3) Deferred Tax		(2.96)	1.93
4) Prior year Deferred Tax		—	(3.97)
5) Income Tax earlier years		—	(0.29)
Net Profit for the year		2.70	5.37
Basic and Diluted earning per equity share [nominal value of share Re.1/- (March 31, 2013 : Re.1/-)]	33	0.20	0.40

The accompanying notes (1 to 45) are an integral part of the financial statements.
This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Ashish Gupta**
Partner

Place : Gurgaon
Dated : 28th May, 2014

O.P.Aggarwal
Executive Director (Finance)

B.M.Jhamb
Company Secretary

For and on behalf of the Board of Directors

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

RICO AUTO INDUSTRIES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
A. Cash Flow from Operating Activities		
Net Profit Before Tax	12.57	13.75
Adjustments for:		
Depreciation and Amortisation	94.32	87.07
Interest Income	(2.05)	(2.11)
Provision for mark to market losses	0.34	0.60
Finance Cost	67.38	69.12
Operating Profit before Working Capital Changes	172.56	168.43
Adjustments for:		
Decrease in trade and other receivables	18.11	10.05
Decrease in inventories	16.20	10.29
Increase in trade and other payables	102.35	35.05
Cash generated from operations	309.22	223.82
Direct Taxes Paid	(18.18)	(10.56)
Net Cash generated in Operating Activities	291.04	213.26
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Addition to Capital Work in Progress	(84.48)	(163.91)
Proceeds from Sale of Fixed Assets	11.74	6.21
Movement in fixed deposits	(1.46)	(0.10)
Interest Income	2.05	2.11
Net Cash used in Investing Activities	(72.15)	(155.69)
C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings	11.81	38.53
Repayment of Long Term Borrowings	(75.06)	(75.80)
Net proceeds/(repayment) of Short Term Borrowings	(86.08)	56.97
Dividend Paid	(2.86)	(2.82)
Interest Paid	(68.51)	(69.78)
Net Cash used in Financing Activities	(220.70)	(52.90)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(1.81)	4.67
Cash and Cash Equivalents at the beginning of the year	10.72	6.05
Cash and Cash Equivalents at the end of the year (Refer note 21)	8.91	10.72
	(1.81)	4.67

This is the Consolidated Cash Flow Statement referred to in our report of even date

For **Walker Chandio & Co LLP**
(Formerly Walker, Chandio & Co)
Chartered Accountants

For and on behalf of the Board of Directors

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014

Note 1 – NATURE OF OPERATIONS

Rico Auto Industries Limited ("the Parent Company" or "the Parent" or "the Company"), a Public Limited Company, together with its subsidiaries and joint ventures (hereinafter collectively referred to as "the Group") is engaged in the business of manufacturing and sale of auto components for two wheelers and four wheelers.

The Parent Company's shares are listed on the National Stock Exchange and Bombay Stock Exchange in India.

Note 2 – BASIS OF PREPARATION

Consolidated Financial Statements (CFS) of the Group are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

Note 3 – CONSOLIDATION PROCEDURE

The CFS are prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" and Accounting Standard 27 'Financial Reporting of Interests in Joint Ventures (as applicable) notified under The Companies Act, 2013 ("the Act"). The financial statements of the Parent and its subsidiaries are combined on a line by line basis by adding together sums of like nature, comprising assets, liabilities, income and expenses and after eliminating intra-group balances/ transactions. Financial interest in joint ventures has been accounted for under the proportionate consolidation method.

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment.

The financial statements of foreign subsidiaries are prepared by them on the basis of generally accepted accounting principles, local laws and regulations as prevalent in their respective countries and such financial statements are considered for consolidation.

For the purpose of compilation of the CFS the foreign currency assets, liabilities, income and expenditure are translated as per Accounting Standard (AS-11) on "Accounting for the Effects of Changes in Foreign Exchange Rates", notified under the Act. Exchange differences arising are recognised in the statement of profit and loss or in the Foreign Currency Translation Reserve classified under Reserves and Surplus as applicable, under the above mentioned Accounting Standard.

Note 4 – USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with the principles generally accepted in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Note 5 – SIGNIFICANT ACCOUNTING POLICIES

i) Revenue Recognition

a. Revenue from Sale of Goods

Revenue from sale of goods is recognised upon transfer of significant risks and rewards incident to ownership and when no significant uncertainty exists regarding realisation of the sale consideration. Sales are recorded net of sales returns, rebates, trade discounts and price differences and are inclusive of excise duty.

b. Revenue from Sale of Services

Service income comprising technical and other support services fee is recognised as per the terms of the agreement.

Revenue in respect of time and material contracts are recognised based on time spent in accordance with the contractual terms.

c. Duty draw back and Export Incentive

Export benefit entitlements are recognised in the statement of profit and loss when the right to receive benefit is established in respect of the exports made.

d. Interest Income

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

e. Dividend Income

Dividend on investments is recognised when the right to receive dividend is established.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

ii) Fixed Assets and Intangibles

a. Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses, direct and indirect, specifically attributable to its acquisition and bringing it to its working condition for its intended use.

Incidental expenditure pending allocation and attributable to the acquisition of fixed assets is allocated/capitalised with the related fixed assets.

b. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Initial recognition of intangible assets are carried out at cost less accumulated amortization and accumulated impairment losses, if any.

iii) Depreciation and Amortisation

Depreciation on fixed assets is provided in the manner prescribed in Schedule XIV of the Act, at rates which are either greater than or equal to the corresponding rates in Schedule XIV of the Act, based on the technical estimates of useful life, as follows:

Description	Rate	Method
Building	3.34%	Straight line method
Plant and Machinery	4.75% - 14.28%	Straight line method
Furniture and Fixtures	18.1%	Written down value method
Office Equipment	13.91%	Written down value method
Vehicles	25.89%	Written down value method

Depreciation on dies and moulds is provided based on useful life of the items ascertained on a technical estimate by the management.

Depreciation on fixed assets acquired/ disposed off during the year is recorded on a pro-rata basis with reference to the date of acquisition/ disposal. Individual assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase, the cumulative amount of such assets fully depreciated being immaterial. The cost of leasehold land is being amortised over the period of the lease.

Intangible assets are being amortised on written down value method over the useful life, not exceeding 10 years, as estimated by management to be the economic life of the asset over which economic benefits are expected to flow.

iv) Inventories

Inventories are valued as follows:

a. Raw Materials and Loose Tools

Lower of cost or net realisable 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 is determined on a weighted average basis.

b. Work in Progress

Work in progress is valued at cost up to the stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

c. Finished Goods

Finished goods are valued at lower of cost or net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost of finished goods includes excise duty.

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

v) Investments

Long term investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. A provision for diminution in the value of long term investments, other than temporary in value, is recognised through the statement of Profit and Loss.

Current investments are stated at lower of cost and fair value determined on an individual basis.

vi) Employee Benefits

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company. The Company also provides benefit of compensated absences under which un-availed leaves are allowed to be accumulated and can be availed in future.

The Company has three post-employment benefit plans in operation viz. Gratuity, Provident Fund and Employee State Insurance scheme.

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

a. *Provident Fund and Employee State Insurance Scheme*

Provident fund benefit and Employee State Insurance benefit are defined contribution plans under which the Company pays fixed contributions into funds established under Employee Provident Fund and Miscellaneous Provision Act, 1952 and Employee State Insurance Act, 1948 respectively. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature.

b. *Gratuity*

Gratuity is a post-employment benefit and is in the nature of defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. Gratuity Fund is administered through Life Insurance Corporation of India. The defined benefit obligation is calculated at the balance sheet date on the basis of actuarial valuation by an independent actuary using projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

c. *Unavailed Leaves*

The Company also provides benefit of compensated absences to its employees which are in the nature of long term benefit plan. The compensated absences comprises of vesting as well as non-vesting benefit. Liability in respect of compensated absences becoming due and expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefits expected to be availed by the employees. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise. Leave encashment fund is administered through Life Insurance Corporation of India and India First Life Insurance Company Limited.

vii) **Research and Development Expenses**

Revenue expenditure on research is expensed off under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Statement of Profit and Loss as an expense as incurred.

Fixed assets used for research and development are depreciated in accordance with the Company's policy on fixed assets as stated above.

viii) **Borrowing Costs**

Borrowing costs directly attributable to acquisition, construction or erection of fixed assets, which necessarily take a substantial period of time (generally 12 months or more) to be ready for the intended use are capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use are complete.

Other borrowing costs are recognised as an expense in the statement of profit and loss in accordance with the Accounting Standard 16 - Borrowing Cost.

ix) **Foreign Currency Transactions**

a) *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.

b) *Subsequent Recognition*

Foreign currency monetary assets and liabilities are reported using the closing rate as at the reporting date.

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.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

c) *Exchange Differences*

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognised as income or expense in the year in which they arise, except for exchange differences arising on foreign currency monetary items.

Exchange differences arising on long term foreign currency monetary items in so far as it relates to the acquisition of depreciable capital assets are added to the cost of such assets.

x) **Derivative Instruments**

The Parent Company uses foreign exchange forward contracts to hedge its exposure towards underlying assets or liability or for highly probable and forecasted transactions. These foreign exchange forward contracts are not used for trading or speculation purposes.

a) *Forward Contracts taken for highly probable/forecast transactions*

Such forward exchange contracts are marked to market at the balance sheet date, if such mark to market results in exchange loss such exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

b) *Forward Contracts where an underlying Asset or Liability exists*

In such case, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

Profit or loss arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal is made.

All other derivative contracts are accounted for using the principle of prudence enunciated in Accounting Standard I - Disclosure of Accounting Policies, whereby mark to market losses are recognised and gains are ignored.

xi) **Taxation**

Tax expense comprises current tax and deferred tax.

a) *Current Tax*

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

b) *Deferred Tax*

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward 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. However, in the case of brought forward tax losses and tax depreciation, deferred tax assets are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised.

Minimum Alternative Tax credit ("MAT credit") is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

xii) **Leases**

a) *Operating Leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets 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.

b) *Finance Leases*

Assets acquired on lease where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. The resultant interest cost is charged to the Statement of Profit and Loss on accrual basis.

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

xiii) Provisions and Contingencies

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. Disclosure is also made in respect of a present obligation that probably requires an outflow of resources, where it is not possible to make a reliable estimate of the related outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

xiv) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the 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, except where results would be anti-dilutive.

xv) Impairment of Assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is charged to the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)		As at March 31, 2013 (Rs. in Crores)	
Note 6 – SHARE CAPITAL				
a) AUTHORITY				
25,00,00,000 Equity Shares of Re.1/- each (Previous year 25,00,00,000 Equity Shares of Re.1/- each)		25.00		25.00
50,00,000 Redeemable Preference Shares of Rs.10/- each (Previous year 50,00,000 Shares of Rs.10/- each)		5.00		5.00
		<u>30.00</u>		<u>30.00</u>
b) ISSUED, SUBSCRIBED AND PAID-UP				
13,52,85,000 Equity Shares of Re.1/- each fully paid up (Previous year 13,52,85,000 Equity Shares of Re.1/- each)		13.53		13.53
		<u>13.53</u>		<u>13.53</u>
c) RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING				
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the year	135285000	13.53	135285000	13.53
Movement during the year	—	—	—	—
Outstanding at the end of the year	135285000	13.53	135285000	13.53
d) DESCRIPTION OF THE RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO EACH CLASS OF SHARES				
The Company has only one class of equity shares having a face value of Re.1/- per share. All the existing equity shares rank pari passu in all respects including but not limited to entitlement for dividend, bonus issue and rights issue. These equity shares are listed on the National Stock Exchange of India Limited and the BSE Limited.				
e) DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% EQUITY SHARES IN THE COMPANY				
Name of Shareholder	% of Holding	Number of Shares	% of Holding	Number of Shares
Kapsons Associates Investments Private Limited	28.77	38917050	28.77	38917050
Arvind Kapur	9.35	12652460	9.35	12652460
Arun Kapur	6.39	8651160	6.39	8651160
Ashish Dhawan	5.38	7273092	5.38	7273092
The above information is furnished as per the shareholders register as on March 31, 2014				
f) The Company has not issued bonus shares, equity shares issued for consideration other than cash and also no shares have been bought back during the period of five years immediately preceding the reporting period.				

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 7 – RESERVES AND SURPLUS		
CAPITAL RESERVE		
Opening Balance	0.00	0.00
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance*	0.00	0.00
STATE CAPITAL SUBSIDY		
Opening Balance	0.20	0.20
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	0.20	0.20
SECURITIES PREMIUM ACCOUNT		
Opening Balance	145.04	145.04
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	145.04	145.04
CAPITAL REDEMPTION RESERVE		
Opening Balance	2.00	2.00
Add : Additions during the year	—	—
Less : Utilised/transferred during the year	—	—
Closing Balance	2.00	2.00
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening Balance	0.34	0.10
Add : Additions during the year	—	0.24
Less : Utilised/transferred during the year	—	—
Closing Balance	0.34	0.34
GENERAL RESERVE		
As per last Balance Sheet	99.70	96.94
Add: Transferred from Statement of Profit and Loss	—	2.76
	99.70	99.70
STATEMENT OF PROFIT AND LOSS		
As per last Balance Sheet	83.23	83.49
Add : Profit transferred from Statement of Profit and Loss	2.70	5.37
Add : Dividend reversal of the Joint Venture	3.67	—
Less : Proposed Dividend on Equity Shares	1.36	2.03
Less : Corporate Dividend Tax	0.24	0.84
Less : Transferred to General Reserve	—	2.76
Net Surplus as per Statement of Profit and Loss	88.00	83.23
	335.28	330.51

*Rounded off to zero.

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 8 – LONG TERM BORROWINGS		
SECURED		
Term Loans from Banks:		
Foreign Currency Loans	9.72	27.85
Rupee Loans	127.89	191.54
Vehicle Loans:		
From Banks	0.28	0.42
From Companies	—	0.16
	<u>137.89</u>	<u>219.97</u>
Less: Current maturities of long term secured borrowings	73.63	89.42
Total	<u>64.26</u>	<u>130.55</u>
UNSECURED		
From Companies:		
Foreign Currency Loans	29.52	29.15
Rupee Loans	11.33	4.99
	<u>40.85</u>	<u>34.14</u>
Less: Current maturities of long term unsecured borrowings	9.35	1.16
Total	<u>31.50</u>	<u>32.98</u>
Grand Total	<u>95.76</u>	<u>163.53</u>
Security details and terms of repayment for borrowings covered under Note 8 and Note 14 are as follows:		
A. Secured Loans		
1. Term loan from Export Import Bank of India carries interest @Libor+4.50% p.a. and is repayable in 20 equal quarterly installments after a moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year the Company defaulted in the payment of its installment due as on February 22, 2014. which was subsequently made good in April, 2014.	9.72	10.46
2. Term loan from IndusInd Bank carries interest @8.05% p.a. and is repayable in 11 equal quarterly installments. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	—	17.39
3. Term loan from Axis Bank carries interest @ 13.75% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	8.57	17.15
4. Term loan from Axis Bank carries interest @ 13.50% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. The Company has defaulted in the payment of one installment which was due as on March 31, 2014, which was subsequently made good in April, 2014.	16.07	21.43

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
5. Term loan from Export Import Bank of India carries interest @11.80% p.a. and is repayable in 20 equal quarterly installments after a moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	25.70	33.62
6. Term loan from State Bank of Hyderabad carries interest @13.20% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	5.64	17.07
7. Term loan from State Bank of Hyderabad carries interest @13.20% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year, the Company has defaulted in the repayment of one installment of this loan which was due as on March 15, 2014 which was subsequently made good in the month of April, 2014.	12.86	19.29
8. Term loan from State Bank of Patiala carries interest @14% p.a. and is repayable in 14 equal quarterly installments after a moratorium of 6 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. During the year, the Company has defaulted in the repayment of two of its installments, which were due as on December 21, 2013 and March 21, 2014. Instalment due as on December 21, 2013 was debited by Bank in the month of April, 2014.	7.18	12.50
9. Term loan from State Bank of Patiala carries interest @14% p.a. and is repayable in 12 equal quarterly installments after a moratorium of 8 quarters. The term loan is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon. There is a partial repayment delay of this loan amounting to Rs.0.81 crore which was due as on January 7, 2014 and was subsequently made good in April, 2014.	34.15	50.00
10. Vehicle loans are secured by the hypothecation of vehicles financed and are repayable in equal monthly installments.	0.55	0.85
11. Rupee term loan carrying interest of 11.50% to 13.75% and is repayable in 4.5 years including 6 months moratorium period and one quarterly installment of Rs.46,68,750/-. The term loan is secured by first charge on entire fixed assets of the Company, both present and future. Second charge on entire current assets of the Company, both present and future. Guarantee and letter of comfort from Rico Auto Industries Limited. And The secured by exclusive first charge by way of hypothecation of fixed assets, both present and future, and by way of mortgage by deposit of title deeds of the immovable properties of the Company and second charge over the current assets of the Company. Further the term loan is secured by guarantee of the holding Company, Rico Auto Industries Limited.	1.32	—

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
12. Term loan from Bank carries interest @base rate+3.5% p.a. and is repayable in 20 equal quarterly instalments of Rs.97,84,895/- each after moratorium of 8 quarters, starting from June 1, 2013. The term loan is secured by exclusive charge on all movable-immovable fixed assets and all current assets of the Company, unconditional and irrevocable corporate guarantee of Rico Auto Industries Limited (holding Company) and unconditional and irrevocable personal guarantee of Mr. Arvind Kapur (Relative of KMP). During the year, buyer's credit loans was converted into Term loan.	15.66	17.25
13. Rupee term loan from Bank carries interest @ 11.5% p.a. and is repayable in 16 equal quarterly installments and is secured by exclusive first charge by way of hypothecation of fixed assets, both present and future, and by way of mortgage by deposit of title deeds of the immovable properties of the Company and second charge over the current assets of the Company. Further the term loan is secured by guarantee of the holding Company, Rico Auto Industries Limited.	0.47	2.96
	137.89	219.97
B. Unsecured Loans		
14. The Foreign Currency loan has been taken from FCC Co. LTD., Japan (holding 50% of the equity capital of the joint venture) on 5th December, 2011 and repayable in 18 installments starting from June, 2014. Loan carries interest @3% payable half yearly in the month of June and December every year.	29.52	29.15
15. Term loan is taken from Tata Capital Limited as a part of facilitation agreement which carries interest @ 14.50% p.a. and is repayable in 60 equal monthly installments after a moratorium of 12 months and is secured by personal guarantee of Managing Director of the Company.	3.83	4.99
16. Term loan with IFCI Venture Capital Funds Limited (IFCI Venture) carries interest @ 15.50% p.a. and is repayable in 13 quarterly installments after a moratorium of 12 months and is secured by the first pari passu charge on equity shares of Rico Auto Industries Limited pledged by the promoter group Company with the IFCI Venture and properties located at New Delhi and Gurgaon. Further the loan is secured by residential property in Gurgaon exclusively in favour of IFCI Venture and personal guarantee of Mr. Arvind Kapur, Chairman, CEO & Managing Director and Mr. Arun Kapur, Joint Managing Director. The above pledged securities are held by M/s. Kapsons Associates Investments Pvt. Ltd.	7.50	—
	40.85	34.14
Note 9 – DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liability arising on account of:		
Depreciation	40.42	44.44
Less:		
Deferred Tax Asset arising on account of:		
Employee Benefits	2.96	3.86
Others	—	0.16
	37.46	40.42
Note 10 – OTHER LONG TERM LIABILITIES		
Security Deposits	1.21	2.11
	1.21	2.11

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 11 – LONG TERM PROVISIONS		
Provision for Gratuity (Refer Note 38)	9.29	7.14
Provision for Compensated Absences	0.98	1.00
	10.27	8.14
Note 12 – SHORT TERM BORROWINGS		
SECURED		
Working Capital Loans from Banks:		
Foreign Currency Loans	48.93	51.07
Rupee Loans	95.91	136.40
Buyer's Credit in Foreign Currency from Banks	25.87	57.51
	170.71	244.98
Security Details		
1. Working capital loans/facilities are secured against first pari-passu charge on all the current assets of the Company including all types of stocks and book debts/receivables (both present and future).	91.38	152.90
2. The packing credit facility from Kotak Bank is secured against subservient charge on current assets and moveable fixed assets for Rs.30 crores.	30.01	29.60
3. Working capital limits are secured by exclusive first charge by way of hypothecation of current assets, both present and future with Axis Bank Limited and second charge over the fixed assets, both present and future, of the subsidiary.	—	2.15
4. Working capital loan from Bank carries interest @base rate+3.5 % p.a. and is repayable on demand. This facility is secured by exclusive first pari-passu charge by hypothecation of current assets of the Company and further secured by second charge on all the movable and immovable assets of the Company.	2.37	2.92
5. The buyer's credit facility from State Bank of Patiala is secured by first pari passu charge of all movable fixed assets of the Company (both present and future) and mortgage by way of deposit of title deeds of the immovable properties of the Company situated at Dharuhera and Gurgaon.	6.26	8.96
6. The buyer's credit facility from Axis Bank are secured by exclusive charge on all machineries/assets imported/acquired by utilising the said facilities and additionally secured by the personal guarantee of Mr. Rakesh Kapur (Director) of the Company.	14.04	11.83
7. The buyer's credit facility from Axis Bank is secured against first pari-passu charge on all the current assets of the Company including all types of Stocks and book debts/receivable (both present and future).	3.13	8.81
8. The buyer's credit facility of the subsidiary taken from various Institutions/Banks located outside India under secured non-funded facilities sanctioned and guaranteed by Axis Bank Limited.	—	16.73
9. Working capital limits is taken from Axis Bank and is secured by exclusive first charge by way of hypothecation of current assets, both present and future, and second charge on movable fixed assets, both present and future and immovable properties of the Company viz. Land admeasuring 20475 sq. mtrs., situated at Plot No. 22, Sec.-05, Phase II, G.C Bawal, HR.	7.94	—
10. The buyer's credit facility from Axis Bank and is currently secured by exclusive first charge by way of hypothecation of current assets, both present and future,		

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
and second charge on movable fixed assets, both present and future and immovable properties of the Company viz. Land admeasuring 20475 sq. mtrs., situated at Plot No. 22, Sec.-05, Phase II, G.C Bawal, HR.	6.32	—
11. Buyer's credit facility is taken from Bank located outside India carries interest @Libor + '0.68% to 1%'. These are secured against non-funding facilities sanctioned and guaranteed by Yes bank.	6.81	11.08
12. The packing credit facility from IDBI Bank is secured against first pari passu charge on the entire current assets of the Company in the form of stock of raw materials, packaging materials, stock in process, finished goods, stores, consumables and receivables.	2.45	—
	170.71	244.98
Note 13 – TRADE PAYABLES		
Due to Micro & Medium Enterprises	12.69	6.73
Others		
Acceptances	53.85	45.82
Other than Acceptances	188.05	137.53
Due to Related Parties (Refer Note 41)	6.65	11.65
Other Payables	6.30	7.51
	267.54	209.24
Note 14 – OTHER CURRENT LIABILITIES		
Current Maturities of Long-Term Debts (Refer Note 8 for security and re-payment details)		
SECURED		
Foreign Currency Loans	3.04	16.48
Rupee Loans	70.59	72.94
UNSECURED		
Foreign Currency Loans	6.89	—
Rupee Loans	2.46	1.16
Interest accrued but not due on borrowings	2.03	3.16
Unclaimed Dividends	0.31	0.33
Statutory Liabilities	10.44	8.27
Payable for Capital Purchases	15.57	13.57
Employee Benefits Payable	14.09	10.04
Security Deposits	2.57	3.50
Book Overdraft	0.30	—
Advance from Customers	65.71	41.81
Other Liabilities	5.75	3.27
	199.75	174.53
Note 15 – SHORT TERM PROVISIONS		
Provision for Gratuity (Refer Note 38)	1.49	1.46
Provision for Compensated Absences	1.88	1.69
Provision for Dividend	1.36	4.99
Provision for Tax on Dividend	0.24	0.84
Other Short Term Provisions	33.57	25.02
	38.54	34.00

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

Note 16 – FIXED ASSETS

		GROSS BLOCK				DEPRECIATION		NET BLOCK		
Particulars	As on 01.04.2013	Additions/ Adjustments During the Year	Disposals/ Adjustments During the Year	Other Adjustments Exchange Differences	As at 31.03.2014	As on 01.04.2013	Charge for the Year	Adjustment upon Deletion	As at 31.03.2014	As at 31.03.2013
TANGIBLE ASSETS										
LAND										
(a) Freehold (Refer Note 1 below)	26.37	0.30	4.64	—	22.03	0.13	0.05	—	0.18	26.24
(b) Leasehold	28.60	—	—	—	28.60	0.63	0.12	—	0.75	27.97
BUILDINGS	127.83	6.60	—	—	134.43	27.54	5.07	—	32.61	100.29
FURNITURE & FIXTURES	8.64	0.25	—	—	8.89	5.92	0.46	—	6.38	2.72
PLANT & EQUIPMENT	920.20	63.09	8.45	1.55	976.60	435.77	73.57	4.97	504.37	484.43
DIES & PATTERNS	29.73	28.01	4.29	—	53.45	8.30	11.31	0.31	19.30	21.43
OFFICE EQUIPMENT	23.99	0.68	0.19	—	24.48	17.73	1.39	0.16	18.96	6.26
VEHICLES	13.53	0.36	1.45	—	12.44	7.84	1.49	1.06	8.27	5.69
	1178.89	99.29	19.02	1.55	1260.92	503.86	93.46	6.50	590.82	675.03
INTANGIBLE ASSETS										
COMPUTER SOFTWARE	12.50	0.38	—	—	12.88	9.93	0.86	—	10.79	2.57
	12.50	0.38	—	—	12.88	9.93	0.86	—	10.79	2.57
CURRENT YEAR										
TOTAL	1191.39	99.67	19.02	1.55	1273.80	513.79	94.32	6.50	601.61	677.60
PREVIOUS YEAR										
TOTAL	1009.54	191.40	15.46	4.18	1191.39	449.35	87.07	22.63	513.79	560.19

Note 1: During the year a Subsidiary Company has entered into an agreement to sell its land, accordingly to same has been disclosed as 'Land held for sale' (Refer Schedule 23)

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 17 – LONG TERM LOANS AND ADVANCES (Unsecured, considered good, unless stated otherwise)		
Capital Advances		
Considered good	12.51	12.54
Considered doubtful	0.14	0.14
Less : Provision for doubtful advances	(0.14)	(0.14)
Security Deposits	6.24	5.90
Advances to Related Parties	—	1.79
Loans and Advances to Employees	0.08	0.16
Advance Income Tax (Net of Provisions)	22.93	17.68
Prepaid Expenses	0.05	0.11
Others	0.04	1.19
	<u>41.85</u>	<u>39.37</u>
Note 18 – OTHER NON CURRENT ASSETS		
Bank Deposits with maturity of more than 12 months (Refer Note 21)	0.32	0.36
	<u>0.32</u>	<u>0.36</u>
Note 19 – INVENTORIES (As valued and certified by the Management)		
Stores & Spares	35.81	35.78
Raw Material & Components	49.11	50.02
Goods-in-Transit – Components	14.43	17.45
Work-in-progress	24.93	36.74
Finished Goods	23.11	26.75
Goods-in-Transit – Finished Goods	11.10	7.96
	<u>158.49</u>	<u>174.70</u>
Note 20 – TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they were due for payment	4.67	3.95
Other debtors	162.31	156.18
	<u>166.98</u>	<u>160.13</u>
Note 21 – CASH AND BANK BALANCES		
Cash and Cash equivalents		
Cash in hand	0.38	0.25
Cheques in hand	—	0.60
Balances with Banks		
In Current Accounts	8.53	9.87
	<u>8.91</u>	<u>10.72</u>
Other Bank Balances		
In Dividend Accounts	0.31	0.33
Bank Deposits with Maturity of more than 12 months	0.32	0.36
Bank Deposits with Maturity of more than 3 months and less than 12 months	1.50	—
	<u>11.04</u>	<u>11.41</u>
Less: Amounts disclosed as other non-current assets (Refer Note 18)	0.32	0.36
	<u>10.72</u>	<u>11.05</u>

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 (Rs. in Crores)	As at March 31, 2013 (Rs. in Crores)
Note 22 – SHORT TERM LOANS AND ADVANCES		
Security Deposits	0.15	0.13
Inter Corporate Deposits	9.13	12.25
Loans and Advances to Employees	0.13	1.15
Advance to Suppliers	8.65	36.45
Advance to Related Parties (Refer Note 41)	5.17	0.47
Prepaid Expenses	3.20	3.04
Balance with Statutory/Government Authorities on account of:		
Service Tax	13.85	14.65
Excise Duty	21.67	22.56
Sales Tax	1.10	1.15
Others	6.64	7.26
	<u>69.69</u>	<u>99.11</u>
Note 23 – OTHER CURRENT ASSETS		
Land held for sale (Refer Note 16)	4.64	—
Interest accrued on Electricity Security Deposit	1.14	0.66
Insurance Claim Receivable (Refer Note 42)	0.06	1.02
Export Incentive Receivable	4.86	5.62
Unbilled Revenue	4.22	—
	<u>14.92</u>	<u>7.30</u>
Note 24 – REVENUE FROM OPERATIONS		
Sales of Products	1595.96	1635.92
Job Work Charges	1.26	2.15
	<u>1597.22</u>	<u>1638.07</u>
Other Operating Revenues		
Scrap Sales	24.16	15.14
Miscellaneous Sales	6.08	3.04
Duty Draw Back and other Export Incentives	6.94	6.64
	<u>1634.40</u>	<u>1662.89</u>
Note 25 – OTHER INCOME		
Interest Income	2.05	2.11
Net Gain on Foreign Currency transactions and translation	6.17	10.45
Rental Income from Operating Lease	2.31	3.03
Support Services	8.44	14.50
Subsidy from VAT/Sales Tax Authorities	1.32	3.00
Miscellaneous Income	5.79	6.20
	<u>26.08</u>	<u>39.29</u>
Note 26 – COST OF RAW MATERIALS AND COMPONENTS CONSUMED		
Raw Materials & Components		
Opening Stock	50.02	50.16
Add : Purchases during the year	875.07	972.62
Less : Closing Stock	49.11	50.02
Raw Materials & Components Consumed	<u>875.98</u>	<u>972.76</u>

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note 27 – CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		
a) Work-in-Progress		
Opening Stock	36.74	40.67
Closing Stock	24.93	36.74
	<u>11.81</u>	<u>3.93</u>
b) Finished Goods		
Opening Stock	26.75	29.87
Closing Stock	23.11	26.75
	<u>3.64</u>	<u>3.12</u>
Excise duty on Finished Goods	(0.02)	0.09
	<u>15.43</u>	<u>7.14</u>
Note 28 – EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	133.44	124.73
Contribution to Provident and other Funds	11.11	11.03
Staff Welfare Expenses	6.51	5.39
	<u>151.06</u>	<u>141.15</u>
Note 29 – FINANCE COST		
Interest Expenses on		
i) Borrowings	50.82	57.28
ii) Trade Payables	3.72	3.64
Other Borrowing Costs	1.63	3.42
Net Loss on Foreign Currency transactions and translation on borrowings	11.21	4.78
	<u>67.38</u>	<u>69.12</u>
Note 30 – OTHER EXPENSES		
Consumption of Stores and Spares	70.02	46.17
Power and Fuel	96.09	97.54
Sub Contractor Expenses	38.20	39.18
Rent	4.44	3.89
Repairs and Maintenance – Buildings	1.04	1.40
Repairs and Maintenance – Machinery	3.86	4.97
Repairs and Maintenance – Others	2.91	2.56
Insurance	4.13	3.16
Rates and Taxes	2.14	2.47
Directors' Sitting Fees	0.07	0.08
Travelling and Conveyance	7.66	7.08
Payment to Auditors	0.67	0.51
Legal and Professional	3.71	3.30
Vehicle Running and Maintenance	3.64	3.94
Freight and forwarding	17.06	15.42
Line Rejection and re-work charges	5.42	4.53
Miscellaneous Expenses	28.05	31.48
	<u>289.11</u>	<u>267.68</u>

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

	Year ended March 31, 2014 (Rs. in Crores)	Year ended March 31, 2013 (Rs. in Crores)
Note 31 – PRIOR PERIOD ITEMS (NET)		
Impairment Loss, reversed	—	(4.36)
Interest Expenses on Borrowings	—	3.54
Line Rejection and Re-work Charges	—	0.13
Other Operating Revenues	(0.06)	(0.12)
Rates and Taxes	—	0.12
Legal and Professional	—	0.10
Others	0.06	0.59
	<u>0.00</u>	<u>0.00</u>
Note 32 – EXCEPTIONAL ITEMS		
Excess Depreciation written back due to change in method	—	(13.00)
Net Gain on Sale of Assets	0.33	(0.38)
	<u>0.33</u>	<u>(13.38)</u>
Note 33 – EARNING PER SHARE		
Profit after Tax (A)	2.70	5.37
Weighted average number of Equity Shares (basic/diluted)(B)	135285000	135285000
Nominal value of Equity Share (Rupee)	1.00	1.00
Earning Per Share (basic and diluted) (A/B) (Rupee)	<u>0.20</u>	<u>0.40</u>

Note 34 – CONTINGENT LIABILITIES

- i) Demand against the Group not acknowledged as Liability

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
i) Income Tax	4.19	2.13
ii) Sales Tax	0.47	0.77
iii) Excise and Service Tax	12.46	13.24
iv) Others	10.40	5.88

Income Tax Cases

- Income tax department has raised demand for Rs.0.15 crore (previous year Rs.0.12 crore). This is on account of filing of incorrect particulars regarding challans deposited as compared to actual challans deposited.
- Demand of Rs.0.04 crore, including interest, for the assessment year 2005-06 was issued in relation to disallowance of certain expenses. The demand was set aside by Commissioner (Appeals) and a further appeal was filed on November 27, 2012 before Income Tax Appellate Tribunal, Chandigarh. During the year, the Company has received an order from the Income Tax Appellate Tribunal, Chandigarh in its favour.
- Demand of Rs.0.25 crore (previous year Rs.0.25 crore), for the assessment year 2005-06 was issued in relation to disallowance of royalty and technical expenses as revenue expenditure. An appeal has been filed by the Company against the said order in December, 2012 to the Commissioner of Income Tax (Appeals), New Delhi.
- Demand of Rs.1.72 crores (previous year Rs.1.72 crores), for the assessment year 2009-10 was issued in relation to disallowance of royalty as revenue expenditure and prior period expenditure. An appeal has been filed by the Company against the said order in April, 2013 to the Commissioner of Income Tax (Appeals), New Delhi.

Sales Tax Cases

- Demand order of assessment received under Haryana VAT Act 2003 for Rs.0.43 crore (previous year Rs.0.43 crore) for disallowing the input tax on purchase of furnace oil. An appeal has been filed on May 15, 2010 before the Joint Excise & Taxation Commissioner

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

(Appeals), Faridabad. The appeal has been decided by the Joint Commissioner (Appeals) and the case has been remanded back to the Deputy Excise and Taxation Commissioner, Gurgaon (West) and it is pending before it.

- b. The Deputy Excise and Taxation Commissioner-cum-assessing authority, Gurgaon has raised demand order dated March 29, 2013 of Rs.0.30 crore against short submission of C forms in previous year. During the year, the Company has submitted C Forms.
- c. A demand was raised under Haryana VAT Act 2003 for denial of input credit availed on purchase of furnace oil. The demand was confirmed by Joint Commissioner (Range) for Rs.0.04 crore (previous year Rs.0.04 crore). An appeal was filed with Haryana Sales Tax Tribunal on February 23, 2013. The Tribunal has remanded the case back to the Deputy Excise and Taxation Commissioner (ST)-cum-assessing authority and it is pending before it.

Excise and Service Tax Cases

- a. Department has issued a show cause notice dated August 23, 2007 on the ground that the capital goods namely roof ventilator and evaporating cooling machine are not capital goods for the purpose of availment of CENVAT credit. Commissioner of Central Excise has confirmed the demand along with an equal amount of penalty. Appeal filed to CESTAT on April 28, 2009 against the decision. However, the CESTAT has granted unconditional stay from recovery of impugned amount on deposit of Rs.0.03 crore. Amount involved is Rs.0.44 crore (previous year Rs.0.42 crore). No hearing has taken place since June 15, 2009.
- b. A show cause notice was received from the Commissioner of Central Excise on March 16, 2004 by Dharuhera division. Through order of Commissioner of Central Excise, Cenvat credit disallowed is Rs.0.55 crore and penalty and interest is also levied. CESTAT has in its order dated May 8, 2013 decided the appeal in favor of the Company. Total amount involved is Rs.1.91 crores. The time limit for the department to file further appeal against the decision has elapsed during the year.
- c. Central Excise Authority had denied MODVAT/CENVAT availed for wrong description of material and tariff number on invoice of the vendor. The Additional Commissioner, Central Excise, Delhi has decided the case in favor of the Company. An appeal was filed by Commissioner of Central excise, Delhi, before CESTAT on July 29, 2008, against the order. CESTAT upheld the decision given by Commissioner (Appeals) in favor of the Company. Total amount involved is Rs.0.15 crore. The time limit for the department to file further appeal against the decision has elapsed during the year.
- d. A show cause notice was issued by the Commissioner on removal of dies for job work without payment of duty. Commissioner passed the order on September 15, 2008 demanding excise duty of Rs.0.75 crore, penalty of equal amount, interest at the applicable rate and a fine in lieu of confiscation of Rs.0.10 crore on the dies released provisionally. Further, Company has also furnished a bond of Rs.0.42 crore and a bank guarantee of Rs.0.004 crore. A stay application was filed with CESTAT and is pending before the same. Total amount involved is Rs.2.57 crores (previous year Rs.2.36 crores). Current year movement represents interest.
- e. A show cause notice has been received from the Additional Commissioner of Central Excise towards Cenvat availed on outward freight during 2005-06 and 2006-07. The Joint Commissioner confirmed the demand against which the Company appealed before CESTAT. The Tribunal remanded back the case to the Commissioner (Appeals) and it is pending before it. Amount involved is Rs.0.24 crore (previous year Rs.0.22 crore). Current year movement represents interest.
- f. A show cause notice was received from the Joint Commissioner of Central Excise towards cenvat credit availed on custom house agent and courier export related services during previous years 2004-05 to 2007-08. The Commissioner has confirmed the demand against which the Company filed an appeal before CESTAT. CESTAT ordered pre deposition of Rs.0.24 crore. Matter is pending for final decision before the Tribunal. The amount involved is Rs.1.40 crores (previous year Rs.1.33 crores). Current year movement represents interest.
- g. A show cause notice was received from Additional Commissioner of Central Excise on availment of cenvat on construction and other repair and maintenance service during previous years 2005-06 to 2010-11. Commissioner of Central Excise confirmed the demand against which the Company filed an appeal before the CESTAT on June 29, 2012. CESTAT has granted an unconditional stay on February 19, 2013. Matter is pending for final decision before the Tribunal. The amount involved is Rs.2.04 crores (previous year Rs.1.92 crores). Current year movement represents interest.
- h. Additional commissioner disallowed cenvat credit availed on consultancy charges, courier charges etc. for the period March, 2005 to December, 2010 amounting to Rs.0.39 crore, imposed penalty of Rs.0.39 crore and provisional interest of Rs.0.18 crore. The Company filed an appeal against the order before the Commissioner (Appeals) which was adjudged in favor of the Company on February 15, 2013. Department has filed further appeal before CESTAT against the order on June 06, 2013. Hearing for the appeal is awaited. The amount involved is Rs.0.96 crore (previous year Rs.0.88 crore). Current year movement represents interest.
- i. Assistant Commissioner disallowed cenvat credit availed on service tax paid on different activities. Amount involved is Rs.0.06 crore (previous year Rs.0.06 crore). The case is decided by the Commissioner (Appeal) against the Company on February 11, 2011. Company has filed an appeal before the Tribunal against the order which has been accepted by the Tribunal.
- j. A show cause notice was issued by the department as the Company did not charge service tax on the amount charged for modification of dies on request of customers. The case is decided by Additional Commissioner in favor of the Company on May 25, 2013. The time limit for the department to file further appeal against the decision has elapsed during the year. Total amount involved is Rs.0.24 crore.

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

- k. A show cause notice was issued disallowing cenvat credit related to service tax. An appeal was filed before the Commissioner (Appeals) and the decision was given in favor of the department. The Company filed an appeal to Tribunal against the decision and the Tribunal remanded back the case to Commissioner (Appeals) and it is pending before it. Amount involved is Rs.0.05 crore (previous year Rs.0.04 crore). Current year movement represents interest.
- l. The department has issued a show cause notice for selling identical parts at two different assessable values to the same customer at the same time and place of removal. Company has submitted their reply against show cause order to the Commissioner of Central Excise. No Demand is yet confirmed by the department. Amount involved is Rs.NIL (previous year Rs.1.89 crores).
- m. Department has issued a show cause notice dated September 14, 2011 in respect of claim of cenvat on input services namely courier, insurance, bank processing, transport, travel agency for the period 2011-12. On February 3, 2014, Commissioner of Central Excise has confirmed the demand. Appeal filed before the Commissioner of central excise (Appeals) on April 7, 2014. The amount involved is Rs.0.11 crore (Previous year Rs.Nil).
- n. Department has issued a show cause notice dated January 17, 2011 in respect of claim of cenvat on insurance, catering, tent house and taxi and travels for the period 2010-11. Joint Commissioner has confirmed the demand against the reply filed. An appeal was filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on January 31, 2012. Commissioner (Appeals) in its order dated January 21, 2013 decided the appeal in favour of the Company. On May 07, 2013, Department has filed appeal before Tribunal against said order. The amount involved is Rs.0.40 crore (Previous year Rs.Nil).
- o. Department has issued a show cause notice dated October 08, 2008 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period 2004-05 to 2007-08. On January 30, 2014 Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.1.23 crores (Previous year Rs.Nil).
- p. Department has issued a show cause notice dated April 17, 2009 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period 2008-09. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.18 crore (Previous year Rs.Nil).
- q. Department has issued a show cause notice dated February 18, 2010 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period February, 2009 to December, 2010. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.27 crore (Previous year Rs.Nil).
- r. Department has issued a show cause notice dated December 27, 2011 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period January, 2011 to November, 2011. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.01 crore (Previous year Rs.Nil).
- s. Department has issued a show cause notice dated December 31, 2012 in respect of claim of cenvat on insurance, catering, tent house and taxi & travels for the period December, 2011 to November, 2012. On January 30, 2014 Addl. Commissioner has confirmed the demand against the reply filed. Appeal filed before the Commissioner of Central Excise (Appeals) Delhi-III, Gurgaon on March 21, 2014. The amount involved is Rs.0.68 crore (Previous year Rs.Nil).
- t. The department has issued a show cause notice for denial of cenvat credit claimed on technical fees and royalty related services for the period 2004-05. Amount involved is Rs.0.03 crore (previous year Rs.0.03 crore).
- u. The department has issued a show cause notice for denial of cenvat credit claimed on service tax paid on behalf of the Foreign Service providers under the reverse charge mechanism. Amount involved is Rs.1.73 crores (previous year Rs.1.73 crores).
- v. The department has issued a show cause notice for denial of cenvat credit claimed on civil work related services for the period 2006-07 to 2009-10. Amount involved is Rs.0.06 crore (previous year Rs.0.06 crore).

Others

- a. Dakshin Haryana Bijli Vitran Nigam (DHBVN) has demanded Rs.5.60 crores (previous year Rs.5.60 crores) for overdrawing power as compared to approved load limit. Case is pending at Hon'ble High court of Punjab and Haryana through writ petition filed on January 22, 2013 by DHBVN. The case came up for hearing on March 5, 2013 and is adjourned till September 10, 2013 for further hearing. The Company filed a counter suit against ombudsman order on September 10, 2013. The case came up for hearing on January 27, 2014 wherein notice of motion was issued to DHBVN. Next date fixed for hearing was March 25, 2014. DHBVN submitted written statement on March 25, 2014; hearing is now adjourned to July 25, 2014.
- b. A demand was raised under Haryana Local Area Development Tax Act, 2000 for tax on central purchase of certain items. An appeal was filed before Joint Commissioner (Appeal) and the amount involved is Rs.0.01 crore (previous year Rs.0.01 crore).
- c. The Company had purchased a Land of 20,475 sq. ft. from Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) in Bawal for Rs.3.98 crores in the year 2008-09 with the term to start the manufacturing unit on the said land

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

within the stipulated time. On August 30, 2013 Haryana State Industrial and Infrastructure Development Corporation Limited has taken back the possession of the land from the Company, due to delay in establishing the manufacturing unit, followed by many reminder letters from Haryana State Industrial and Infrastructure Development Corporation Limited. The Company had filed a petition with the High Court on December 17, 2013 and has obtained a stay order for the same, which is still pending with High Court, Chandigarh and the amount involved is Rs.3.98 crores.

- d. Export obligation to be undertaken by the Company under EPCG licenses amounting to Rs.0.18 crore (previous year Rs.0.20 crore).
- e. A show cause notice has been issued by The Directorate of Revenue Intelligence dated March 31, 2008 in respect of wrong utilization of DEPB licenses. Amount involved is Rs.0.07 crore (previous year Rs.0.07 crore).

II) Guarantees

a) On behalf of Subsidiary Companies:

The Company has given Corporate Guarantees to Banks for loans taken by the Subsidiaries:

(Rs. in Crores)

Name of the Subsidiary	Year ended March 31, 2014	Year ended March 31, 2013
i) Rasa Autocom Limited	43.00	43.00
ii) Rico Jinfei Wheels Limited	10.00	10.00

b) The Group has also given other following Guarantees:

The Company has given counter guarantees to the extent of Rs. 6.81 crores (Previous year Rs.11.18 crores) to Yes Bank Limited for the payment of buyers' credits arranged through them from foreign banks.

III) Others

Surety bonds executed in favor of the President of India, under Export Promotion Capital Goods Scheme (EPCG) for importing capital goods at concessional rate of custom duty, amounting to Rs.120.83 crores (previous year Rs.120.83 crores).

Note 35 – The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2014 has been made in the financial statements based on information received and available with the Company.

Note 36 – The Company's operating lease payments are due on premises taken on lease for operating activities. Aggregate rental expenses under operating leases amounted to Rs.4.44 crores (previous year Rs.3.89 crores) for the year, has been charged to the statement of profit and loss.

The future minimum operating lease payments in respect of premises taken on lease are as follow:

Operating Leases

(Rs. in Crores)

Description	Year ended March 31, 2014	Year ended March 31, 2013
Minimum Lease Payments		
Not later than one year	1.67	1.70
Later than one year but not later than five years	5.72	6.58
Later than five years	16.49	16.76

Note 37 – COMMITMENTS

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Estimated amount of contracts remaining to be executed on account of Capital commitments (net of advances Rs.0.33 crore) (previous year Rs.12.68 crores)	5.20	14.78

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

Note 38 – EMPLOYMENT BENEFITS

(Rs. in Crores)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
A. Provident Fund and other Funds		
Employer's contribution to Provident Fund	5.88	5.15
Employer's contribution to ESI	0.75	0.93
B. Defined Benefit Plan		
I) Change in Defined Benefit Obligation		
a) Present Value of Obligation as at beginning of the year	14.10	11.08
b) Current Service Cost	1.46	1.20
c) Interest Cost	1.13	0.94
d) Benefits Paid	(0.92)	(0.85)
e) Actuarial Loss	0.26	1.73
Present Value of Obligation as at end of the year	16.03	14.10
II) Change in Fair Value of Plan Assets		
a) At beginning of the year	5.50	5.73
b) Expected Return on Plan Assets	0.48	0.49
c) Employer's Contributions	0.19	0.12
d) Benefits Paid	(0.93)	(0.85)
e) Actuarial Gain	0.01	0.01
Fair Value of Plan Assets as at end of the year	5.25	5.50
III) The Amounts to be Recognized in Balance Sheet		
a) Present Value of Obligation as at the end of the period	16.03	14.10
b) Fair Value of Plan Assets as at the end of the period	5.25	5.50
Net Liability Recognized in Balance Sheet	10.78	8.60
Long Term Provision	9.29	7.14
Short Term Provision	1.49	1.46
Total	10.78	8.60
IV) Expense Recognized in the Statement of Profit and Loss		
a) Current Service Cost	1.46	1.20
b) Interest Cost	1.13	0.94
c) Net Actuarial Loss	0.29	1.71
d) Expected Return on Planned Assets	(0.48)	(0.50)
Expenses Recognised in the Statement of Profit and Loss	2.40	3.35
V) Assumptions Used to Determine the Benefit Obligations		
Discount Rate	8.50 to 9.25%	8.00 to 8.25%
Rate of increase in compensation levels	6.00 to 7.00%	5.50 to 10.00%
Expected rate of return on Planned Assets	9.00 to 9.25%	9.10 to 9.60%
C. Other Long Term Benefit Plans		
Other Long term benefits plans represents the compensated absences provided to the employees of the Company.		
I) Actuarial Valuation has been done with the following Assumptions		
Discount Rate	8.50 to 9.25%	8.00 to 8.25%
Rate of increase in compensation levels	6.00 to 7.00%	5.50 to 10.00%
Expected rate of return on Planned Assets	9.00 to 9.25%	9.10 to 9.60%

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

Note 39 – DETAILS OF DERIVATIVE INSTRUMENTS OUTSTANDING ON MARCH 31, 2014

(Rs. in Crores)

Particulars of Hedged Derivatives	March 31, 2014	March 31, 2013	Purpose
Forward contracts - cash flow hedge(in US\$)			
Buy (in US\$)	0.00	0.10	Hedge of future payments towards term loan
Sell (in US\$)	0.00	0.04	Hedge of future receipts towards export
Sell (in Euro)	0.00	0.02	Hedge of future receipts towards export
Cross Currency Swaps	1.05	0.00	

The foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below as on each Balance Sheet date:

(Rs. in Crores)

Particulars	March 31, 2014	March 31, 2013
Receivables and Advances		
Exports outstanding	29.49	51.88
Payables		
Payable on Imports	7.14	5.64
Loans		
Buyer's Credit Facility	36.57	57.51
Loans	39.24	108.07

Note 40 – SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED

- As the Group's business activity falls within a single primary business segment viz. "manufacturing and sale of auto components for two wheelers and four wheelers", hence, the Group has only one primary reportable business segment.
- Secondary Segment: Geographical

(Rs. in Crores)

Particulars	India	UK	USA	Total
Year ended March 31, 2014				
Revenue from External Customers	1490.77	56.29	87.34	1634.40
Carrying amount of Segment Assets	1130.92	14.20	24.93	1170.05
Capital Expenditure	84.48	0.00*	0.00*	84.48
Year ended March 31, 2013				
Revenue from External Customers	1533.25	50.75	78.89	1662.89
Carrying amount of Segment Assets	1161.81	20.62	33.56	1220.99
Capital Expenditure	163.91	0.00*	0.00*	163.91

*Amounts have been rounded off to zero

Note 41 – RELATED PARTY DISCLOSURES

- Related Parties where control exists

Name of the Related Parties	Description of Relationship
Kapsons Associates Investments Pvt. Ltd.	Entity in which KMP exercise significant influence
Kapbros Engineering Industries Limited	Entity in which KMP exercise significant influence
Haridwar Estates Private Limited	Entity in which KMP exercise significant influence
Rico Castings Limited	Entity in which KMP exercise significant influence
Higain Investments Private Limited	Entity in which KMP exercise significant influence

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

Octan Media Limited	Entity in which KMP exercise significant influence
Raasaa Retail Private Limited	Entity in which KMP exercise significant influence
FCC Rico Limited	Joint venture
Magna Rico Powertrain Private Limited	Joint venture

B. Key Management Personnel

- i) Shri Arvind Kapur – Chairman, CEO & Managing Director
- ii) Shri Arun Kapur – Joint Managing Director
- iii) Shri Rakesh Kapur – Managing Director

C. Amount for the Current and Previous years are as follows:

(Rs. in Crores)

Particulars	Key Management Personnel and their relatives		Other parties which significantly influence/influenced by Company (either individually or otherwise)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
I) Transactions during the year				
a) Goods Purchased				
Rico Castings Limited	—	—	22.15	49.03
Kapbros Engineering Industries Limited	—	—	1.86	0.51
FCC Rico Limited*	—	—	8.77	9.84
b) Goods Sold				
Rico Castings Limited	—	—	1.22	7.20
Kapbros Engineering Industries Limited	—	—	5.00	5.66
FCC Rico Limited*	—	—	51.27	57.34
Magna Rico Powertrain Private Limited*	—	—	3.93	2.15
c) Assets Purchased				
Rico Castings Limited	—	—	2.32	0.53
Kapbros Engineering Industries Limited	—	—	2.97	2.72
d) Assets Sold				
Kapbros Engineering Industries Limited	—	—	0.26	0.14
e) Miscellaneous Sales				
Rico Castings Limited	—	—	0.05	—
Magna Rico Powertrain Private Limited*	—	—	0.41	—
f) Job Work Expenses				
Rico Castings Limited	—	—	3.48	—
Kapbros Engineering Industries Limited	—	—	12.17	12.29
FCC Rico Limited*	—	—	—	0.02
g) Job Work Income				
Rico Castings Limited	—	—	0.27	—
FCC Rico Limited*	—	—	0.85	—
h) Administration, Finance, Production Support Service				
Rico Castings Limited	—	—	7.30	7.00
Kapbros Engineering Industries Limited	—	—	0.28	2.02
FCC Rico Limited*	—	—	13.85	11.61
Magna Rico Powertrain Private Limited*	—	—	—	0.02
i) Rent Paid				
Rico Castings Limited	—	—	1.69	1.68
Kapsons Associates Investments Private Limited	—	—	0.38	0.35
j) Remuneration Paid to Key Management Personnel	1.88	1.92	—	—

RICO AUTO INDUSTRIES LIMITED

Summary of Significant Accounting Policies and other Explanatory Information to the Consolidated Financial Statements for the year ended March 31, 2014 (Contd.)

(Rs. in Crores)

Particulars	Key Management Personnel and their relatives		Other parties which significantly influence/influenced by Company (either individually or otherwise)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
k) Net Loan given/(repaid) during the year				
Rico Castings Limited	—	—	(0.74)	—
l) Investments made during the year				
Magna Rico Powertrain Private Limited*	—	—	1.50	2.50
m) Dividend received				
FCC Rico Limited*	—	—	3.67	2.96
II) Balance outstanding at year end				
a) Balance Recoverable				
Haridwar Estates Private Limited	—	—	9.72	9.72
Rico Castings Limited	—	—	5.17	20.21
Kapbros Engineering Industries Limited	—	—	5.99	5.92
FCC Rico Limited*	—	—	4.48	5.24
Magna Rico Powertrain Private Limited*	—	—	1.44	0.59
b) Balance Payable				
Rico Castings Limited	—	—	6.65	10.38
Kapbros Engineering Industries Limited	—	—	—	1.27
FCC Rico Limited*	—	—	—	0.04

* Complete transactions have been reported before any elimination

Note 42 — A fire broke out on December 7, 2012 at one section of the Company's ferrous foundry unit located at the Gurgaon plant. As a result, fixed assets having a written down value of Rs.1.55 crores and raw materials amounting to Rs.0.29 crore were destroyed. Net amount of Rs.0.02 crore (last year Rs.1.02 crores) has been shown as receivable from insurance Company in the books of accounts. The management has lodged a claim with the insurance Company and does not foresee any financial loss on this account.

Note 43 — The financial statements of FCC Rico Limited, a joint venture, have been consolidated on the basis of financial statements provided by the management of FCC Rico Limited. These financial statements are yet to be adopted by the Board of FCC Rico Limited and are not audited.

Note 44 — Pursuant to the notification issued by The Ministry of Corporate Affairs dated May 11, 2011 read with the notification issued on March 31, 2009, the Company has chosen to avail the option to capitalise exchange differences arising on long term foreign currency monetary items to the cost of the relevant fixed assets and amortising it over the remaining useful life of the fixed assets. Amount remaining to be amortised is as under:

(Rs. in Crores)

Particulars	March 31, 2014	March 31, 2013
Un- Amortised Exchange Differences	12.21	12.20

Note 45 — Corresponding figures for the previous year have been regrouped / rearranged, wherever necessary to confirm to current year classification.

For **Walker Chandio & Co LLP**
(Formerly Walker, Chandio & Co)
Chartered Accountants

For and on behalf of the Board of Directors

per **Ashish Gupta**
Partner

O.P. Aggarwal
Executive Director (Finance)

Place : Gurgaon
Dated : 28th May, 2014

B.M. Jhamb
Company Secretary

Amarjit Chopra
Satish Sekhri
Directors

Arvind Kapur
Chairman, CEO
& Managing Director

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RICO AUTO INDUSTRIES LIMITED

NOTES

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• RELIABILITY • INNOVATION • COMPETITIVENESS • GLOBALIZATION

Concept to Completion



Account & Program Management

RICO

Corporate Office & Gurgaon Plant

RICO AUTO INDUSTRIES LIMITED

38 KM Stone, Delhi - Jaipur Highway


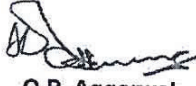

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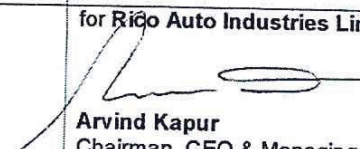
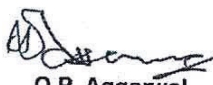
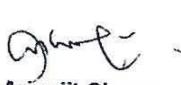
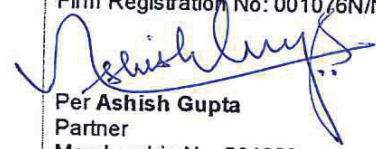
e-mail : rico@ricoauto.com

FORM A**(Pursuant to Clause 31(a) of the Listing Agreement)**

1.	Name of the Company:	Rico Auto Industries Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of audit observation	<p>A. The report of statutory auditors contains the following observations on the standalone financial statements:</p> <p>Emphasis of Matter in the Independent Auditors' Report on the financial statements:</p> <p>"We draw attention to note 38 to the financial statements regarding investments in subsidiaries aggregating to Rs 50.53 crores and trade receivables and advances due from them aggregating to Rs 54.07 crores as at March 31, 2014. The management, based on the factors discussed in the said note, believes that the decline in the value of investments is temporary in nature and balance of trade receivables and advances are recoverable, and hence no provision in respect of aforesaid amounts has been made in the accompanying statement. Our opinion is not qualified in respect of this matter."</p>
4.	Frequency of observation	Observation 'A' as stated in Para 3 above has appeared for the first time.
5.	Signed by	<p>for Rico Auto Industries Limited</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"><div style="text-align: center;"> Arvind Kapur Chairman, CEO & Managing Director</div><div style="text-align: center;"> O.P. Aggarwal CFO</div><div style="text-align: center;"> Amanjit Chopra Chairman-Audit Committee</div></div> <p>For Walker Chandiok & Co LLP (Formerly Walker, Chandiok & Co) Chartered Accountants Firm Registration No: 001076N/N500013</p> <div style="text-align: center;"> Per Ashish Gupta Partner Membership No: 504662</div> <p>Place: Gurgaon</p>

FORM B

(Pursuant to Clause 31(a) of the Listing Agreement)

1.	Name of the Company:	Rico Auto Industries Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of audit qualification	<p>A. The report of statutory auditors contains the following observations on the consolidated financial statements:</p> <p>Basis of Disclaimer of Opinion in the Independent Auditors' Report on the financial statements:</p> <p>"In preparation of the accompanying consolidated financial statements, the Company has considered the un-audited financial statements of FCC RICO Limited a joint venture of the Company. In the absence of financial statements of FCC RICO duly audited by an independent auditor, we were unable to determine whether any adjustments were necessary in respect of the Company's proportional share of FCC RICO Limited's assets, liabilities, income and expenses for the year, and the elements making up the Cash Flow Statement and other disclosures in the consolidated financial statements."</p>
4.	Frequency of qualification	Observation 'A' as stated in Para 3 above has appeared for the first time.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>Note 43 to the annual financial statement:</p> <p>The management of the Company is of the view that there will not be any material change to the reported numbers. The management of FCC RICO Limited has informed that they are in the process of adopting the financial statements. Accordingly, impact, if any, will be taken by the Company in the current financial year 2014-15 in the consolidated financial statements.</p>
6.	Additional comments from the board/audit committee chair	The other observations in the Auditors' Report are dealt within the notes to accounts at appropriate places and being self-explanatory, need no further comments.
7.	Signed By	<p>for Rico Auto Industries Limited</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  Arvind Kapur Chairman, CEO & Managing Director </div> <div style="text-align: center;">  O.P. Aggarwal CFO </div> <div style="text-align: center;">  Amarjit Chopra Chairman-Audit Committee </div> </div> <p>For Walker Chandiok & Co LLP (Formerly Walker, Chandiok & Co) Chartered Accountants Firm Registration No: 001076N/N500013</p> <div style="text-align: center;">  Per Ashish Gupta Partner Membership No: 504662 </div> <p>Place: Gurgaon</p>