

# PEC Ltd.

Annual Report 2011-12





**PEC Ltd.**

**PEC Ltd.**



Hon'ble Minister of Commerce & Industry, Sh. Anand Sharma with Sh. A.K. Mirchandani, CMD, PEC during presentation of dividend cheque.



## COMPANY PROFILE

### Board of Directors

#### Chairman-cum-Managing Director

A. K. Mirchandani

#### Whole-Time Directors

Rajiv Chaturvedi

Ravi Kumar

#### Part-Time Directors

Mrs. Aditi Das Rout

Mrs. Amrit Raj

#### Company Secretary

Ashok Kumar

#### Auditors

M/s. Samsand & Associates  
Chartered Accountants, Delhi

#### Registered Office

“Hansalaya” 15-Barakhamba Road,  
New Delhi-110 001.

#### Bankers

State Bank of India, Indian Overseas Bank,  
Corporation Bank, Syndicate Bank, Vijaya Bank, IDBI Bank,  
ICICI Bank, Indian Bank, Bank of Baroda, United Bank of India,  
State Bank of Travancore, State Bank of Bikaner & Jaipur,  
Central Bank of India



## BOARD OF DIRECTORS



A. K. Mirchandani  
CMD



Rajiv Chaturvedi  
Director



Ravi Kumar  
Director



Aditi Das Rout  
Director



Amrit Raj  
Director

## KEY PERSONNEL



Sanjay Rastogi  
CVO



J.K. Sanyal  
Executive Director



S.K. Majumdar  
CGM



P.K. Jain  
CGM



J. Ravi Shanker  
CGM



S. K. Saha  
CGM



R.K. Taneja  
CGM (upto 30.04.2012)



Y. P. Chhabra  
CGM (upto 31.03.2012)



## Mission

To trade in the international market in a manner to create an image of quality, reliability, ethical values and sustained long term relationship with the customers and other business partners by

- Export of engineering projects and equipment specially from small and medium enterprises.
- Export and Import and Domestic trade of commodities, raw materials and bullion etc. and develop new products and new markets.

To serve as effective instruments of public policy and social responsibility.

## Vision

To be a highly market focused company engaged in international and domestic trade; an organization which is lean and flexible, capable of responding to the changing environment and always conscious of its obligations of delivering value to stakeholders.

A company capable of providing total service to the customers related to international trade.





## FROM CHAIRMAN

**“Attitude determines Altitude.” John Maxwell**

**“People who move mountains start with one small stone.” Chinese Proverb**

**“Tough times don’t always last, tough companies do.” Deepak Parekh**

These are the beliefs of the PEC Family. Discipline in our thoughts, people and actions, is a way of life at PEC. We confront ourselves with reality but maintain absolute faith that our performance will prevail in the end. We seek a solution in every crisis with our talent, initiative, drive, hard work and continual improvement.

During the year 2011-12 PEC was confronted with tough economic times and challenges. The world economy, even today, continues to be in a state of turmoil and the hope of a global economic recovery looks distant. The Indian economic growth rate dropped to 6.5% in 2011-12 from an 8.4% in the previous fiscal year. The quarterly growth rate also fell successively from 8% in the first quarter to 6.7% in the second and 6.1% in the third to 5.3% in the final quarter. Industrial Production grew by just 2.8% compared to 8.2% growth in the previous financial year. The manufacturing sector grew by just 2.5% against 7.6% a year ago, demonstrating the slowdown in industrial activity.

Despite the global economic slowdown, I am happy to inform you that during FY 11-12 PEC sustained its momentum. The company achieved turnover of ₹ 110,263 million as against ₹ 99,699 million in the previous year, representing a year on year growth of 10.6%. The company’s performance was strongly driven by volumes in the industrial raw materials sector. PEC registered over 30% growth in the trade of industrial raw materials, leveraging every opportunity to generate business in a tough economic environment.

During 2011-12, PEC continued with its stellar commitment to Corporate Social Responsibility. I am happy to inform you that the corporation has supported mid-day meal schemes for under-privileged children, rehabilitation of children with special needs, prosthetic aids for differently-abled persons, employment generation for poor, urban women, solar lighting in rural areas and a residential project for individuals with autism spectrum disorder.

Integrity and superior value systems have continued to set the tone for culture building at PEC. Being a trading company, professional and experienced human resource is our prized asset. We have some of the best training and development resources and seek to provide an environment that is committed to providing opportunities for personal and professional growth.

In continuing with tradition, PEC was presented the MOU Excellence Certificate for the year 2009-10. We were selected for EEPC INDIA (N.R.) Awards, for 2009-10 under the category of “Top Exporters for the year 2009-10, Gold Trophy (Merchant Exporter)” and for 2010-11 under the category of “Star Performers in Product Groups for 2010-11 (Silver Shield), Ferro Alloys, Medium Enterprise”. PEC won the Official Language Trophy, Second Prize for excellent performance in official language during the year 2010-11. For the year 2011-12, PEC bagged the First Prize for excellent performance in official language.

No organisation can make it alone. I would like to place on record my gratitude to our bankers, business associates and all stakeholders whose confidence has enabled PEC to earn a reputation of being a strong, efficient and reliable partner. Their continued trust and goodwill, particularly in the current uncertain economic scenario provides us immense strength as we move towards scaling greater heights. We rely on the robustness and dynamism of our trading associates to form a winning team. Our aim is to help them maximise their potential and in turn, ours.

I also thank the various central and state government bodies, the financial institutions and my colleagues on the Board who have always provided valuable guidance. I appreciate all our employees’ efforts as we strive to be a highly dynamic, innovative, homogeneous and focussed organisation.

Thank You.

28th September, 2012  
New Delhi

(A.K. Mirchandani)

Chairman-cum-Managing Director



## DIRECTORS' REPORT

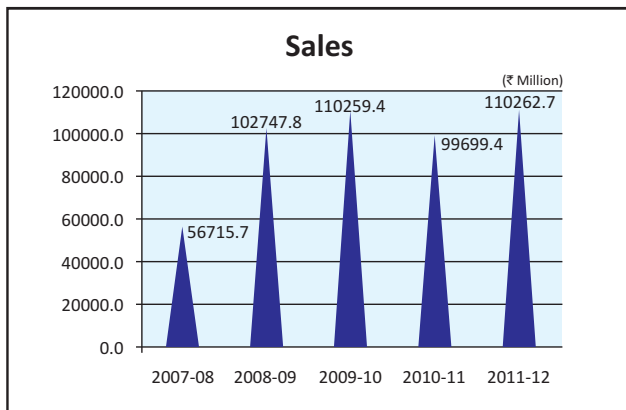
Your Directors have pleasure in presenting their 41st Annual Report on the business and operations of the Company together with the audited results for the financial year ended 31st March, 2012.

### FINANCIAL RESULTS

	2011-12	2010-11
<b>TURNOVER</b>		
<b>SALES</b>	<b>110262.68</b>	<b>99699.45</b>
Export	10366.48	11362.51
Imports	81912.95	79068.08
Domestic	17983.25	9268.86
<b>PROFIT</b>		
Profit before tax	1185.33	1065.65
Profit after tax	795.51	709.18
<b>APPROPRIATION</b>		
Proposed dividend & tax	174.33	174.33
Transfer to Reserves	621.18	534.85



Potato Processing set up by PEC Ltd. at Talas Oblast, Kyrgyzstan being gift from Government and People of India to Government and People of Kyrgyzstan.



Your Company achieved sales turnover of ₹ 110262.68 million in FY 2011-12 compared to ₹ 99699.45 million in past year, an increase of 11%. Consequently, the Profit before tax increased to ₹ 1185.33 million from ₹ 1065.65 million, an increase of 11%. The Profit after tax increased to ₹ 795.51 million as compared to ₹ 709.18 million for the previous year, recording an increase of 12%.

### DIVIDEND

Your Directors recommend maintaining dividend at 75 per cent of paid up capital of ₹ 200 million as in last year. The total dividend payout for the year 2011-12 shall be ₹ 150 million and ₹ 24.33 million as Dividend Distribution Tax thereon.

### KEY STRATEGIES

We have sought to be adaptable, anticipating and responding to the changing needs of the economy, dynamic business environment and public policy. We believe in innovation to enhance the range of products and services.

We have developed our business to serve diverse needs of the trade and economy. Given the volatile operating environment, the focus was on capital conservation, liquidity management and risk containment.

### EXPORTS

The company has continued its efforts in maintaining its potential export markets such as Bhutan, Nepal, Bangladesh, Sri Lanka, Mauritius, Ethiopia, Kenya, Liberia, Mauritania, etc.

The Company has secured contracts from Bhutan, Nepal, Kenya, Ethiopia and Liberia for supply of transformers, conductors, cables, transmission and distribution hardware, insulators, etc.

Agro business continues to be key contributor to the growth of the corporation. PEC exported rice, wheat and soya meal during the year.



Wheat loading through Wire Mesh at Kandla Port

Other major exports were iron ore fines to China, home appliances & spares and medical equipment to various nations.

### IMPORTS

PEC achieved import turnover of ₹ 81912.95 million during the year. Bullion import aggregate to ₹ 9713.47 million during the year.



PEC undertook bulk import of coal, manganese ore, industrial chemicals, diamonds, etc. during the year.

Agricultural commodities like edible oil, pulses, jute were also imported during the year.

During the year, contracts for import of new chemicals and resins, namely LUPOL-Polycarbonate and Poly Propylene, were also executed.

**DOMESTIC**

Domestic sales during the year almost doubled to ₹17983.25 million from ₹9268.86 million last year.

**EXPORT AWARD**

During the year, Engineering Export Promotion Council has awarded “Top Exporters-Gold Trophy” to your corporation for the year 2009-10.

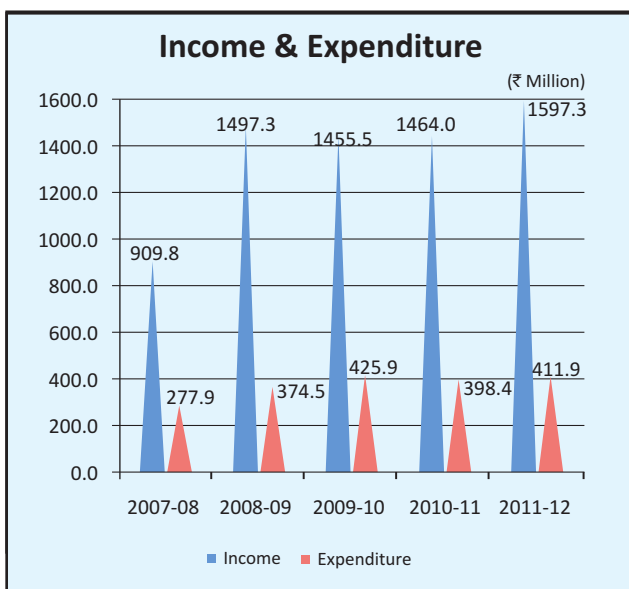


EEPC Award being given by the Hon'ble Dy. Chief Minister of Punjab, Shri Sukhbir Singh Badal to PEC for Top Exporters for the year 2009-10, Gold Trophy (Merchant Exporters).

**MEMORANDUM OF UNDERSTANDING**

PEC received during the year Merit Certificate for excellence in the achievement of MOU for the year 2009-10.

MOU for the year 2012-13 has been signed with the Ministry of Commerce & Industry.



**HUMAN RESOURCES**

18 Management Trainees were inducted during the year, taking the total manpower to 197 at the close of the year.

Human resource development constitutes an integral part of the Company’s philosophy for growth. The thrust of training programmes, both in house and organized in association with reputed institutions, was in the areas of executive development and export growth.

The Presidential Directives on reservation have been implemented to ensure adequate representation of persons belonging to SC, ST and other backward classes and employment of physically challenged persons is being followed.

Industrial relations remained peaceful and cordial.

**HINDI RAJBHASHA**

PEC continued to vigorously pursue its efforts in implementing Official Language Policy of the Government.

To accelerate the pace of progressive use of Hindi, fortnight-long programme was organized to mark Hindi Diwas in September, 2011. Prizes were awarded to the winners.

Incentives were given to employees to promote use of Hindi in official work.

Hindi books on literature and trade were made available for library at Head Office and branches.

PEC won the Official Language Trophy, 2nd Prize for excellent performance in official language given by Hon’ble Minister of State for Commerce & Industry for the year 2010-11. For the year 2011-12, PEC bagged Ministry of Commerce & Industry’s first prize for excellent performance in official language.



Award being given by the Hon'ble Minister of State for Commerce & Industry for performance in official Hindi Language.

**VIGILANCE**

PEC continued with laying emphasis on preventive aspects of vigilance and awareness of vigilance requirements among the employees.

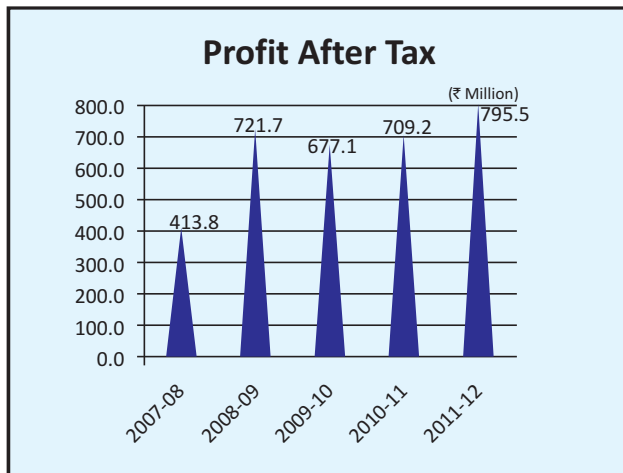
Vigilance Awareness Week was observed in November 2011 in Corporate and branch offices.



Hindi Pakhwara Samapan Samaroh

### CORPORATE SOCIAL RESPONSIBILITY

Your Company's aspiration of sustaining and enhancing its long term growth plans are well balanced by its conscious commitment to society. During the year, PEC has made significant investments in community welfare initiatives including the underprivileged through education, health, woman empowerment, national heritage conservation and rural-centric interventions.



### CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements as prevalent globally. The Report on Corporate Governance forms part of the Annual Report.

In furtherance of Corporate Governance guidelines, a detailed Code of Conduct for Board Members and Senior Management Personnel has been laid down. All Board Members and Senior Management Personnel on the regular rolls of the Company have affirmed compliance of the same for the period ended 31st March 2012.

The requisite certificate from a Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under DPE guidelines is attached.

### SUBSIDIARY COMPANY

Tea Trading Corporation of India Ltd., a wholly-owned subsidiary of your Company, continues to be under winding up process by Official Liquidator appointed by Hon'ble High Court of Calcutta.

### FOREIGN EXCHANGE

Particulars regarding foreign exchange earnings and expenditure appear as Note No. 19 in the Notes to the Accounts.

### PARTICULARS OF EMPLOYEES

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 none of the employee were in receipt of remuneration exceeding the limits as laid down.

### BOARD OF DIRECTORS

There were no changes in the composition of the Board of Directors of your Company during the year.

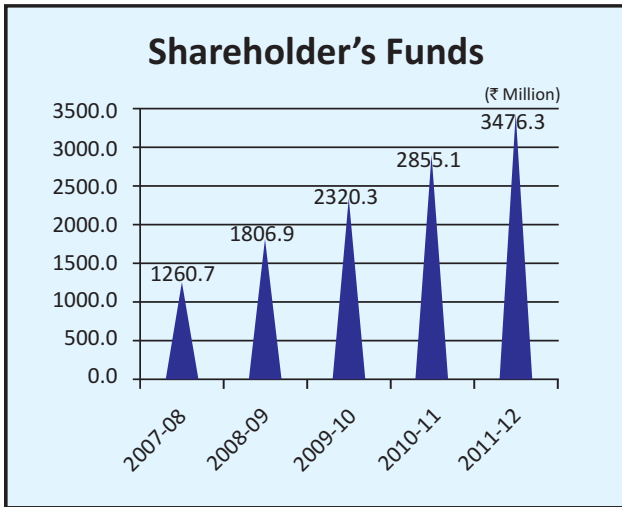
### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

- followed, in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures, if any;
- selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profits of your Company for the period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- prepared the Annual Accounts on a going concern basis.



Inauguration of Potato Processing Plant at Bishkek, Kyrgyzstan by Hon'ble Minister of State for External Affairs, Government of India.



#### ACKNOWLEDGEMENTS

Your Directors wish to place on record their sincere appreciation of all the employees for their dedication and commitment. The hard work and unstinting efforts of the employees have enabled the Company to sustain and further consolidate its position in the industry.



M.O.U signed by PEC for implementation of Hospital Management Information System with Korle-Bu Teaching Hospital, Ministry of Health, Ghana.

Your Company continues to occupy a place of respect among stakeholders. Your Directors would like to express their sincere appreciation for assistance and co-operation received from the associates and stakeholders including financial institutions, banks, Central and State Government authorities, who have extended their valuable sustained support and encouragement. It will be the Company's endeavour to build and nurture these strong links with its stakeholders.

For & on behalf of Board of Directors

*(Signature)*  
**(A.K.Mirchandani)**

Chairman-cum-Managing Director



## REPORT ON CORPORATE GOVERNANCE

PEC Limited remains true to the belief that good Corporate Governance practices lead to efficient running of the Company and help in optimizing value for all its stakeholders – investors, directors, employees, suppliers, customers and the community in general. The Company has been making an effort to uphold the principles of Corporate Governance to ensure transparency, integrity and accountability in its functioning - elements that are vital to achieve its vision of becoming a major diversified, transnational, integrated trading company.

### BOARD OF DIRECTORS

The present Board comprises of CMD, two whole-time functional directors and two part-time directors nominated by the President of India.

The composition of the Board of Directors, attendance on Board Meetings, Annual General Meeting and other directorship held during the year 2011-12 are as :-

Sl. No.	Name & Designation of Directors	No. of Board meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies
<b>WHOLE TIME DIRECTORS</b>				
1.	Shri A.K. Mirchandani, CMD (w.e.f. 1.7.2007, Director 01.03.2002 - 30.06.2007)	5/5	Yes	Nil
2.	Shri Rajiv Chaturvedi (w.e.f. 31.10.2007)	5/5	Yes	Nil
3.	Shri Ravi Kumar (w.e.f. 1.10.2008)	5/5	Yes	1
<b>PART-TIME DIRECTORS</b> (Govt. nominees)				
4.	Ms. Aditi Das Rout (w.e.f. from 30.3.2010)	5/5	Yes	2
5.	Ms. Amrit Raj (w.e.f. 28.6.2010)	5/5	Yes	4

### CHANGES IN DIRECTORSHIP

There was no change in Directorship during the year.

### BOARD MEETINGS

The meetings of the Board of Directors are normally held at the Company's registered office in New Delhi and are scheduled well in advance. The Board meets regularly at least once in a quarter.

Detailed agenda papers are circulated in advance amongst the members for facilitating meaningful, informed and focused discussions at the meetings.

Five Board meetings were held during the year. The details of the Board meetings are as under: -

Sl. No.	Date	Board strength	No. of Directors present
1	14.06.2011	5	5
2	03.08.2011	5	5
3	27.09.2011	5	5
4	08.12.2011	5	5
5	05.03.2012	5	5

### COMMITTEE OF THE MANAGEMENT

To facilitate expeditious consideration and arriving at decisions with focused attention on the affairs of the company, the Board has constituted the Committee of Management with CMD as its Chairman, two whole-time Directors and Head of Finance as Members and Company Secretary as Secretary to the Committee, with distinct role, accountability and authority.



## DIRECTORS REMUNERATION

PEC being a Government Company, appointment and terms and conditions of remuneration of full-time functional Directors are determined by the Government of India through the Ministry of Commerce & Industry. The part-time Directors do not draw any remuneration.

The details of remuneration paid for the year 2011-12 to Directors are:-

Sl. No.	Name of Directors	Salary & benefits (Rs. lakh)	Performance linked incentive for 2010-11 (Rs. lakh)	No. of shares of PEC held as on 31.3.2012
<b>FUNCTIONAL DIRECTORS</b>				
1.	Shri A.K. Mirchandani CMD	40.80	12.19	1
2.	Shri Rajiv Chaturvedi Director	33.90	7.85	Nil
3.	Shri Ravi Kumar Director	32.93	7.64	Nil
<b>PART-TIME DIRECTORS (Govt. nominees)</b>				
4.	Ms. Aditi Das Rout Director, MOC	-	-	1
5.	Ms. Amrit Raj Director (F), MOC	-	-	Nil

## CODE OF CONDUCT

The Board of Directors of the Company adopted 'Code of Business Conduct and Ethics' for Board & Senior Management Personnel. The Code is in alignment with Company's vision and values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. The Board members and Senior Management Personnel have affirmed compliance to this code and a declaration to this effect is given by the Chairman & Managing Director in the Directors' Report.

## GENERAL BODY MEETING

The General Body Meetings of the Company are held at the Registered Office of the Company – Hansalaya, 15 Barakhamba Road, New Delhi. The details of such meetings held during the last three years are as under:-

Nature of Meeting	Financial year	Date of meeting
Annual General Meeting	2010-11	27.09.2011
Annual General Meeting	2009-10	23.08.2010
Annual General Meeting	2008-09	28.08.2009
Extraordinary General Meeting	2008-09	04.12.2008

## DISCLOSURES

During the year, there were no transactions of material nature with the Directors or the Management or the subsidiary or relatives that had potential conflict with the interest of the Company.

## SHAREHOLDER'S INFORMATION

- The 41st Annual General Meeting is scheduled for 28th September, 2012 at 'Hansalaya' 15 Barakhamba Road, New Delhi – 110 001.
- The Company's financial year is from 1st April to 31st March.
- Dividend payment

The details of dividend paid during the last 3 years are as under:-

Year	Rate (%)	Amount (₹ million)	Date of payment
2008-09	75	40 (Interim) 110	22-01-2009 10-09-2009
2009-10	70	140	24-09-2010
2010-11	75	150	16-11-2011

## WHISTLE BLOWER POLICY

Your company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report to the management concerns about unethical behaviour or actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy.

## SHAREHOLDING PATTERN

The entire paid up equity capital of ₹ 20 crore divided into 20 lakh shares of ₹ 100 each is held by the President of India.



## MANAGEMENT DISCUSSION AND ANALYSIS

### WORLD ECONOMY IN 2011

The world economy and trade remain fragile for more than three years since the trade slowdown of 2008–09. The rate of world output growth fell to 2.4% in 2011 from 3.8% in the previous year, weighed down by the ongoing sovereign debt crisis in Europe, supply chain disruptions from natural disasters in Japan & Thailand, and turmoil in Arab countries. This pace of expansion was well below the 3.2% average over the 20 years.

World trade expanded in 2011 by 5%, a sharp deceleration from the 2010 rebound of 13.8%, and growth will slow further still to 3.7% in 2012 as projected by WTO. Developed economies exceeded expectations with export growth of 4.7% in 2011 while developing economies did worse than expected, recording an increase of just 5.4%. The relatively strong performance of developed economies was driven by a robust 7.2% increase in exports from the United States, as well as a 5% expansion in exports from the European Union. The slowdown is attributed to the global economy losing momentum due to a number of shocks, including European sovereign debt crisis, geopolitical risks and steeper than expected downturn in Europe.

Significant exchange rate fluctuations occurred during the year, which shifted the competitive positions of some major traders and prompted policy responses. Fluctuations were driven in large part by attitudes toward risk related to the euro sovereign debt crisis. In 2011, the dollar value of world merchandise trade advanced 19% to USD 18.2 trillion, surpassing the previous peak of USD 16.1 trillion from 2008. Much of the growth was due to higher commodity prices, but monthly trade flows were mostly flat or declining in many major traders over the course of the year.

### INDIAN ECONOMY IN 2011-12

The Indian Economic growth rate dropped to 6.5% in 2011-12 from an 8.4% growth in previous fiscal, the lowest growth rate since 2002-03. The Growth rate was lower than global crisis in 2008-09. The GDP estimates for the last quarter and for the full year indicate that the growth of the Indian economy is on a downward spiral. The quarterly growth rate has fallen successively from 8% in the first quarter to 6.7% in the second and 6.1% in the third to 5.3% in the final quarter.

The Industrial Production in country measured by Index of Industrial Production (IIP) grew by just 2.8% compared to 8.2% growth in the previous financial year. The manufacturing sector grew by just 2.5% against 7.6% a year ago. This shows a slowdown in industrial production activity.

In 2011-12 fiscal, India's merchandise imports totalled USD 488 billion against exports of USD 303 billion, leaving a

trade gap of USD 185 billion. High crude oil prices and rising gold and silver imports contributed to 32 % import growth in the last fiscal. Import on these two counts itself was a whopping USD 217 billion, accounting for over 44 % of the country's total import bill.

The year 2011-12 was rather tough for the Economy. The year witnessed various adverse macroeconomic situations which paved hurdles in economic growth. Deepening European crises and lack of reforms further deteriorated the investment climate in country. With a sharp rise in the import bill and an economic downturn, India's current account deficit reached to an all time high of 4.2% of GDP for the year ended March 2012, from 2.7% for the previous year.

### PEC'S PERFORMANCE

In year 2011-12, the Company's performance was strongly driven by volumes in industrial raw materials segment. The company achieved all time high turnover of ₹ 110263 million as against ₹ 99699 million in previous year signifying 10.6% growth despite economic slowdown. The trading income for the year stood at ₹ 1185 million.

### SEGMENTWISE PERFORMANCE:

#### EXPORTS:

PEC achieved export turnover of ₹ 10367 million as against ₹ 11363 million in previous year. Continuous efforts have enabled PEC to secure sizable turnover of exports. Major product segments of exports during the year were iron ore, agro commodities and engineering, equipment & manufactured goods.

**Agro commodities:** PEC achieved ₹ 6222 million turnover in this segment as against ₹ 5538 million last year. An increase of 12.4% in exports was mainly contributed by rice, soya bean meal and wheat. PEC exported 165,998 MT non-basmati rice of Thailand origin to Nigeria, Benin and Ivory Coast through third country trade valued at ₹ 4038 million. Export of soya bean meal was valued at ₹ 1425 million, maize at ₹ 435 million and Wheat at ₹ 324 million.

**Iron Ore:** Export of Iron ore was mainly to China. PEC exported over 1.32 million MT of iron ore to China valued at ₹ 3916 million from mines of Goa. The export stood at ₹ 5529 million in previous year. Due to restriction on ore exports and not so encouraging demand from Chinese buyers the ore exports have seen a decline.

**Projects, Equipment and manufactured goods:** Export of projects & equipment is traditional business of PEC. Volume has shrunk in recent years because major associates started their own export houses. PEC secured export orders from Nepal, Bhutan, Ethiopia, Sri Lanka, Liberia and Kenya for supply of earthing equipment, transformers, cables, conductors, etc. worth ₹ 229 million.



## IMPORTS

Imports account for 74% of total turnover of PEC for year 2011-12. Driven by the volumes in coal, edible oils and pulses, import during the year aggregated to ₹ 81913 million, 3.6% growth over previous year's imports of ₹ 79068 million. Areas exhibiting notable performance are:

**Agro Commodities:** During the year, PEC imported agro commodities worth ₹ 17751 million as against previous year's ₹ 25235 million. Major commodities of imports are pulses and edible oils. The decline was mainly due to absence of sugar import as domestic production exceeded demand for second consecutive year and lower import of pulses & edibles oils. The import of agro commodities operates under controlled environment and is driven by demand supply condition in market. PEC has harnessed every opportunity to generate business.

**Pulses:** During the year pulses worth ₹ 8928 million were imported mainly from Canada, Myanmar, Tanzania & Australia. PEC imported pulses on behalf of Government and also on its own account. Over 60 % pulses turnover was on account of Government Business under various schemes. The turnover under this segment has fallen by over 36% as compared to previous year turnover of ₹ 14019 million. Withdrawal of subsidy and depreciation in rupee were the major reasons of lower turnover.

**Edible Oils:** It mainly constitutes RBD palmolein and soya oil import on behalf of State Governments of Tamil Nadu & Himachal Pradesh. The turnover stood at ₹ 8799 million as compared to ₹ 9524 million in previous year. During the year 169,463 MT edible oils valued at ₹ 8426 million was imported for State Governments. Rising Dollar and healthy oil seeds production in country narrowed import in edible oils. Solvents Extractors have remained bearish on account of softening RBD palm oil prices in Malaysia which had impact on PEC's private sector edible oil imports.

**Industrial Raw Materials:** PEC has registered over 31.4% growth in import of industrial raw materials valued at ₹ 52420 million, as compared to ₹ 39879 million previous year. Major industrial raw materials imported were coal/coke, steel, manganese ore and chemicals & pharmaceuticals.

**Coal & Coke:** The business turnover of coal/coke valued at ₹ 37528 million emerged as single largest item of import constituting over 45.8% of total imports. There has been 49.2% increase over previous year's coal imports valued at ₹ 25156 million. Various measures to achieve high turnover of coal imports included expanding supply base, roping in new customers, timely execution of contracts and price monitoring. During the year over 5 million MT of Coal/Coke was imported from South Africa, Indonesia, Australia, etc. Significant portion of Coal import was executed under supply contracts for State electricity boards.

**Steel:** The sales turnover of steel during the year has increased to ₹ 9185 million from ₹ 8024 million in previous year. The steel products were imported from China, UK & Russia. The stronger demand for steel from infrastructure sector and higher domestic steel prices has increased steel imports. In-depth market insight of sector gained through experience has enabled PEC in mobilising sizable business turnover in steel imports.

**Chemicals & Pharmaceuticals:** Major industrial chemicals imported during the year include ammonium nitrate, bitumen, acrylic fiber, soda ash, ABS-acrylonitrile, etc. The products valued at ₹ 3091 million as against ₹ 2152 million in previous year. These import were from China, Russia, Egypt, USA, UAE and other middle east countries.

**Manganese Ore:** During the year 222,854 MT of manganese ore worth ₹ 2353 million was imported as against 257,781 MT worth ₹ 3383 million in previous year. Major source of imports were South Africa, Australia, Brazil & Gabon. Drop in prices of ore and bearish Ferro-manganese demand in Europe has resulted in lower value of import.

**Bullion:** During the year, 2,225 kg of gold and 70,019 kg of silver were imported. Bullion turnover of ₹ 9714 million constitutes 11.9 % of total PEC's import turnover. The buoyancy in yellow metal prices is continued on account of weak performance of other asset classes and strong domestic demand. PEC over the year has been not so aggressive in bullion import due to slender margin and higher operational risk.

## DOMESTIC TRADE

Domestic trade doubled to ₹ 17983 million as compared to ₹ 9268 million last year. Induction of castor seed & paddy trade and quantum jump in coal & steel trade resulted in turnover surge. Other major items of domestic trade were home appliances, jute, cotton yarn, solar power plant/panel, defence equipment, RM seeds, soya seeds, and other agro commodities.

During the year PEC's agro trade at ₹ 5142 million on National Spot Exchange Limited (NSEL) has contributed about 28.6 % of total domestic agro trade. The turnover on exchange is driven by existence arbitrage opportunity in spot and forward markets. Similarly, the turnover of coal and steel at ₹ 5956 million and ₹ 2324 million respectively has almost doubled as compared to previous year.

## STRENGTHS AND WEAKNESS

PEC stands on a strong foundation of professional and experienced human resources, consistent track record of business growth over four decades and world class customer service in trade. PEC's mission is to trade in a manner to create an image of quality, reliability, ethical values to foster long term relationship with customers and business associates. These have contributed towards



building a strong foothold in international trade. Government ownership, good rapport with major national & international banks, sound rating and quick decision making are some of the strengths that support PEC's success.

However limited assets base and share capital leads to risk of high exposure in relation to networth.

#### **OPPORTUNITIES AND THREATS**

The Government is optimistic with the growth rate over 7% and industrial production to accelerate to 6.9 % for 2012-13. Agricultural sector is expected do well on expectation of normal monsoon and manufacturing activities bound to do better in stronger domestic demand. In case of merchandise trade, the Government has rolled out various schemes estimated over ₹ 1200 crores to boost exports.

Import of coal is expected to surge in near term as demand continues to grow at robust space. Coal imports are expected to grow by 28.3% to 127 million MT in next fiscal as per CMIE report. Imported coal accounts for 10-15% of the coal supply in the country. The domestic prices of steel will remain firm on account of higher ore production. These factors further optimise import business in industrial raw material. The domestic consumption of edible oils will continue to grow at a healthy pace. Thus, in spite of a rise in the domestic edible oil output, the gap between demand and supply will widen. To bridge this gap, the country will increase its edible oil imports. A similar case would be for import of pulses for the private sector.

The year ahead is expected to throw many challenges in business growth. Global factors, mainly deepening Euro crises will damper merchandise exports to European nations. The domestic economic indicators are also not so encouraging. Depreciation in rupee against US Dollar has eroded advantage of falling international prices of Industrial Raw materials. Further depreciation in rupee has not contributed much to exports earning as demand remained stagnant in European nations and USA.

#### **RISKS AND CONCERNS**

Volatility in prices specially where prices decline over a period of 2-3 months results in pressure in trading margin as sale price decreases but are based on higher input cost. This affects PEC also as business associates may order fresh stocks after longer intervals.

The major concern remains the falling industrial production and depreciation in rupee against US dollar. These two factors adversely affect imports which accounts over 74% of business turnover of PEC. Rupee depreciation makes import expensive but does not help export because of global slowdown. The rising inflation further puts interest rates in vicious cycles.

#### **ENVIRONMENTAL CONSERVATION & RENEWABLE ENERGY**

During the year 2011-12, PEC has supplied solar power plants worth ₹ 145 million to ITI-Shamsi(Himachal Pradesh), Airport Authority of India-Guwahati, Assam Rifles-Nagaland & Tripura Police in capacity range from 5 KWP to 100 KWP. PEC also supplied 7,196 nos. Solar panels worth ₹ 98 million during the year to M/s Rithwik Projects (P) Ltd.

#### **INTERNAL CONTROLS AND PROCEDURES**

PEC has effective internal control system to ensure compliances with statutory requirements, regulations and various polices and guidelines of the Corporation. Internal audit is conducted by independent Internal Audit Division consisting of experienced and professional manpower. Internal Audit Division ensures that a proper system of checks and balances is in place in the Corporation. The observations/ recommendations made by the Internal Audit Division are complied with timely with a view to avoid recurrence of any lapses.

The corporation has a well defined Delegation of Powers (DoP) in force, to facilitate faster commercial decision. The structure too, is lean, flat and without compromising and affecting accountability, prudence and flexible in line with modern management principles. The various systems and procedures of the Corporation have been laid down in such a manner that maximum transparency is ensured in all commercial deals. The corporation has a full fledged Vigilance Division to oversee that guidelines of the Government are strictly adhered to/implemented in all matters requiring transparency of operations.

#### **CORPORATE SOCIAL RESPONSIBILITY**

PEC recognizes the essence of Corporate Social Responsibility (CSR). Significant efforts were put in for identification and integration of viable CSR projects into business process for sustainable long term growth in accordance with the DPE guidelines. During the year, an amount of ₹ 10 million was spent on various CSR activities in community welfare initiatives including the underprivileged through education, health, woman empowerment, national heritage conversation and rural-centric intervention.

#### **WAY FORWARD**

PEC continues to strive in its efforts to capture new opportunities in international as well as domestic trade to sustain. PEC looks forward optimistically to achieve higher targets in future.





### CAUTIONARY STATEMENT

Statement in the Management Discussions and Analysis describing the Company's projections, estimation, expectations may be "forward looking statement" within the meaning of applicable laws and regulations. These statements are based on management's views and assumptions at the time information was prepared and involves known and unknown risks and uncertainties.

Actual results could differ materially from those expressed or implied. The Corporation expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any changes in the corporation's expectations with regards thereto or any change in events, conditions or circumstances on which any statement is based.

## LAST TEN YEARS

(₹ million)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Sales</b>	<b>38598.8</b>	<b>58536.2</b>	<b>59613.2</b>	<b>37254.3</b>	<b>45179.1</b>	<b>56715.7</b>	<b>102747.8</b>	<b>110259.4</b>	<b>99699.4</b>	<b>110262.7</b>
Exports	22438.0	16405.8	8813.8	3826.3	3567.7	9036.8	12617.8	12549.1	11362.5	10366.5
Domestic	1757.4	1239.8	873.3	1583.7	3305.9	4208.1	4927.2	8894.6	9268.9	17983.3
Imports	14403.4	40890.6	49926.1	31844.3	38305.5	43470.8	85202.8	88815.7	79068.0	81912.9
<b>Income</b>	<b>431.9</b>	<b>590.5</b>	<b>402.7</b>	<b>467.9</b>	<b>694.0</b>	<b>909.8</b>	<b>1497.3</b>	<b>1455.5</b>	<b>1464.0</b>	<b>1597.3</b>
Trading Income	427.9	582.3	395.0	455.2	685.5	892.5	1494.4	1454.6	1442.6	1594.7
Miscellaneous	1.8	1.7	1.6	6.5	0.2	5.8	1.2	0.1	20.1	1.7
Interest(Net)	2.2	6.5	6.1	6.2	8.3	11.5	1.7	0.8	1.3	0.9
<b>Expenditure</b>	<b>223.9</b>	<b>223.8</b>	<b>169.0</b>	<b>263.3</b>	<b>273.0</b>	<b>277.9</b>	<b>374.5</b>	<b>425.9</b>	<b>398.4</b>	<b>411.9</b>
Establishment	97.6	96.4	84.3	167.6	118.8	158.5	249.7	200.8	266.9	284.8
Administration	126.3	127.4	84.7	95.7	154.2	119.4	124.8	225.1	131.5	127.1
Prior Period Ajustment	-1.4	0.0	-0.3	2.2	-2.4	-0.2	-0.2	-0.7	0	0
<b>Profit before Tax</b>	<b>206.6</b>	<b>366.7</b>	<b>233.4</b>	<b>206.8</b>	<b>418.6</b>	<b>631.7</b>	<b>1122.6</b>	<b>1028.9</b>	<b>1065.6</b>	<b>1185.3</b>
Tax	73.3	123.1	87.9	74.3	143.1	217.9	400.9	351.8	356.4	389.8
Profit After Tax	133.3	243.6	145.5	132.5	275.5	413.8	721.7	677.1	709.2	795.5
<b>Capital Employed</b>	<b>4247.9</b>	<b>3132.9</b>	<b>2260.4</b>	<b>746.5</b>	<b>1140.2</b>	<b>3383.7</b>	<b>1807.4</b>	<b>4600.3</b>	<b>4795.1</b>	<b>3476.3</b>
Shareholders' Funds	374.0	545.7	648.2	746.5	952.2	1260.7	1806.9	2320.3	2855.1	3476.3
Loan Funds	3873.9	2587.2	1612.2	0.0	188.0	2123.0	0.5	2280	1940	0



## BALANCE SHEET

as at 31<sup>st</sup> March 2012

Particulars	Note No.	As at 31 <sup>st</sup> March 2012 ₹	As at 31 <sup>st</sup> March 2011 ₹
<b>A. EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	1	200,000,000	200,000,000
(b) Reserves and Surplus	2	3,276,324,687	2,655,141,057
		<b>3,476,324,687</b>	<b>2,855,141,057</b>
<b>Non-Current Liabilities</b>			
<b>Current Liabilities</b>			
(a) Short-term Borrowings	3	-	1,940,000,000
(b) Trade Payables		48,762,351,470	48,271,262,220
(c) Other Current Liabilities	4	5,998,759,826	6,097,623,387
(d) Short-term Provisions	5	1,719,181,171	1,327,731,171
		<b>56,480,292,467</b>	<b>57,636,616,778</b>
<b>TOTAL</b>		<b>59,956,617,154</b>	<b>60,491,757,835</b>
<b>B. ASSETS</b>			
<b>Non-current Assets</b>			
(a) Fixed Assets (Tangible Assets)	6	8,213,130	8,441,943
(b) Non-current Investments	7	4,000,751	4,000,751
(c) Deferred Tax Assets (net)- (Refer Note No XXVIII)		115,129,431	109,937,086
(d) Long-term Loans and Advances	8	12,332,335	11,195,931
(e) Other Non-current Assets	9	321,506,893	129,319,592
		<b>461,182,540</b>	<b>262,895,303</b>
<b>Current Assets</b>			
(a) Inventories	10	8,087,877,288	14,742,875,658
(b) Trade Receivables	11	38,102,608,539	35,685,068,235
(c) Cash and Cash Equivalents	12	4,656,714,018	3,120,029,304
(d) Short-term Loans and Advances	13	8,450,475,953	6,408,469,578
(e) Other Current Assets	14	197,758,816	272,419,757
		<b>59,495,434,614</b>	<b>60,228,862,532</b>
<b>TOTAL</b>		<b>59,956,617,154</b>	<b>60,491,757,835</b>
Accounting Policies	21		
Notes to Accounts	22		

In terms of our Report of even date  
For **SAMSAND & ASSOCIATES**  
Registration No. 003708N  
Chartered Accountants

For and on behalf of the Board  
**PEC Limited**

**Sanjay Singhal**  
Partner  
M. No. 085931

**A. K. Mirchandani**  
Chairman-cum-Managing Director

**Rajiv Chaturvedi**  
Director

29.08.2012  
New Delhi

**S. C. Bhandari**  
General Manager (Finance)

**Ashok Kumar**  
Company Secretary



## PROFIT & LOSS ACCOUNT

For the year ended 31<sup>st</sup> March 2012

Particulars	Note No.	Year Ended 31 <sup>st</sup> March 2012	Year Ended 31 <sup>st</sup> March 2011
		₹	₹
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
Revenue from Operations (Gross)	15	114,983,141,481	105,246,991,638
Other Income	16	1,839,020,935	1,381,192,617
<b>Total</b>		<b>116,822,162,416</b>	<b>106,628,184,255</b>
<b>Expenses</b>			
(a) Purchases of Stock-in-trade	17 a	102,142,091,839	105,986,821,934
(b) Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-trade	17 b	6,654,998,370	(5,869,194,870)
(c) Employee Benefits Expense	18	284,800,588	269,684,253
(d) Finance Costs	19	1,481,719,075	983,793,728
(e) Depreciation and Amortisation Expense		4,691,429	5,636,552
(f) Other Expenses	20	5,068,527,231	4,184,041,483
(g) Provision for Doubtful Debts		-	1,753,044
<b>Total</b>		<b>115,636,828,532</b>	<b>105,562,536,124</b>
<b>Profit / (Loss) Before Tax</b>		<b>1,185,333,884</b>	<b>1,065,648,131</b>
<b>Tax Expense:</b>			
(a) Current Tax Expense for Current Year		395,000,000	359,922,579
(b) Current Tax Expense Relating to Prior Years		8,850	-
(c) Net Current Tax Expense		395,008,850	359,922,579
(d) Deferred Tax		(5,192,345)	(3,455,180)
<b>Profit / (Loss) for The Year</b>		<b>795,517,379</b>	<b>709,180,732</b>
<b>Appropriations</b>			
Less:- Proposed Dividend		150,000,000	150,000,000
Less:- Corporate Dividend Tax		24,333,750	24,333,750
Less: Transfer to Trading Fluctuation Reserve		250,000,000	250,000,000
		<b>424,333,750</b>	<b>424,333,750</b>
Transfer to General Reserve		371,183,629	284,846,982
<b>Earnings Per Share (20,00,000 shares of ₹ 100/- Each):</b>			
<b>Basic &amp; Diluted</b>		398	355

In terms of our Report of even date  
For **SAMSAND & ASSOCIATES**  
Registration No. 003708N  
Chartered Accountants

For and on behalf of the Board  
**PEC Limited**

**Sanjay Singhal**  
Partner  
M. No. 085931

**A. K. Mirchandani**  
Chairman-cum-Managing Director

**Rajiv Chaturvedi**  
Director

29.08.2012  
New Delhi

**S. C. Bhandari**  
General Manager (Finance)

**Ashok Kumar**  
Company Secretary



## NOTES TO ACCOUNTS AS ON 31ST MARCH, 2012

### NOTE 1 SHARE CAPITAL

PARTICULARS	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹	Number of shares	₹
(a) <b>Authorised</b> Equity shares of 100 each	3,000,000	300,000,000	3,000,000	300,000,000
(b) <b>Issued</b> Equity shares of 100 each	2,000,000	200,000,000	2,000,000	200,000,000
(c) <b>Subscribed and fully paid up</b> Equity shares of 100 each	<b>2,000,000</b>	<b>200,000,000</b>	<b>2,000,000</b>	<b>200,000,000</b>

(Entire Share Capital is held by the President of India and his nominees)  
(18,00,000 Equity Shares of ₹ 100/- each issued as Bonus Shares by way of capitalisation of Reserves)

### NOTE 2 RESERVES AND SURPLUS

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
(a) General Reserve		
Opening balance	2,255,141,058	1,970,294,075
Add: Transferred from surplus in Statement of Profit and Loss	371,183,629	284,846,982
<b>Closing balance</b>	<b>2,626,324,687</b>	<b>2,255,141,057</b>
(b) Trading Fluctuation Reserve		
Opening balance	400,000,000	150,000,000
Add: Additions / transfers during the year	250,000,000	250,000,000
<b>Closing balance</b>	<b>650,000,000</b>	<b>400,000,000</b>
<b>Total</b>	<b>3,276,324,687</b>	<b>2,655,141,057</b>

### NOTE 3 SHORT-TERM BORROWINGS

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
(a) <b>Loans</b>		
From banks		
Secured (against hypothecation of book debts and stock)	-	1,340,000,000
Unsecured	-	600,000,000
<b>Total</b>	<b>-</b>	<b>1,940,000,000</b>

### NOTE 4 OTHER CURRENT LIABILITIES

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
(a) Interest accrued but not due on Trade Payables	184,377,305	106,087,736
(b) Other payables		
(i) Statutory remittances		
Sales Tax/VAT	22,753,793	8,239,563
TDS/Withholding Tax	58,819,820	24,510,304
Service Tax	-	17,470,399
Provident Fund	1,982,533	1,762,528
Other	137,737	375,782
(ii) Trade / security deposits received	266,364,000	65,562,900
(iii) Margin Money from Customers	3,693,339,042	3,448,361,026
(iv) Payable to Associates	866,475,669	1,181,852,596
(v) Payable for expenses	219,284,630	387,998,915
(vi) Book Overdraft from Banks	882,177	2,336,360
(vii) Other Liabilities	684,343,120	853,065,278
<b>Total</b>	<b>5,998,759,826</b>	<b>6,097,623,387</b>

### NOTE 5 SHORT-TERM PROVISIONS

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
(a) Provision for proposed equity dividend	150,000,000	150,000,000
(b) Provision for tax on proposed dividends	24,333,750	24,333,750
(c) Provision for Income tax	1,544,847,421	1,118,047,421
(d) Provision for Fringe Benefit Tax	-	35,350,000
<b>Total</b>	<b>1,719,181,171</b>	<b>1,327,731,171</b>

**NOTE 6 FIXED ASSETS**

A. Tangible Assets	GROSS BLOCK									
	Balance as at 1 April, 2011	Additions	Disposals	Acquisitions through business combinations	Reclassified as held for sale	Revaluation increase	Effect of foreign currency	Borrowing cost capitalised exchange differences	Other adjustment	Balance as at 31 March, 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>(a) Land</b>										
Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold	-	-	-	-	-	-	-	-	-	-
<b>(b) Buildings</b>										
Own use	3,507,261	-	-	-	-	-	-	-	-	3,507,261
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(c) Plant and Equipment</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(d) Furniture and Fixtures</b>										
Owned	11,797,533	377,761	12,978	-	-	-	-	-	-	12,162,316
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(e) Vehicles</b>										
Owned	3,303,384	1,838,265	1,465,556	-	-	-	-	-	-	3,676,093
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(f) Office equipment</b>										
Owned	16,267,441	612,530	170,568	-	-	-	-	-	-	16,709,403
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(g) Leasehold improvements</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(h) Air Conditioner</b>										
Owned	3,777,619	339,893	162,684	-	-	-	-	-	-	3,954,828
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(i) Date Processing (Computer &amp; Acces.)</b>										
Owned	20,901,627	1,435,708	1,959,351	-	-	-	-	-	-	20,377,984
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(j) Others (specify nature), e.g. Railway sidings, etc.</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>59,554,865</b>	<b>4,604,157</b>	<b>3,771,137</b>	-	-	-	-	-	-	<b>60,387,885</b>
<b>Previous year Total</b>	<b>56,113,958</b>	<b>4,057,448</b>	<b>616,541</b>	-	-	-	-	-	-	<b>59,554,865</b>



NOTES TO ACCOUNTS AS ON 31ST MARCH, 2012

NOTE 6 FIXED ASSETS (CONT)	ACCUMULATED DEPRECIATION AND IMPAIRMENT						NET BLOCK			
	Balance as at 1 April, 2011	Depreciation/amortisation expense for the year	Eliminated on disposal of assets	Eliminated on reclassification as held for sale	Impairment losses recognised in statement of Profit & Loss	Reversal of impairment losses recognised in Statement of Profit & Loss	Other adjustment	Balance as at 31 March, 2012	Balance as at 31 March, 2012	Balance as at 31 March, 2011
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>A. Tangible Assets</b>										
<b>(a) Land</b>										
Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold	-	-	-	-	-	-	-	-	-	-
<b>(b) Buildings</b>										
Own use	3,290,880	18,540	-	-	-	-	-	3,309,420	197,841	216,381
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(c) Plant and Equipment</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(d) Furniture and Fixtures</b>										
Owned	10,219,382	623,963	12,974	-	-	-	-	10,830,371	1,331,945	1,578,151
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(e) Vehicles</b>										
Owned	2,373,554	633,489	1,374,012	-	-	-	-	1,633,031	2,043,062	929,830
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(f) Office equipment</b>										
Owned	13,864,770	1,409,886	162,188	-	-	-	-	15,112,468	1,596,935	2,402,671
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(g) Leasehold improvements</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(h) Air Conditioner</b>										
Owned	2,929,539	308,122	143,937	-	-	-	-	3,093,724	861,104	848,080
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(i) Date Processing (Computer &amp; Acces.)</b>										
Owned	18,434,797	1,697,429	1,936,485	-	-	-	-	18,195,741	2,182,243	2,466,830
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>(j) Others (specify nature), e.g. Railway sidings, etc.</b>										
Owned	-	-	-	-	-	-	-	-	-	-
Taken under finance lease	-	-	-	-	-	-	-	-	-	-
Given under operating lease	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>51,112,922</b>	<b>4,691,429</b>	<b>3,629,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,174,755</b>	<b>8,213,130</b>	<b>8,441,943</b>
<b>Previous year Total</b>	<b>45,996,401</b>	<b>5,636,552</b>	<b>520,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,112,922</b>	<b>8,441,943</b>	<b>10,117,557</b>



**NOTE 7 NON-CURRENT INVESTMENTS**

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
	Unquoted ₹	Unquoted ₹
<b>Investments (At cost):</b>		
(a) Investment in property Neelam Gulzar Cooperative Housing Society Ltd. Mumbai (15 Ordinary Shares of ₹ 50/- each fully paid up)	750	750
(b) Investment in equity instruments (i) Tea Trading Corporation of India Limited - "Subsidiary" (ii) Indian Bullian Market Association Limited (4,00,000 Shares of ₹ 10/- each fully paid up)	1 4,000,000	1 4,000,000
<b>Total</b>	<b>4,000,751</b>	<b>4,000,751</b>

**NOTE 8 LONG-TERM LOANS AND ADVANCES**

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
<b>(a) Security deposits</b>		
Secured, considered good	-	-
Unsecured, considered good	200,000	250,000
	200,000	250,000
Less: Provision for doubtful deposits	-	-
<b>(I)</b>	<b>200,000</b>	<b>250,000</b>
<b>(b) Loans and advances to employees</b>		
Secured, considered good	3,776,135	3,271,056
Unsecured, considered good	8,356,200	7,674,875
	12,132,335	10,945,931
Less: Provision for doubtful loans and advances	-	-
<b>(II)</b>	<b>12,132,335</b>	<b>10,945,931</b>
<b>(c) Advance to Associates</b>		
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	4,521,331	4,521,331
	4,521,331	4,521,331
Less: Provision for other doubtful loans and advances	(4,521,331)	(4,521,331)
<b>(III)</b>	<b>-</b>	<b>-</b>
<b>Total (I)+(II)+(III)</b>	<b>12,332,335</b>	<b>11,195,931</b>

Note: Long-term loans and advances to employees include amounts due from:

Directors	-	-
Other officers of the Company	5,778,723	4,524,615
Interest Accrued but not due on advance to employees	6,353,612	6,421,316
<b>Total</b>	<b>12,132,335</b>	<b>10,945,931</b>

**NOTE 9 OTHER NON-CURRENT ASSETS**

PARTICULARS	As at 31 March, 2012	As at 31 March, 2011
<b>(a) Long-term trade receivables (including Trade receivables on deferred credit terms)</b>		
Secured, considered good	-	-
Unsecured, considered good	282,575,836	90,388,535
Doubtful	216,831,614	216,831,614
	499,407,450	307,220,149
Less: Provision for doubtful trade receivables	(216,831,614)	(216,831,614)
<b>(I)</b>	<b>282,575,836</b>	<b>90,388,535</b>
<b>(b) Others</b>		
Insurance claims	38,931,057	38,931,057
<b>(II)</b>	<b>38,931,057</b>	<b>38,931,057</b>
<b>Total (I)+(II)</b>	<b>321,506,893</b>	<b>129,319,592</b>



## NOTES TO ACCOUNTS AS ON 31ST MARCH, 2012

### NOTE 10 INVENTORIES

PARTICULARS		As at 31 March, 2012	As at 31 March, 2011
		₹	₹
(a)	Stock-in-trade (acquired for trading)	6,199,496,492	11,104,273,002
(b)	Goods-in-transit	1,888,380,796	3,638,602,656
	<b>Total</b>	<b>8,087,877,288</b>	<b>14,742,875,658</b>

### NOTE 11 TRADE RECEIVABLES

PARTICULARS		As at 31 March, 2012	As at 31 March, 2011
<b>(a) Trade receivables outstanding for a period exceeding six months from the date they were due for payment</b>			
<b>Secured, considered good</b>			
(i)	Debtors	678,719,222	3,659,921,498
(ii)	Claims Recoverable	-	-
<b>Unsecured, considered good</b>			
(i)	Debtors	2,430,392,619	1,987,106,484
(ii)	Claims Recoverable	6,007,251,093	5,339,344,963
<b>Doubtful</b>		-	-
		<b>9,116,362,934</b>	<b>10,986,372,945</b>
<b>Less: Provision for doubtful trade receivables</b>		-	-
	<b>(I)</b>	<b>9,116,362,934</b>	<b>10,986,372,945</b>
<b>(b) Other Trade receivables</b>			
<b>Secured, considered good</b>			
(i)	Debtors	20,806,413,951	18,705,180,548
(ii)	Claims Recoverable	-	-
<b>Unsecured, considered good</b>			
(i)	Debtors	5,015,932,739	3,725,827,365
(ii)	Claims Recoverable	3,163,898,915	2,267,687,377
<b>Doubtful</b>		-	-
		<b>28,986,245,605</b>	<b>24,698,695,290</b>
<b>Less: Provision for doubtful trade receivables</b>		-	-
	<b>(II)</b>	<b>28,986,245,605</b>	<b>24,698,695,290</b>
	<b>Total (I)+(II)</b>	<b>38,102,608,539</b>	<b>35,685,068,235</b>

### NOTE 12 CASH AND CASH EQUIVALENTS

PARTICULARS		As at 31 March, 2012	As at 31 March, 2011
(a)	Cash on hand	25,564	14,271
(b)	Balances with banks		
(i)	In Current/Cash Credit accounts	2,567,250,036	1,691,589,709
(ii)	In EEFC accounts	1,045,129,680	47,866,769
(iii)	In deposit accounts	1,044,308,738	1,380,558,555
	<b>Total</b>	<b>4,656,714,018</b>	<b>3,120,029,304</b>



**NOTE 13 SHORT-TERM LOANS AND ADVANCES**

<b>PARTICULARS</b>		<b>As at 31 March, 2012</b>	<b>As at 31 March, 2011</b>
		₹	₹
<b>(a) Security deposits</b>			
Secured, considered good		-	-
Unsecured, considered good		213,194,180	237,933,400
Doubtful		-	-
		<b>213,194,180</b>	<b>237,933,400</b>
Less: Provision for doubtful deposits		-	-
<b>(I)</b>		<b>213,194,180</b>	<b>237,933,400</b>
<b>(b) Loans and advances to employees</b>			
Secured, considered good		1,702,732	2,813,950
Unsecured, considered good		1,839,577	3,082,965
Doubtful		-	-
		<b>3,542,309</b>	<b>5,896,915</b>
Less: Provision for doubtful loans and advances		-	-
<b>(II)</b>		<b>3,542,309</b>	<b>5,896,915</b>
<b>(c) Prepaid expenses - Unsecured, considered good</b>		<b>3,351,715</b>	<b>7,204,727</b>
<b>(For e.g. Insurance premium, Annual maintenance contracts, etc.)</b>			
<b>Exp. Incurred on stock held on Government account</b>		-	<b>107,810,974</b>
<b>(III)</b>		<b>3,351,715</b>	<b>115,015,701</b>
<b>(d) Balances with government authorities</b>			
Unsecured, considered good			
(i) TDS		94,000	-
(ii) Advance Fringe Benefit Tax		-	3,558,850
(iii) Advance Income Tax		1,577,602,360	1,183,100,684
(iv) VAT credit receivable		28,908,563	23,331,533
(v) Service Tax credit receivable		1,795,058	-
(vi) Customs Duty Drawback		18,303,465	18,303,465
<b>(IV)</b>		<b>1,626,703,446</b>	<b>1,228,294,532</b>
<b>(e) Others</b>			
<b>Loans and Advances to Suppliers</b>			
Secured, considered good		3,315,221,378	2,568,066,175
Unsecured, considered good		-	12,242,015
<b>Advances to Associates</b>			
Secured, considered good		3,071,538,947	2,201,110,754
Unsecured, considered good		210,900,767	37,694,711
Doubtful		-	-
<b>Others</b>			
Secured, considered good		-	-
Unsecured, considered good		6,023,211	2,215,375
Doubtful		-	-
Less: Provision for other doubtful loans and advances		-	-
<b>(V)</b>		<b>6,603,684,303</b>	<b>4,821,329,030</b>
<b>Total (I+II+III+IV+V)</b>		<b>8,450,475,953</b>	<b>6,408,469,578</b>
Note: Short-term loans and advances to employees include amounts due from:			
Directors			
Other officers of the Company		2,612,380	3,859,963
Interest Accrued but not due on advances to employees		929,929	2,036,952
		<b>3,542,309</b>	<b>5,896,915</b>



## NOTES TO ACCOUNTS AS ON 31ST MARCH, 2012

### Note 14 OTHER CURRENT ASSETS

PARTICULARS		As at 31 March, 2012	As at 31 March, 2011
		₹	₹
(a)	<b>Accruals</b>		
	(i) Interest accrued on bank deposits	10,288,725	8,059,485
	(ii) Interest accrued on trade receivables	164,773,410	227,474,406
(b)	<b>Others</b>		
	(i) Export Incentive Receivable	20,265,354	36,885,866
	(ii) Others	2,431,327	-
	<b>Total</b>	<b>197,758,816</b>	<b>272,419,757</b>

### NOTE 15 REVENUE FROM OPERATIONS

PARTICULARS		For the year ended 31 March, 2012	For the year ended 31 March, 2011
		₹	₹
(a)	<b>Sale of products [Refer Clause (i) below]</b>	110,262,676,693	99,699,447,779
(b)	<b>Other operating revenues [Refer Clause (ii) below]</b>	4,720,464,788	5,547,543,859
	<b>Total</b>	<b>114,983,141,481</b>	<b>105,246,991,638</b>
<b>Clause (i) Traded goods</b>			
	Sales against Imports	81,912,949,715	79,068,086,841
	Domestic Sales	17,983,245,093	9,268,855,903
	Export Sales	10,366,481,885	11,362,505,035
	<b>Total</b>	<b>110,262,676,693</b>	<b>99,699,447,779</b>
<b>Clause (ii) Other operating revenues</b>			
	Additional / Other Trading Margin	152,658,047	131,859,575
	Duty Drawback and other export Incentive	36,347,810	72,837,312
	Subsidy from Government	4,416,453,945	5,263,569,788
	Misc Receipts	115,004,986	79,277,184
	<b>Total</b>	<b>4,720,464,788</b>	<b>5,547,543,859</b>

### NOTE 16 OTHER INCOME

PARTICULARS		For the year ended 31 March, 2012	For the year ended 31 March, 2011
(a)	Interest income [Refer Clause (i) below]	1,541,872,481	1,241,786,152
(b)	Other non-operating income [Refer Clause (ii) below]	297,148,454	139,406,465
	<b>Total</b>	<b>1,839,020,935</b>	<b>1,381,192,617</b>
(i)	<b>Interest income:</b>		
	Interest from banks on:		
	deposits	106,822,725	37,536,040
	other	2,902,806	746,731
	Interest Income (Trade)	1,431,229,139	1,202,240,658
	Interest Income on Advances to Employees	917,811	1,262,723
	<b>Total</b>	<b>1,541,872,481</b>	<b>1,241,786,152</b>
(ii)	<b>Other than non-operating income</b>		
	Profit/(Loss) on sale of fixed assets	235,825	(32,352)
	Liabilities / provisions no longer required written back	181,644,684	111,872,909
	Miscellaneous income	1,422,961	3,393,908
	Commission	113,844,984	24,172,000
	<b>Total</b>	<b>297,148,454</b>	<b>139,406,465</b>

**NOTE 17 (a) PURCHASE**

PARTICULARS	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Import Purchases	74,865,846,315	85,936,860,016
Domestic Purchases	16,850,070,550	9,343,493,661
Purchases for Export	10,426,174,974	10,706,468,257
<b>Total</b>	<b>102,142,091,839</b>	<b>105,986,821,934</b>

**NOTE 17 (b) CHANGES IN INVENTORIES OF FINISHED GOODS,  
WORK-IN-PROGRESS AND STOCK-IN-TRADE**

PARTICULARS	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
<b>Inventories at the end of the year:</b>		
Stock-in-trade	8,087,877,288	14,742,875,658
<b>Inventories at the beginning of the year:</b>		
Stock-in-trade	14,742,875,658	8,873,680,788
<b>Net (increase) / decrease</b>	<b>Total</b>	<b>(5,869,194,870)</b>
	<b>6,654,998,370</b>	

**NOTE 18 EMPLOYEE BENEFIT EXPENSES**

PARTICULARS	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
(a) <b>Salaries and wages</b>		
Directors	10,171,773	10,272,244
Others	215,582,817	193,085,727
(b) <b>Contributions to provident and other funds</b>	14,272,458	18,367,163
(c) <b>Staff welfare expenses</b>	44,773,540	47,959,118
<b>Total</b>	<b>284,800,588</b>	<b>269,684,253</b>

**NOTE 19 FINANCE COSTS**

PARTICULARS	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
(a) <b>Interest expense on:</b>		
(i) Borrowings from Banks	255,245,120	334,904,901
(ii) Trade	1,226,473,955	643,358,258
(iii) Others	-	5,530,569
<b>Total</b>	<b>1,481,719,075</b>	<b>983,793,728</b>



## NOTES TO ACCOUNTS AS ON 31ST MARCH, 2012

### NOTE 20 OTHER EXPENSES

PARTICULARS	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
<b>ADMINISTRATIVE EXPENSES</b>		
Advertisement & Publicity	1,926,417	5,236,870
Books & Periodicals	787,919	1,663,809
Conveyance & Car Hire	6,158,470	9,720,619
Corporate Social Responsibility	10,000,000	13,230,268
Electricity	2,923,479	2,899,459
Entertainment	2,602,593	4,476,078
Insurance(Non Trade)	82,697	123,620
Lease Rental IT Services	4,789,291	3,719,628
Legal Expenses	3,216,250	6,174,799
Miscellaneous Expenses	2,500,352	3,178,726
Office Maintenance	4,484,608	2,628,229
Postage & Courier Charges	1,251,100	1,088,922
Printing & Stationery	5,029,291	3,998,134
Professional/Consultancy Charges	8,959,628	6,146,435
Rate & Taxes	448,541	49,022
Rent	26,181,877	24,387,774
Repairs & Renewals (Others)	3,616,813	2,901,635
Research & Development	2,500,000	-
Selection, Training & Seminar	3,377,711	3,131,065
Security Charges	3,796,917	3,340,214
Subscription & Membership Fees	1,131,768	780,433
Telephone & Fax	4,495,863	4,435,105
Travelling Expenses(Foreign)	9,978,284	7,423,199
Travelling Expenses(Inland)	8,277,524	6,314,344
Vehicle Running & Maintenance	599,127	612,896
<b>(I)</b>	<b>119,116,520</b>	<b>117,661,283</b>
<b>TRADE EXPENSES</b>		
Bank Charges	1,862,495	2,206,294
Clearing & Handling Charges	454,214,734	197,466,060
Commission	57,204,680	2,230,382
Custom Duty	1,236,466,815	720,585,546
Difference in exchange	988,337,679	(183,412,479)
Freight	1,048,579,693	459,217,535
Insurance (Trade)	11,336,222	12,975,207
L/c & Negotiation Charges	39,199,378	69,945,409
Stamp Duty & Octroi	733,662	-
Storage & Warehousing Charges	287,266,676	155,395,805
Other Trade Expenses	822,739,693	2,628,364,116
<b>(II)</b>	<b>4,947,941,726</b>	<b>4,064,973,875</b>
<b>PAYMENT TO AUDITORS</b>		
As Auditors - Statutory Audit	674,160	661,800
- Tax Audit	337,080	330,900
For other services	457,745	413,625
<b>(III)</b>	<b>1,468,985</b>	<b>1,406,325</b>
<b>Total (I)+(II)+(III)</b>	<b>5,068,527,231</b>	<b>4,184,041,483</b>

## NOTE 21

## ACCOUNTING POLICIES

### 1.0 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- 1.1 The Financial Statements are prepared according to the Historical Cost Convention on Accrual Basis and in agreement with the fundamental Accounting Principles of Prudence, Consistency and Materiality.
- 1.2 The Financial Statements are reported in Rupees and all values are rounded off to the nearest Rupee unless otherwise stated.
- 1.3 The Financial Statements are prepared on the basis of Generally Accepted Accounting Principles in India, Accounting Standards issued by The Institute of Chartered Accountants of India and the Provisions of the Companies Act, 1956 as amended from time to time.

### 2.0 FIXED ASSETS

Fixed Assets are stated at Historical Cost less Depreciation. The cost of a Fixed Asset comprises of the Purchase Price and any Expense, which is attributable of bringing the said asset to its working condition for its intended use.

### 3.0 DEPRECIATION

On the basis of technical evaluation with regard to the total working life and salvage value, the fixed assets are being depreciated on Straight Line Method at the following rates:

Assets	Rates
Building – Flats	5%
Furniture & Fittings	20%
Office Equipments	33.33%
Air Conditioners	20%
Data Processing Equipment-Computers etc.	33.33%
Vehicles	20%
Audio Visual Equipment	33.33%

Asset costing ₹ 5,000/- or below is depreciated @ 100% in the year of purchase leaving token value of Re.1/- each without considering the working life of the asset so as to ascertain the existence of the assets in the financial records.

### 4.0 PURCHASES AND SALES

Purchases and Sales are accounted for by the Company on any of the following basis:

- 4.1 Purchase and Sales are recognized on the performance of contracts/ agreement wholly or partly by the Company.
- 4.2 In respect of back to back/tripartite/joint execution/third party arrangements/Letter of Credit assigned to Associates, Purchases and Sales, Custom duty and other expenses are

booked on the basis of document furnished by the Business Associate as adjusted for the fixed trade margin accruing to the Company.

- 4.3 Sales include transactions under third party arrangements.
- 4.4 In case of dealings on the behalf of the Government (including consignments under Government's Gifts/Grant Scheme), Purchases and Sales and incidental expenses or income thereof are accounted for under respective heads of accounts. Surplus or deficit to Government account, after adjusting service margin accrued to the Company is adjusted in trade income or cost of sales respectively.
- 4.5 Sales (including exports) are entered on the basis of date of Bill of Lading/Airways Bill/Railway Receipts/ Lorry Receipts in preference of date of invoice.

### 5.0 REVENUE RECOGNITION

#### (A) INCOME

Revenue is accounted for on accrual basis except:

- (i) Interest on overdues recoverable, if any, where realization is uncertain.
- (ii) Decreed/Contested dues and interest thereon, if any.
- (iii) Liquidated damages from Suppliers/Contractors, refund of Custom Duty, Income Tax and Sales Tax and interest thereon, if any.
- (iv) Miscellaneous income on account of damages or compensation recovered from the suppliers/buyers in respect of washed out contracts for imports or exports.
- (v) Realisable Value on account of sale of residuals.

#### (B) EXPENSES

- (i) Trade Expenses include expenses incurred by Associates on behalf of the Company and/or by the Company as per Agreement with the respective Associates are accounted for on the basis of statements furnished by them/recovered from them.
- (ii) Interest payable if any, on advances and progressive payments received from Associates & Suppliers are accounted for on accrual basis.

### 6.0 FOREIGN CURRENCY TRANSLATIONS

- 6.1 Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.



- 6.2 All monetary items denominated in foreign currencies at the year-end are translated at year-end rates.
- 6.3 Non-monetary items other than fixed assets denominated in foreign currencies are reported on exchange rate at the transaction date. Fixed Assets are reported on exchange rate as at the transaction date as increased/reduced by the exchange difference arising on the corresponding foreign currency liability.
- 6.4 Income or expense on account of exchange difference on settlement or translation is recognized in the Profit & Loss Account. Premium or Discount on forward exchange contracts is recognized on pro-rata basis with reference to the life of the forward contract except for forward covers taken at the behest of Business Associates.

#### **7.0 INVESTMENTS**

Long Term Investments are stated at Face Value/Book Value. Any diminution, other than temporary in value of investment, is provided for.

#### **8.0 STOCK**

- 8.1 The Stocks held by the Company are physically verified/certified by Surveyors and by the management and are stated accordingly.
- 8.2 Stocks in Trade held on Non Government Account are valued at Lower of Cost or Realizable Value. The cost includes purchase cost and other direct expenses. The Net Realizable Value is the price receivable or price fixed by the company in consultation with the Competent Authority.
- 8.3 Stock in Trade held on Government Account is valued at Cost which includes Purchase Cost, Other Expenses and Financing Cost which are attributable to the Stock in Trade.

#### **9.0 TAXATION**

- 9.1 Tax Expense/Tax Saving is the aggregate of Current Tax and Deferred Tax Charged/ Credited to the Profit & Loss Appropriation Account.
- 9.2 Current Tax is the provision made for Income Tax liability on the profits for the year in accordance with the provisions of the Income Tax Act, 1961.
- 9.3 Deferred Tax Liability/Asset resulting from timing differences between the taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date as per the provisions contained in Accounting Standard-22 (AS-22) issued by The Institute of Chartered Accountants of India.
- 9.4 Deferred Tax Assets are recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

#### **10.0 EMPLOYEE BENEFITS**

- 10.1 The Gratuity has been charged on the basis of Actuarial Valuation, which has since been paid to the Gratuity Trust Fund recognized under Indian Income Tax Act, 1961.
- 10.2 Liability for leave encashment,- earned, half pay and casual leave- standing to the credit of employees at the close of the year, as assessed on the basis of actuarial valuation, and liability for employer's contribution for PF on earned leave is being provided.
- 10.3 Liability in respect of post-retirement medical benefit assessed on the basis of Actuarial Valuation has been provided in respect of present and retired employees.

#### **11.0 PRIOR PERIOD ADJUSTMENT**

Expenditure/Income relating to previous year is shown in the Accounts under the head "Prior Period Adjustment Account" as per the provisions of AS-5 (Net Profit & Loss for the period, Prior Period Items and Changes in Accounting Policies) issued by The Institute of Chartered Accountants of India.

#### **12.0 USE OF ESTIMATES**

In preparing company's financial statements in conformity to generally accepted accounting practices and policies in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue & expenses during the reporting period. Actual results however, could differ from those estimates. Any revision to Accounting Estimates is recognized prospectively in current & future periods.

#### **13.0 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation are recognized when there is a present obligation as a result of past events and it's probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes of accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

#### **14.0 CASH FLOW ON OPERATING ACTIVITIES**

Cash Flows relating to funds provided by Business Associates or the Company for the execution of the trading contracts including utilization of the funds towards fixed deposits with banks for opening letters of credit in favor of suppliers and payment/recovery of interest thereon as per the terms of Contract are treated as part of Operating Activities.



## 15.0 EARNING PER SHARE

Earning Per Share is calculated as per the Provisions of Accounting Standard-20 (AS-20) issued by the Institute of Chartered Accountants of India by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares as on the balance sheet date.

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

In terms of our Report of even date  
For **SAMSAND & ASSOCIATES**  
Registration No. 003708N  
Chartered Accountants

For and on behalf of the Board  
**PEC Limited**

**Sanjay Singhal**  
Partner  
M. No. 085931

**A. K. Mirchandani**  
Chairman-cum-Managing Director

**Rajiv Chaturvedi**  
Director

29.08.2012  
New Delhi

**S.C. Bhandari**  
General Manager (Finance)

**Ashok Kumar**  
Company Secretary



NOTE 22

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

**I. CONTINGENT LIABILITIES:**

(₹ in Crore)

S. NO.	Particulars	As on 31.3.2012	As on 31.3.2011
a.	(i) Guarantees issued by banks on behalf of PEC	578.83	116.39
	(ii) Letters of Credits opened by banks (As certified by Banks & Management)	4,213.45	4,522.98
	(iii) Bill Discounting under Local L/Cs	210.70	313.46
b.	Claims against the company due to legal cases not acknowledged as Debts (excluding legal cases where amounts are unascertainable)	102.79	68.53
c.	Demands in respect of the Statutory Liabilities against which the company or the concerned Department has preferred an Appeal	5.42	4.88
<b>Total</b>		<b>5,111.19</b>	<b>5,026.24</b>

**II. Claims Recoverable under the Trade Receivables (Note No. 11 of the Financial Statements) include the following:**

a.	Loss on Import and Sale of Edible Oil in Domestic Market on Government Account which is to be compensated by way of Subsidy from the Government under Old Scheme, Subsidies of varied amounts at different point of time were announced by the Central Government but no separate accounts are maintained for the same.	273.11	273.72
b.	Subsidy Recoverable from Government on Import and Sale of Edible Oil in Domestic Market Under New Scheme	163.03	106.26
c.	Loss on Import and Sale of Pulses in Domestic Market on Government Account which is to be compensated by way of Subsidy from the Government. The company has maintained consolidated accounts for the above scheme, but segregation has been made on cost basis as follows:		
	i) Under 15% scheme	430.37	347.78
	ii) Under PDS scheme	48.76	31.11
	It has been informed by the Ministry Of Consumer Affairs, Food & Public Distribution (Department of Consumer Affairs), Govt. of India, File No. 6(1)/2009-PMC dt. 27th June, 2012 that Reimbursement of Losses on Actual/Combined Basis for all the Years i.e. 2008-09 to 2011-12 in respect of Pulses Imported under the 15% Reimbursement Scheme is under consideration with the Appropriate Authority.		
d.	Loss on sale of Onions through NAFED on consignment basis to curb shortages in the domestic market. The claim for the losses has been lodged with the govt. for reimbursement on actual basis.	1.85	1.85
<b>Total</b>		<b>917.12</b>	<b>760.72</b>

- III. The Closing Stock in Hand in respect of Pulses amounting to ₹ 272.87 Crore (Previous Year ₹ 588.56 Crore) and Edible Oil amounting to ₹ 113.70 Crore (Previous Year NIL) imported on Government Account has been valued at cost including storage cost, incidental charges and financing cost as losses are to be compensated by Government by way of Subsidy as a percentage of the cost of sales.
- IV. The Company has entered into an agreement with an Associate on Joint Operations for crushing of Soya Seeds, Purchase & Sale of Agro Commodities and Trading on NCDEX and other Commodities Exchanges on profit sharing basis. The share of Profit of the company through the Joint Operations for the year is ₹ 1,02,59,188/- (Previous Year ₹ 77,08,373/-). However name of the Joint Operating Partner along with nature of the contract & figure regarding Sales, Purchase, Expenses, Assets, Liabilities of Joint Operation are not disclosed as required by Accounting Standard - 27 due to competitive nature of the operation which are booked under respective heads in the company's books of accounts.
- V. Reporting under Accounting Standard-17 is not practically possible keeping in view the nature of business and Geographical Status of the Company.





- VI. The company has not made any transaction with National Commercial Bank, Al Beida, Libya since 1995 with whom a sum of LD 8,594.98 (Non-Repatriable) (equivalent to ₹ 3,45,028/- @ Closing Rate of 1LD = ₹ 40.143 as on 31.03.2012) is lying in credit balance with them (Note No. 12 – Cash and Cash Equivalents). As per the Libyan Laws, no balance confirmation certificate is issued and keeping in view the existing circumstances, the company will take steps to write it off.
- VII. In terms of Accounting Policy No. 4.2 for Purchases & Sales and Export Sale Contracts worth ₹ 12.85 Crore have been executed through Associates to whom the LC's have been assigned corresponding to purchase price of ₹ 11.82 Crore and accordingly, the Sales & Purchases are booked without showing them in Central Sales Tax/VAT Returns. Though there is no effect of the same on profits of the company.
- VIII. Total Trade Payables amounting to ₹ 4,876.24 Crore (Previous Year ₹ 4,827.13 Crore) include the Buyer's Credit amounting to ₹ 1,589.75 Crore (Previous Year ₹ 1,907.97 Crore).
- Total Trade Payables amounting to ₹ 4,876.24 Crore also include the unadjusted balances of ₹ 69.95 Crore (Previous Year ₹ 111.85 Crore) shown as payable to State Government(s)/Agency(ies) for various trading transactions entered on behalf of the respective State Government(s)/ Agency(ies). It represents the difference due to the running nature of the scheme as trading account is being prepared on accrual basis. The final adjustment shall be done on actual basis.
- IX. Trade Receivables as well as Trade Payables, outstanding as at the close of the year in foreign currency relating to export/import of goods have been translated at the exchange rate prevailing on the closing date. However majority of such transactions are covered under corresponding sale or purchase contracts on back to back basis. The exchange rate difference, if any, in such cases shall be recovered or paid to the respective associates and hence there shall be no effect on the net profit of the company.
- X. Trade Receivables as shown in Note No. 11 include amount recoverable from M/s Prime Impex Ltd. (Business Associate) amounting to ₹ 81.71 Crore (Previous Year ₹ 93.54 Crore) on account of High Sea Sales of Canadian Yellow Peas. Disposal of goods and recovery has not taken place as per contract and the Party in collusion with the Cargo Handling Agent (CHA) and Surveyor has unauthorisely lifted part of the pledged stocks and thus committed theft/fraud which came to the notice of management in mid February 2011. FIR U/s 380, 406, 420 and 120B IPC has been registered with Police Authorities, Kolkata for theft etc. Another criminal case also has been filed U/s 138 of the Negotiable Instrument Act for dishonor of cheques amounting to ₹ 78.05 Crore (Previous Year ₹ 78.05 Crore) against the associate and its directors. Insurance claim for ₹ 95 Crore has been lodged with the Oriental Insurance Co. Ltd. against the theft and burglary policy taken by the company which has been rejected and an appeal has been filed against the said rejection. The loss if any pending finalization of the proceedings is not ascertainable and the same shall be accounted for on final determination of the proceedings.
- XI. Other Non Current Assets (Note No. 9 of the Financial Statements) include Long Term Trade Receivables and Trade Receivables (Note No. 11 of the Financial Statements) considered good include ₹ 111.15 Crore (Previous Year ₹ 153.10 Crore) due from various parties against which the company holds collateral security and has initiated steps for the recovery and has initiated criminal proceedings and the company is confident of its realisation. In the view of above the same have been considered good and no provision has been considered necessary.
- XII. The Short Term Deposit amounting to ₹ 104.43 Crore under Note No. 12 (Cash and Cash Equivalent) includes the Fixed Deposit of ₹ 95.00 Lakh with State Bank of India, CAG Branch, New Delhi, against which Bank Guarantee of ₹ 95.00 Lakh has been issued in favor of Prothonotary & Senior Master, High Court Bombay, in the legal case with Curzon Maritime Ltd.
- XIII. During the year under consideration, the company has not provided the interest payable to M/s Curzon Maritime Limited, London amounting to ₹ 5.56 Lakh, as compared to the earlier years, since the matter is sub-judice with the Hon'ble High Court, Bombay and the company has protested the entire amount including the principal, further interest is not provided in the books of account and the same is being treated as contingent liability.
- XIV. Balance with the Government Authorities under Note No. 13 (Short Term Loans and Advances) consists of ₹ 1.83 Crore paid as deposit under protest (Remitted to the account of Commissioner Customs, Kandla) to Directorate General of Central Excise Intelligence (DGCEI) Office, Kandla on account of duty draw back availed by the Company and is disputable.



XV. Other Liabilities under the Note No. 4 (Other Current Liabilities) includes-

(₹ in Crore)

Particulars	As on 31.3.2012	As on 31.3.2011
Leave Encashment	10.21	8.49
CPF Contribution on Earned Leave	0.50	0.46
Post Retirement Medical Benefit	14.59	12.87
Performance Related Pay	3.38	2.51
Service Award	0.08	0.05
<b>TOTAL</b>	<b>28.76</b>	<b>24.38</b>

XVI. Miscellaneous Income under the Note No. 16 (Other Income) includes ₹ 6,14,553/- (Previous Year ₹ 6,17,602/-) towards claim received from ECGC.

XVII. Additional Trading Margin received from Associates is part of the trading activities of the company in terms of the contract.

XVIII. The company is importing Refined Edible Oil for Public Distribution Scheme (PDS) of Govt. of India and getting it repacked in packs of 1 Ltr. pouches through job workers.

XIX. Balances in the Fixed Deposits Account under Note No. 12 (Cash and Cash Equivalents) includes Deposits of ₹ 7,01,000/- (Previous Year ₹ 4,00,000/-) for which the maturity period is more than 12 months as at the balance sheet date.

XX. Balances in Parties Accounts/Other Current Liabilities/Loans & Advances (Assets) are subject to reconciliation/confirmation and adjustments that may arise on reconciliation.

XXI. Since there is no confirmation from Associates/Suppliers, the amount due to Micro, Small and Medium Enterprises cannot be ascertained in terms of Section 22 of the "Micro, Small & Medium Enterprises Development Act, 2006".

XXII. The VAT Payable/Receivable as at balance sheet date is subject to reconciliation with VAT returns filed with various VAT Authorities.

XXIII. Form No. 15CA and 15CB as required under the provisions of the Income Tax Act, 1961 in respect of the Foreign Exchange Outward Remittances are being submitted to the banks wherever insisted upon by the respective banks.

XXIV. While finalizing MOU with Ministry of Commerce & Industry for the Financial Year 2008-09, Task Force comprising of Committee constituted by Department of Public Enterprises has opined that a corpus fund be created out of the profits realized from the trading operation to offset possible future losses which could arise out of the adverse market conditions in the course of trading. The fund earmarked for the corpus will not form part of the distributable profit of the organization in the balance sheet & sequestered into a "Special Purpose Trading Risk Fund". Therefore a sum of ₹ 25.00 Crore (Previous Year ₹ 25.00 Crore) has been appropriated during Financial Year 2011-12 to Trading Fluctuation Reserve.

XXV. The company's significant leasing arrangements are in respect of Operating Leases for Office Premises. These Leasing Arrangements which are not non cancellable are usually renewable by mutual consent on mutual agreeable terms. The Aggregate Lease Rentals payable are charged as Rent under Note No. 20 (Other Expenses). The obligation towards non-cancellable Leases are as under:-

(₹)

Lease Obligation	2011-12	2010-11
Not later than One Year	1,59,60,456	1,59,60,456
Later than one year but not later than 5 year	5,89,45,296	5,89,45,296



**XXVI. Related Party Transactions:**

**(a) Key Management Personnel**

**Full-Time Director**

I.	Sh. A.K Mirchandani	Chairman-cum-Managing Director
II.	Sh. Rajiv Chaturvedi	Director
III.	Sh. Ravi Kumar	Director

**Part-Time Director**

I.	Mrs. Aditi Das Rout	Part Time Director
II.	Mrs. Amrit Raj	Part Time Director

(b) The remuneration to the above Full Time Directors was paid by the company as per the rules of the company. Such remuneration and all other payments/benefits paid/accrued to the Key Managerial Persons and their relatives are detailed as under:

(₹)

S. NO.	Particulars	2011-12	2010-11
1.	Directors' Remuneration	1,01,71,773	1,02,72,244
2.	Provident and Other Funds	5,06,089	4,64,290
3.	Other Perquisites and Benefits	4,16,109	27,204
4.	Rent	17,28,000	17,17,613
<b>Total</b>		<b>1,28,21,971</b>	<b>1,24,81,351</b>

However, no salary has been paid to Part Time Directors during the Year.

(c) M/s Tea Trading Corporation of India Limited (TTCIL) is wholly owned subsidiary of the company. No officials of PEC Ltd. hold any key management position in it. As TTCIL is under Liquidation since acquisition there is no transaction in it to be reported U/s 212 of the Companies Act, 1956.

**XXVII. Earnings Per Share (EPS):**

A. Profit Towards Equity Shareholders (₹)	79,55,17,379	70,91,80,733
B. Number of Equity Shares	20,00,000	20,00,000
C. Basic and Diluted EPS (A/B) (₹)	398	355

**XXVIII. Deferred Tax:**

(₹)

Particulars	Deferred Tax Assets/ Liability as on 31.03.2012	Deferred Tax Assets/ Liability as on 31.03.2011
<b>Deferred Tax Assets</b>		
Depreciation	34,60,233	35,23,504
Expenses allowed on payment basis	3,60,50,788	3,03,61,673
VRS Compensation	3,94,086	8,27,585
Provision for Doubtful Debts & Advances	7,52,24,324	7,52,24,324
<b>Total</b>	<b>11,51,29,431</b>	<b>10,99,37,086</b>

**Note**— In compliance of Accounting Standard-22, issued by The Institute of Chartered Accountants of India, the Deferred Tax of ₹ 51,92,345/- (Previous Year ₹ 34,55,180/-) has been calculated and credited in Profit & Loss Appropriation Account for the year.



- XXIX. In the opinion of management Current assets, Loans and Advances as stated in the Financial Accounts will not be less than the value, if realized, in the ordinary course of business.
- XXX. Information as required by Ministry of Law, Justice and Company Affairs (Department of Company Affairs) Notification No. GSR-129 (E) dated 22.02.1999. Since there is no confirmation from Associates/Suppliers, the amount due to Small-Scale Industries undertaking cannot be ascertained.
- XXXI. Additional information with regard to the quantitative information in respect of the Trading Business is annexed separately.
- XXXII. The information as required under para 4D(a), (b), (c) and (e) of part II of Schedule VI of the Companies Act, 1956 is as under: -

(₹ in Crore)

Particulars	2011-12	2010-11
<b>Expenditure in Foreign Currency</b>		
CIF/FOB value of Imported Materials	7,486.59	8,594.49
Foreign Tours	0.51	0.38
Other Expenses	62.64	36.76
<b>Total</b>	<b>7,549.74</b>	<b>8,631.63</b>
<b>Earnings in Foreign Currency</b>		
FOB value of Exports	1,075.99	1,065.04
Others (Service Charges)	-	0.22
<b>Total</b>	<b>1,075.99</b>	<b>1,065.26</b>

- XXXIII. During the year ended 31.03.2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The previous year's figure have been reclassified/recasted/regrouped and rounded off suitably to make them comparable with that of Current Year's Figures. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements except for presentation and disclosure where ever required.
- XXXIV. Notes 1 to 22 forms an integral part of the Financial Statements for the Year Ended as on 31st March, 2012 and have been authenticated.

In terms of our Report of even date  
For **SAMSAND & ASSOCIATES**  
Registration No. 003708N  
Chartered Accountants

For and on behalf of the Board  
**PEC Limited**

**Sanjay Singhal**  
Partner  
M. No. 085931

**A. K. Mirchandani**  
Chairman-cum-Managing Director

**Rajiv Chaturvedi**  
Director

29.08.2012  
New Delhi

**S.C. Bhandari**  
General Manager (Finance)

**Ashok Kumar**  
Company Secretary



## ANNEXURE

**TO CLAUSE NO. XXXI OF THE NOTES TO ACCOUNTS NO. 22 FOR THE YEAR ENDED 31st MARCH, 2012  
QUANTITATIVE INFORMATION - TRADING BUSINESS**

PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)
<b>EXPORTS</b>									
Cables	Kms	-	-	779.49	87,827,308	779.49	95,703,836	-	-
Cartridge	Nos	-	-	1,150.00	361,596	1,150.00	421,590	-	-
Conductors	Kms	-	-	379.00	12,651,404	379.00	14,458,746	-	-
Demolition Stores	Nos	-	-	1,150.00	1,594,797	1,150.00	1,854,996	-	-
Ekran Film	Mt	-	-	50,000.00	1,982,700	50,000.00	2,401,650	-	-
Home Appliances & Spares	Kgs	-	-	49,705.30	16,211,512	49,705.30	16,458,388	-	-
Insulators/ Arresters	Nos	-	-	12,264.00	920,193	12,264.00	943,606	-	-
Iron Ore Fines	Mt	-	-	1,317,090.36	3,876,319,393	1,317,090.36	3,915,474,137	-	-
Line Hardware	Nos	-	-	633,758.00	59,655,831	633,758.00	62,322,261	-	-
Maize	Mt	-	-	46,988.64	563,699,658	36,225.95	435,211,491	10,762.69	129,114,718
Medical Equip.	Nos	-	-	750,000.00	3,930,084	750,000.00	4,092,444	-	-
Rice	Mt	-	-	165,998.43	4,017,271,994	165,998.43	4,037,508,606	-	-
Soyameal	Mt	437.47	7,672,513	76,935.59	1,279,983,041	77,373.06	1,425,210,288	-	-
Transformers	Nos	-	-	100.00	29,891,724	100.00	30,519,586	-	-
Wheat	Mt	-	-	39,743.58	473,873,739	39,743.58	323,900,260	-	-
<b>Total (A)</b>			<b>7,672,513</b>		<b>10,426,174,974</b>		<b>10,366,481,885</b>		<b>129,114,718</b>

PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)
<b>IMPORTS</b>									
Aluminium	Mt	-	-	296.79	33,459,092	296.79	33,960,979	-	-
Ammonium Niterate	Mt	-	-	53,349.30	947,161,754	53,349.30	960,039,771	-	-
Bitumen	Mt	-	-	17,137.23	502,528,528	17,137.23	507,553,814	-	-
Chemicals	Mt	32.00	4,194,560	33,982.07	1,152,314,417	33,927.57	1,158,353,809	86.50	9,354,975
Chick Peas	Mt	7,099.36	177,315,541	27,758.84	884,267,945	33,712.14	801,101,397	1358.59*	44,563,191
Chrome Ore	Mt	-	-	13,105.89	226,340,145	13,105.89	229,694,951	-	-
Coal	Mt	693,118.54	5,874,049,655	4,611,856.21	30,885,295,965	5,027,016.28	37,328,044,804	277,958.47	1,967,876,861
Crude D.s.oil	Mt	-	-	11,936.91	733,878,999	8,996.89	541,288,213	2,940.02	185,950,825
Crude Palm Oil	Mt	-	-	7,065.00	368,877,958	7,065.00	372,817,426	-	-
Destoner	Nos	-	-	1.00	1,160,900	1.00	1,184,118	-	-
Diamonds	Crts	153,444.06	257,777,907	39,028.63	317,559,720	176,404.55	406,307,662	16,068.14	176,756,243
Dun Peas	Mt	-	-	14,000.00	306,230,400	14,000.00	309,292,704	-	-
Electronic Colour Sorter	Nos	-	-	1.00	8,679,000	1.00	8,852,580	-	-
Gold	Kg	-	-	2,225.00	5,676,697,357	2,225.00	5,756,362,653	-	-
Green Lentils	Mt	103.97	4,635,667	4,031.16	162,872,390	4,133.07	139,439,108	23.11*	1,047,310
Husk Aspirator	Nos	-	-	2.00	1,179,700	2.00	1,203,294	-	-
Jute	Mt	2,162.42	61,214,870	2,472.68	67,886,182	4,635.10	130,918,172	-	-
Lam Coke	Mt	-	-	13,200.00	196,568,212	13,200.00	199,516,735	-	-
Manganese Ore	Mt	11,274.00	123,993,204	227,604.37	2,376,197,418	222,854.37	2,352,808,810	16,024.00	180,508,897
Misc	Assorted	20,085.00	13,656,553	4,148,610.33	1,305,472,150	4,168,695.33	1,338,934,057	-	-
Moong	Mt	14,688.40	885,371,783	-	-	9,185.20	335,788,598	5191.29*	327,137,970
Optical Sorter	Nos	-	-	2.00	17,572,500	2.00	17,923,950	-	-
Paddy Husker	Nos	-	-	2.00	1,179,700	2.00	1,203,294	-	-
Paddy Separator	Nos	-	-	1.00	1,160,900	1.00	1,184,118	-	-
Pharma Chemical	Kg	16,000.00	17,948,920	323,950.00	441,568,817	339,950.00	465,150,609	-	-
Popcorn	Mt	-	-	780.00	23,509,925	780.00	24,215,222	-	-
Rbd Palm Olein	Mt	-	-	182,524.31	10,020,457,779	160,465.74	7,884,623,519	22,058.57	1,289,655,637
Red Lentils	Mt	12,527.47	514,411,293	-	-	6,385.31	171,405,561	6011.74*	260,181,080
Rice Polisher	Nos	-	-	4.00	5,730,400	4.00	5,845,008	-	-
Silver	Kg	-	-	70,018.86	3,846,589,353	70,018.86	3,957,105,497	-	-
Steel	Mt	150.46	10,133,315	390.64	24,719,336	541.10	35,375,441	-	-
Steel Coils	Mt	2,033.08	65,617,860	139,909.48	4,898,209,665	141,942.56	5,013,843,477	-	-
Steel Others	Mt	-	-	5,071.19	170,846,802	5,071.19	172,555,270	-	-
Steel Scrap	Mt	-	-	174,377.64	4,251,075,575	155,455.71	3,812,215,070	18,921.94	474,990,779
Steel Slabs	Mt	-	-	4,944.42	149,534,865	4,944.42	151,030,213	-	-
Toor	Mt	102,606.94	3,772,270,921	3,111.07	96,075,787	60,745.16	1,764,986,685	44469.03*	1,740,023,362
Urad	Mt	6,824.58	340,875,776	39,905.81	1,632,554,120	38,975.68	1,408,464,533	7581.06*	350,982,558
Vertical Rice Whitener	Nos	-	-	3.00	4,446,000	3.00	4,534,920	-	-
Yarn/ Acrylic Fabrics	Mt	-	-	643.30	116,197,175	628.69	109,918,130	14.60	7,579,570
Yellow Peas	MT	76,307.96	1,328,714,978	142,725.31	3,009,789,383	197,336.29	3,997,905,542	20093.21*	380,707,603
<b>Total (B)</b>			<b>13,452,182,803</b>		<b>74,865,846,314</b>		<b>81,912,949,714</b>		<b>7,397,316,861</b>

\* Closing Stock is after considering normal loss/ gain.



PARTICULARS	UNIT	OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
		Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)	Quantity	Amount (₹)
<b>DOMESTIC SALES</b>									
Acrylic Fabrics	KGS	67,455.24	11,308,212	456,471.50	62,135,019	399,276.30	61,450,879	124,650.44	12,949,663
Armour Alloy Steel Plates	Nos	-	-	47.00	5,887,032	47.00	6,063,705	-	-
B/p Patkas	Pcs	-	-	1,500.00	1,652,894	1,500.00	1,760,263	-	-
Castor Oil	MT	-	-	1,510.00	156,200,000	1,510.00	158,926,300	-	-
Castor Seed	MT	-	-	45,075.75	2,016,625,315	45,075.75	2,062,352,129	-	-
Chana	MT	-	-	1,470.68	39,914,872	1,470.68	48,754,880	-	-
Coal	MT	-	-	1,127,727.29	5,916,855,523	1,127,727.29	5,956,323,783	-	-
Cotton	KGS	-	-	770,700.61	161,168,346	770,700.61	163,686,252	-	-
Dal Arhar	MT	-	-	2,786.53	77,761,299	2,786.53	78,573,276	-	-
Ferro Chrome	MT	-	-	-	-	-	-	-	-
Gaur Seed	MT	-	-	7,400.36	222,758,362	7,400.36	218,334,801	-	-
Guar Gum	MT	-	-	1,205.33	110,589,028	1,205.33	115,012,589	-	-
Jute	QTLS	2,666.16	97,289,933	1,932.96	5,495,886	2,311.16	83,920,672	2,287.96	19,696,046
Maize	MT	1,470.57	15,058,843	153.82	1,953,514	1,624.39	14,677,082	-	-
Misc. Items	ASSORTED	-	-	16,118,550.79	1,057,152,417	16,118,550.79	1,073,334,643	-	-
Paddy	MT	-	-	103,035.00	2,530,668,000	103,035.00	2,578,482,150	-	-
Rm Seed	MT	10,594.97	269,123,408	23,501.35	714,738,227	18,096.32	501,278,342	16,000.00	528,800,000
Rubber	MT	-	-	96.00	18,020,160	96.00	18,348,480	-	-
Sbm	MT	-	-	13,205.49	-	13,205.49	221,468,525	-	-
Sifcon Panels	Nos	-	-	579.00	14,248,890	579.00	14,961,130	-	-
Solar Panel	Nos	-	-	7,196.00	95,455,229	7,196.00	98,318,886	-	-
Solar Power Plant	Nos	-	-	70.00	139,293,111	70.00	144,658,927	-	-
Soyabean Seed	MT	38,154.13	843,084,444	-	-	38,154.13	345,307,021	-	-
Soyaoil,production	MT	377.50	17,511,341	3,817.98	-	4,195.48	234,130,356	-	-
Soyaseeds	MT	-	-	6,786.74	167,670,219	6,786.74	195,013,967	-	-
Steel	MT	-	-	531,958.79	630,255,997	531,958.79	639,896,137	-	-
Steel Coils	MT	-	-	64,846.54	2,297,779,384	64,846.54	2,323,856,705	-	-
Washed Cotton Seed Oil	MT	-	-	4,885.00	284,352,500	4,885.00	289,485,800	-	-
Wheat	MT	2,532.06	29,644,161	10,379.20	121,439,327	12,911.26	334,867,413	-	-
<b>Total (C)</b>			<b>1,283,020,342</b>		<b>16,850,070,550</b>		<b>17,983,245,093</b>		<b>561,445,709</b>
<b>Total (A+B+C)</b>			<b>14,742,875,658</b>		<b>102,142,091,839</b>		<b>110,262,676,693</b>		<b>8,087,877,288</b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012

In accordance with Indirect Method set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India

Particulars	2011-12	2010-11
(₹ in Lakh)		
<b>Cash flow from operating activities</b>		
Net profit before tax and extra ordinary items	11,853	10,656
<b>Adjustment for</b>		
(Profit)/Loss on sale of fixed Assets	(2)	-
Depreciation	47	56
Provision for doubtful debts	-	18
Liability no longer required written back	(1,817)	(1,119)
<b>Operating profit before working capital change</b>	<b>10,081</b>	<b>9,611</b>
(Increase)/Decrease in Trade & other Receivables	(26,097)	26,417
(Increase)/Decrease in inventories	66,550	(58,692)
Increase/(Decrease) in trade & other payable	5,739	41,126
(Increase)/Decrease in Loans & Advances	(15,807)	(9,743)
<b>Cash generated from operations</b>	<b>40,466</b>	<b>8,719</b>
Income tax (paid)/received (net)	(3,913)	(4,829)
<b>Net cash flow from operating activities (A)</b>	<b>36,553</b>	<b>3,890</b>
<b>Cash flow from Investing activities:</b>		
Purchase of Fixed Assets during the year	(46)	(41)
Proceeds from sale of Fixed Assets	4	1
<b>Net cash from investing activities (B)</b>	<b>(42)</b>	<b>(40)</b>
<b>Cash flow from financing activities</b>		
Borrowings/(Repayments) of loans and credits	(19,400)	(3,400)
Dividend Paid	(1,500)	(1,400)
Dividend tax paid	(244)	(233)
<b>Net cash from financial activities (C)</b>	<b>(21,144)</b>	<b>(5,033)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>15,367</b>	<b>(1,183)</b>
Cash & cash equivalents at beginning of the period	31,200	32,383
Cash & cash equivalents at end of the period	46,567	31,200
<b>Cash &amp; cash equivalents as per schedule 8 of the balance sheet</b>		
Bank balance	36,124	17,394
Short term deposits	10,443	13,806
	<b>46,567</b>	<b>31,200</b>

1. Figures in brackets indicate cash outgo.

2. Balance with Banks includes ₹ 3.45 lakhs lying in National Commercial Bank, Albeida, which is not repatriable.

In terms of our Report of even date  
For **SAMSAND & ASSOCIATES**  
Registration No. 003708N  
Chartered Accountants

For and on behalf of the Board  
**PEC Limited**

**Sanjay Singhal**  
Partner  
M. No. 085931

**A. K. Mirchandani**  
Chairman-cum-Managing Director

**Rajiv Chaturvedi**  
Director

29.08.2012  
New Delhi

**S.C. Bhandari**  
General Manager (Finance)

**Ashok Kumar**  
Company Secretary



**SAMSAND & Associates**  
Chartered Accountants

4800/24, Bharat Ram Road,  
Daryaganj, Delhi-110002  
Ph: 011-23264383, 9312238484

## AUDITORS' REPORT

To the Members of  
PEC LIMITED, New Delhi

1. We have audited the attached Balance Sheet of PEC Limited, as at 31st March 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgments made by the management, in preparation of the financial statements as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) by the Companies (Auditors' Report) (Amendment) order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. **Further to our comments in the Annexure referred to in paragraph (3) above, we report as follows:**
  - A. **There is non-compliance with regard to following Accounting Standard issued by Institute of Chartered Accountants of India:-**
    - a. **Non-compliance of Accounting Standard-2 (AS-2) Valuation of Inventories issued by the Institute of Chartered Accountants of India (ICAI)-The Accounting Policy 8.3 of valuing the closing stock of commodities on Government Account at Cost is not in accordance with AS-2. However, it has no effect on the profit of the Company for the year since loss if any is compensated by Government by way of subsidy to the company (Refer Clause No. III of Note No. 22 of the Financial Statements).**
    - b. **Non-compliance of Accounting Standard-9 on Revenue Recognition issued by ICAI-All the Purchases, Sales, Expenses, the Assets as well as the Liabilities of the Joint Operations have been accounted for in the books of the Company resulting into overstatement of the respective heads under the Statement of Profit and Loss as well as the Balance Sheet of the Company. Therefore "Sales" shown in Statement of Profit and Loss have been overstated to that extent; the amount for which has not been disclosed by the company due to competitive nature of the operations. However, it has no effect on the Profit of the Company for the year. (Refer Clause No. IV of Note No. 22 of the Financial Statements).**
    - c. **Non-compliance of Accounting Standard-17 on Segment Reporting issued by ICAI - The company has not disclosed the segregation of Segment Assets, Segment Liabilities, Segment Expenses and Non-Cash Expenses in the Balance Sheet (Refer Clause No. V of Note No. 22 of the Financial Statements).**
    - d. **Non-compliance of Accounting Standard-27 on Financial Reporting of Interest in Joint Ventures issued by ICAI - Non disclosure of Joint Operation Partner, Nature of Joint Operation, Profit Sharing Pattern, Joint Operation Assets, Liabilities, Contingent Liabilities, Sales, Purchases, Expenses and Capital Commitment as required to be disclosed with respect to the Joint operations of the company. (Refer Clause No. IV of Note No. 22 of the Financial Statements).**
    - e. **Non-compliance of Accounting Standard-28 on Impairment of Assets issued by ICAI- No Provision for Impairment of Assets has been made like Fixed Assets, Current Assets, Loans and Advances and Other Assets.**
  - B. **Sales Recognition on account of Letters of Credit assigned in favour of associates for Sales of ₹ 12.85 Crores and corresponding Purchases of ₹ 11.82 Crores are not in accordance with Accounting Standard-9 on Revenue Recognition, issued by ICAI. Therefore "Purchases" and "Sales" shown in Statement of Profit and Loss have been overstated to that extent. However, it has no effect on the profit of the Company for the year. (Refer Accounting Policy No. 4.2 read with Clause VII of Note No. 22 of the Financial Statements).**
  - C. **Trade Payables of ₹ 4,876.24 Crores includes the Buyer's Credit of ₹ 1,589.75 Crores which results in overstatement of Sundry Creditors and understatement of Unsecured Loans to that extent. (Refer Clause No. VIII of Note No. 22 of the Financial Statements).**





- D. We are unable to express our opinion on realisability of outstanding amounts since long classified as unsecured, considered good by the company. We are also unable to quantify its effect on profit of the Company (Refer Clause No. X to XI of the Note No. 22 of the Financial Statements).**

(₹ in Crore)

S. NO.	Particulars	Refer Note No.	Amount
1.	Trade Receivables	11	235.14
2.	Non-Current Trade Receivables	9	28.26
<b>Total</b>			<b>263.40</b>

**Further the above figure does not include the amount of Trade Receivables which are backed by the Trade Payables.**

- E. We are unable to comment on the realization of the Claims Recoverable from Central Government and its effect on the profits of the company as company is unable to provide necessary supporting documents as to admissibility. Final settlement of the claims may impact Financial Statements, which at this stage cannot be ascertained:**

(₹ in Crore)

S. NO.	Particulars	Refer Clause of Note No. 22	Amount
1.	Recoverable From Central Government On Account Of Sale Of Edible Oil Under Old Schemes (Including Trading Margin)	II. a	273.11
2.	Recoverable from Central Government on account of Sale of Pulses under Continuous Schemes (Including Trading Margin) out of total claim of ₹ 479.13 Crores	II. c	159.05
3.	Recoverable From Central Government On Account Of Loss On Sale Of Onion On Government Account	II. d	1.85
<b>Total</b>			<b>434.01</b>

- F. The Provision for consequential adjustments or losses on reconciliation, if any, required with regard to parties pending for confirmation under the account head Trade Receivables, Trade Payables, Other Liabilities and Loans and Advance to Parties, have not been made for which the effect on the Financial Statements could not be ascertained. (Refer Clause No. XX of Note No. 22 of the Financial Statements).**
- G. The company has not been able to obtain confirmation from its Associates and Suppliers in relation to the Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006' the compliance of the same in the financial reporting of the Company could not be ascertained and reported to (Refer Clause No. XXI of Note No. 22 of the Financial Statements).**
- H. The company has not provided the reconciliation of VAT Payable/Receivable in accordance with Sales/Purchases as on 31.03.2012. In the absence of such reconciliation, we are unable to comment upon the appropriateness of the value of Sales/Purchases (Refer Clause No. XXII of Note No. 22 of the Financial Statements).**
- I. We draw attention to Clause No. VIII of the Note No. 22 of the Financial Statements regarding the non provision of the loss, if any, pending finalization of the legal proceedings in respect of ₹ 81.71 Crores due from M/s Prime Impex Ltd., Kolkata included in the Trade Receivables in respect of the theft/misappropriation/fraud of pledged stock of Canadian Yellow Peas. Since the matter is pending in FIR U/s 380, 406, 420 and 120B IPC and all possible sources of recovery are being explored by the company, the financial impact, if any, on the Company's Financial Statements could not be determined at this stage.**
- J. The Fixed Deposits with IDBI, Indore amounting to ₹ 15,01,000/- were given as security against the Trade Licence to Krishi Upaj Mandi Samiti and Fixed Deposits with SBI, CAG Branch, New Delhi amounting to ₹ 4,80,15,000/- are under the lien of the bank for issuing Bank Guarantee for which no disclosure has been given in the financial statements.**
- K. We further report that we are unable to quantify the effect of our comments in paragraph 4A(e), 4D, 4F, 4H and 4I above, on Net Profit for the year as well as on Assets and Liabilities of the Company.**



5. Further to our comments in the Annexure referred to in Para 3 above and subject to our report in Para 4 above, we report that;
- a. We have obtained all the information and explanations, except as mentioned in Para 4, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except Accounting Standard- 2 (Valuation of Inventories), Accounting Standard-9 (Revenue Recognition), Accounting Standard-17 (Segment Reporting), Accounting Standard-27 (Financial Reporting of Interests in Joint Venture) and Accounting Standard-28 (Impairment of Assets) as detailed in Para 4 above;
  - e. Being a Government Company, pursuant to the Gazette Notification No. GSR 829 (E) dated 21-10-2003 issued by Government of India; provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the Company.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to our observations in Para 4 above and consequential effect thereof, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Accounting Policies as contained in Note No. 21 and Notes on Accounts as contained in Note No. 22, give the information required by the Companies Act, 1956 in a 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
    - (ii) In the case of Statement of Profit and Loss, of the Profit for the year ended on that date.
    - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SAMSAND & Associates**  
Registration No.003708N  
Chartered Accountants

29.08.2012  
New Delhi

**Sanjay Singhal**  
Partner  
M. No. 085931



## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to Para (3) of our report of even date to the members of PEC Ltd., New Delhi on the accounts of the Company for the year ended 31st March, 2012.

- (i) (a) The Company has maintained proper records showing full particulars, situation and quantitative details of Fixed Assets. The Company is providing depreciation at special rates (Refer Accounting Policies) based on the technical evaluation carried out in past and in our opinion the technical evaluation needs to be reviewed on periodical basis.
- (b) As explained to us, all the Fixed Assets have been physically verified by the management at the end of the financial year, 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) According to the information and explanations given to us, no substantial part of the Fixed Assets have been disposed off by the Company during the year and therefore, the going concern assumption is not effected.
- (ii) (a) As per the explanations and information provided by the management, physical verification of inventories is undertaken by the Company through Surveyors from time to time and wherever any discrepancies is found on such physical verification, it is incorporated in the books of account. In respect of stock, in the custody of third parties, certificate is obtained from the Clearing and Handling Agents or the Warehousing Corporation or the Surveyors. As explained to us, the verification in case of stocks is not by actual weighment, but by actual receipt and dispatch.
- (b) In our opinion physical verification should also specifically cover the quantity, quality, the technical specifications, and manner, method adopted for physical verification and the necessary records should be maintained in respect thereto.
- (c) In our opinion, the procedures of physical verification are not commensurate with the size of the Company and nature of its business, which requires to be strengthened more particularly with regard to handling of materials by third parties and maintenance of separate stock register for entire stocks.**
- (d) The Company is maintaining transaction-wise stock details which are compiled for control over the stock and necessary details are obtained from the custodians of stocks viz. Port Authorities, Warehouse, Surveyors, Business Associates. However, in our opinion a separate Stock Register should be maintained by the Company for entire stock.**
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (b) (c) and (d) of the Order are not applicable on the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to information and explanations given to us, the internal control procedures are neither adequate nor commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.**
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 of the Act. Accordingly, clause 4 (v) (b) of the Order is not applicable to the Company.
- (vi) In our opinion and as per the information and explanations given to us, the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable, as the Company has not accepted any deposits from the public except for the deposits taken from its associates in the form of margin money for establishing the letters of credit.
- (vii) The Company has an internal audit system, which is carried out by its own internal staff and as there is no sufficient internal control and internal audit system commensurate with the size of the company. However in our opinion the company needs to develop and put in place an audit manual and guidelines. Further the scope and coverage of the audit needs to be enhanced looking to the size and operations of the company.**
- (viii) It has been explained that the Company is engaged in extraction of Soya meal and Soya oil on job work basis for which no cost records are prescribed under Section 209 (1) (d) of the Companies Act, 1956.



- (ix) (a) According to the information and explanations furnished to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, and other material statutory dues applicable to it, if provisioned.
- (b) According to the information and explanations furnished to us, the outstanding dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess which have not been deposited on account of any disputes are as follows:

(₹ in Lakh)

S. NO.	Particulars	Amount
1.	<i>Demand has been raised U/s 143(3) of the Income Tax Act, 1961 for the Assessment Year 2001-02. The appeal filed before the CIT (A) has been decided in favour of the company but the department has preferred an appeal before the ITAT, Delhi Bench</i>	36.89
2.	<i>Demand has been raised U/s 143(3) of the Income Tax Act, 1961 for the Assessment Year 2007-08 against which Company has preferred an appeal before the ITAT, Delhi Bench</i>	50.61
3.	<i>Demand has been raised U/s 143(3) of the Income Tax Act, 1961 for the Assessment Year 2008-09 against which Company preferred an appeal before Commissioner of Income tax (Appeals), New Delhi</i>	52.69
4.	<i>Demand has been raised U/s 143(3) of the Income Tax Act, 1961 for the Assessment Year 2009-10 for which the company has filed an appeal before the Commissioner of Income Tax (Appeals)</i>	53.76
5.	<i>Commercial Tax Officer, Chennai has raised demand for Sales Tax for Assessment Year 2000-01 against which Company has approached the Hon'ble High Court, Chennai who was pleased to stay the demand</i>	139.32
6.	<i>Commercial Tax Officer, Chennai has levied penalty for Assessment Year 2000-01 against which Company has approached the Hon'ble High Court, Chennai who was pleased to stay the demand</i>	208.98
<b>Total</b>		<b>542.25</b>

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank.
- (xii) According to information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit funds/society. Therefore, the provisions of clause 4(xiii) are not applicable to the Company.
- (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) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The company has not raised any Long Term Loans from the banks during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company did not make any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued any debentures and hence no security or charge has been created in respect thereto.
- (xx) The Company has not raised any money through the public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, which have been relied upon by us, we report that no fraud on or by the Company has been noticed or reported during the year except a case of theft/ misappropriation/fraud of pledged stock of Canadian yellow peas amounting to ₹ 86.80 Crores by one of its associates for which the matter is sub-judice. (Refer Clause No. X of the Note No. 22 of the Financial Statements).**

For **SAMSAND & Associates**  
Registration No.003708N  
Chartered Accountants

**Sanjay Singhal**  
Partner  
M. No. 085931



## **RICHA SHARMA & ASSOCIATES**

*Company Secretaries*

*A-158, B-4, Dwarkasheesh Building, Main Vikas Marg, Delhi-110092*

### **COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of PEC Ltd.,

We have examined the compliance of the conditions of Corporate Governance by PEC Limited. For the year ended March 31, 2012 as stipulated in central Public Sector Enterprises Guideline of the said Company.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the 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 an 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 Central Public sector Enterprises except the following:

1. Except the verbal discussion by the Chairman Cum Managing Director of the company with the concerned department (as informed to us) no steps has been taken to appoint independent Directors inspite of directions of Department of Commerce, Ministry of Commerce & Industry vide their letter dt. 24th February 2009.
2. Audit Committee is not constituted which is mandatory as per Corporate Governance for Central Public Sector Enterprises on Ad-hoc Basis due to Non-Appointment of Independent Directors.
3. Remuneration Committee is constituted on Ad-hoc Basis due to Non-Appointment of Independent Directors.

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 Richa Sharma & Associates**  
*Company Secretaries*

27.08.2012  
New Delhi

**Richa Sharma**  
Proprietor  
C. P. No. 9628



**MANAGEMENT'S REPLY TO THE COMMENTS OF STATUTORY AUDITORS ON THE ACCOUNTS FOR THE YEAR 2011-12**

COMMENTS OF THE STATUTORY AUDITORS		MANAGEMENT'S REPLY WITH FOLLOW UP ACTION
1	Non-compliance of Accounting Standard-2 (AS-2) Valuation of Inventories issued by the Institute of Chartered Accountants of India (ICAI)-The Accounting Policy 8.3 of valuing the closing stock of commodities on Government Account at Cost is not in accordance with AS-2. However, it has no effect on the profit of the Company for the year since loss if any is compensated by Government by way of subsidy to the company (Refer Clause No. III of Note No. 22 of the Financial Statements).	<p>The stock of commodities purchased on Govt. A/c is valued at cost as the company has filed claims for recovery of subsidy on actual basis from the Government.</p> <p>We have to file claim with Government for the pulses sold during the year only. For the remaining goods, valuing stock as per AS-2 will have its impact of losses/ gain on the stock in the year in which it is not sold, which is not as per the scheme.</p>
2	Non-compliance of Accounting Standard-9 on Revenue Recognition issued by ICAI-All the Purchases, Sales, Expenses, the Assets as well as the Liabilities of the Joint Operations have been accounted for in the books of the Company resulting into overstatement of the respective heads under the Statement of Profit and Loss as well as the Balance Sheet of the Company. Therefore "Sales" shown in Statement of Profit and Loss have been overstated to that extent; the amount for which has not been disclosed by the company due to competitive nature of the operations. However, it has no effect on the Profit of the Company for the year. (Refer Clause No. IV of Note No. 22 of the Financial Statements).	The company has clearly identified the share of profit earned through joint operations.
3	Non-compliance of Accounting Standard-17 on Segment Reporting issued by ICAI - The company has not disclosed the segregation of Segment Assets, Segment Liabilities, Segment Expenses and Non-Cash Expenses in the Balance Sheet (Refer Clause No. V of Note No. 22 of the Financial Statements).	Reporting under Accounting Standard-17 is not practically possible keeping in view the nature of business and geographical spread of the Company.
4	Non-compliance of Accounting Standard-27 on Financial Reporting of Interest in Joint Ventures issued by ICAI - Non disclosure of Joint Operation Partner, Nature of Joint Operation, Profit Sharing Pattern, Joint Operation Assets, Liabilities, Contingent Liabilities, Sales, Purchases, Expenses and Capital Commitment as required to be disclosed with respect to the Joint operations of the company. (Refer Clause No. IV of Note No. 22 of the Financial Statements).	The crush of soya seed is done on joint operation basis and no separate accounts are prepared and annexed to the annual accounts due to this being small in the overall turnover of the company. Due to competitive nature of the operations, no disclosure as per AS-27 is made. However, the company has clearly identified the share of profit earned through joint operations.
5	Non-compliance of Accounting Standard-28 on Impairment of Assets issued by ICAI- No Provision for Impairment of Assets has been made like Fixed Assets, Current Assets, Loans and Advances and Other Assets.	The management view is that there is no impairment of assets requiring provision in the accounts.
6	Sales Recognition on account of Letters of Credit assigned in favour of associates for Sales of ₹ 12.85 Crores and corresponding Purchases of ₹ 11.82 Crores are not in accordance with Accounting Standard-9 on Revenue Recognition, issued by ICAI. Therefore "Purchases" and "Sales" shown in Statement of Profit and Loss have been overstated to that extent. However, it has no effect on the profit of the Company for the year. (Refer Accounting Policy No. 4.2 read with Clause VII of Note No. 22 of the Financial Statements).	Assignment of L/C is an established business practice and export sales are integral part of MoU with Ministry of Commerce. Exclusion of such sales would depress our export sales affecting MoU rating. L/C is only a means of payment and contractual responsibilities remain unchanged as per contracts.

COMMENTS OF THE STATUTORY AUDITORS		MANAGEMENT'S REPLY WITH FOLLOW UP ACTION																					
7	Trade Payables of ₹ 4,876.24 Crores includes the Buyer's Credit of ₹ 1,589.75 Crores which results in overstatement of Sundry Creditors and understatement of Unsecured Loans to that extent. (Refer Clause No. VIII of Note No. 22 of the Financial Statements).	The buyer's credit is availed by the company in cases where either supplier's credit is not available or is available for a limited period. As per RBI Guidelines buyer's credit can be availed upto 360 days. In such cases Indian banks give guarantee to the foreign bank undertaking to make payment at stipulated date.																					
8	<p>We are unable to express our opinion on realisability of outstanding amounts since long classified as unsecured, considered good by the company. We are also unable to quantify its effect on profit of the Company (Refer Clause No. X to XI of the Note No. 22 of the Financial Statements).</p> <table border="1"> <thead> <tr> <th>S. NO.</th> <th>Particulars</th> <th>Refer Note No.</th> <th>Amount (₹ in Cr.)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Trade Receivables</td> <td>11</td> <td>235.14</td> </tr> <tr> <td>2.</td> <td>Non-Current Trade Receivables</td> <td>9</td> <td>28.26</td> </tr> <tr> <td colspan="3"><b>Total</b></td> <td><b>263.40</b></td> </tr> </tbody> </table> <p>Further the above figure does not include the amount of Trade Receivables which are backed by the Trade Payables.</p>	S. NO.	Particulars	Refer Note No.	Amount (₹ in Cr.)	1.	Trade Receivables	11	235.14	2.	Non-Current Trade Receivables	9	28.26	<b>Total</b>			<b>263.40</b>	<p>The goods were sold to Associates on High Seas Sales basis and are pledged in PEC's favour. PEC holds post dated cheques also as collateral security and has initiated steps for the recovery of over dues and has also initiated criminal proceedings, wherever required.</p> <p>In view of this, debtors have been considered good and no provision has been considered necessary.</p>					
S. NO.	Particulars	Refer Note No.	Amount (₹ in Cr.)																				
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<b>Total</b>			<b>263.40</b>																				
9	<p>We are unable to comment on the realization of the Claims Recoverable from Central Government as company is unable to provide necessary supporting documents as to admissibility. Final settlement of the claims may impact Financial Statements, which at this stage can not be ascertained :</p> <table border="1"> <thead> <tr> <th>S. NO.</th> <th>Particulars</th> <th>Refer Clause of Note No. 22</th> <th>Amount (₹ in Cr.)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Recoverable From Central Government On Account Of Sale Of Edible Oil Under Old Schemes (Including Trading Margin)</td> <td>II. a</td> <td>273.11</td> </tr> <tr> <td>2.</td> <td>Recoverable from Central Government on account of Sale of Pulses under Continuous Schemes (Including Trading Margin) out of total claim of ₹ 479.13 Crores</td> <td>II. c</td> <td>159.05</td> </tr> <tr> <td>3.</td> <td>Recoverable From Central Government On Account Of Loss On Sale Of Onion On Government Account</td> <td>II. d</td> <td>1.85</td> </tr> <tr> <td colspan="3"><b>Total</b></td> <td><b>434.01</b></td> </tr> </tbody> </table>	S. NO.	Particulars	Refer Clause of Note No. 22	Amount (₹ in Cr.)	1.	Recoverable From Central Government On Account Of Sale Of Edible Oil Under Old Schemes (Including Trading Margin)	II. a	273.11	2.	Recoverable from Central Government on account of Sale of Pulses under Continuous Schemes (Including Trading Margin) out of total claim of ₹ 479.13 Crores	II. c	159.05	3.	Recoverable From Central Government On Account Of Loss On Sale Of Onion On Government Account	II. d	1.85	<b>Total</b>			<b>434.01</b>	<p>The Central Government has declared various schemes of subsidy for import of edible oil and its sales to various State Governments at different points of time. The edible oil so imported is warehoused under common storage as the import of edible oil is continuous process. For the purposes of claiming subsidy from the Central Government we apportion all expenses L/c-wise. In our view, there is no impact on the amount of claim/subsidy receivable from the Central Government and has no effect on the profit of the Company.</p> <p>The amount of ₹ 159.05 crore represent claims recoverable over and above 15% subsidy payable by the Government. Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs), Government of India have, vide their letter no. 6(1)/2009-PMC dated 27.06.2012, informed that the reimbursement of losses on actual/combined basis for all the years i.e. 2008-09 to 2011-12 in respect of pulses imported under the 15% reimbursement scheme is under consideration with the appropriate authority.</p> <p>Claims recoverable include an amount of ₹ 1.85 crore towards losses on sale of onion on Government account The onions were imported as per the direction of the Government. The onions were sold through NAFED on consignment basis. The claim for losses has been lodged with the Government for reimbursement on actual basis. Kindly refer note no II .d of the notes to the accounts.</p>	
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	COMMENTS OF THE STATUTORY AUDITORS	MANAGEMENT'S REPLY WITH FOLLOW UP ACTION
10	The Provision for consequential adjustments or losses on reconciliation, if any, required with regard to parties pending for confirmation under the account head Trade Receivables, Trade Payables, Other Liabilities and Loans and Advance to Parties, have not been made for which the effect on the Financial Statements could not be ascertained. (Refer Clause No. XX of Note No. 22 of the Financial Statements)	Letters seeking confirmation of party balances are issued. In some cases confirmation letters are not received from the parties. The accounts with the associates are settled on completion of each transaction and differences if any, are reconciled.  Provision for consequential adjustment of losses is not envisaged.
11	The company has not been able to obtain confirmation from its Associates and Suppliers in relation to the Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006' the compliance of the same in the financial reporting of the Company could not be ascertained and reported to (Refer Clause No. XXI of Note No. 22 of the Financial Statements).	Information regarding classification of all associates & suppliers into Micro, Small and Medium is not available with us.
12	The company has not provided the reconciliation of VAT Payable/Receivable in accordance with Sales/Purchases as on 31.03.2012. In the absence of such reconciliation, we are unable to comment upon the appropriateness of the value of Sales/Purchases (Refer Clause No. XXII of Note No. 22 of the Financial Statements).	The VAT Payable/Receivable is subject to reconciliation with VAT returns filed with various VAT authorities.
13	We draw attention to Clause No. VIII of the Note No. 22 of the Financial Statements regarding the non provision of the loss, if any, pending finalization of the legal proceedings in respect of ₹ 81.71 Crores due from M/s Prime Impex Ltd., Kolkata included in the Trade Receivables in respect of the theft/misappropriation/fraud of pledged stock of Canadian Yellow Peas. Since the matter is pending in FIR U/s 380, 406, 420 and 120B IPC and all possible sources of recovery are being explored by the company, the financial impact, if any, on the Company's Financial Statements could not be determined at this stage.	Sundry Debtors include an amount of ₹ 81.71 crore (Previous Year ₹ 93.54 crore) from M/s Prime Impex Ltd. on account of High Seas Sales of Yellow Peas. The party has in collusion with cargo handling agent and surveyor unauthorisely lifted part of the pledged stock of worth ₹ 93.18 crore and thus committed a theft/fraud which came to our notice in February 2011. An FIR has been registered with police authorities, Kolkata for theft, etc. Another criminal case also has been filed u/s 138 of Negotiable Instrument Act for dishonour of the cheques amount to ₹ 78.05 crore against the associate and its directors. Insurance claim for ₹ 95 crore lodged with the Oriental Insurance Company Ltd. against the theft and burglary policy taken by the company has been rejected and an appeal filed. The loss, if any, pending finalization of the proceedings is not ascertainable and the same shall be accounted for on final determination of the proceedings.
14	The Fixed Deposits with IDBI, Indore amounting to ₹ 15,01,000/- were given as security against the Trade Licence to Krishi Upaj Mandi Samiti and Fixed Deposits with SBI, CAG Branch, New Delhi amounting to Rs. 4,80,15,000/- are under the lien of the bank for issuing Bank Guarantee for which no disclosure has been given in the financial statements.	As per the requirement of Krishi Upaj Mandi Samitis in various states, Company has to obtain trade licences by furnishing Security Deposits for doing business in Agro Commodities. The amount of ₹ 15,01,000/- has been deposited in the form of FDR's to Krishi Upaj Mandi Samitis which is necessary during the course of normal trade operations.  For the bank guarantees which are governed by various laws of the respective countries to be submitted for bidding in various tenders for export of goods, the issuing banks marks lien on the fixed deposits receipts for equivalent amount of bid bonds. This is a normal practice being followed and company has to adhere to the requirement of issuing banks.  Since this is a normal trade requirement, no separate disclosure has been given in the financial statements.





COMMENTS OF THE STATUTORY AUDITORS		MANAGEMENT'S REPLY WITH FOLLOW UP ACTION
15	In our opinion, the procedures of physical verification are not commensurate with the size of the Company and nature of its business, which requires to be strengthened more particularly with regard to handling of materials by third parties and maintenance of separate stock register for entire stocks.	The stock position is maintained on residual balance especially in the case of bulk cargoes. Quality of cargo is documented based on load port independent surveyor's report. Remedial measures are taken as and when there is apparent deterioration in cargo.
16	The Company is maintaining transaction-wise stock details which are compiled for control over the stock and necessary details are obtained from the custodians of stocks viz. Port Authorities, Warehouse, Surveyors, Business Associates. However, in our opinion a separate Stock Register should be maintained by the Company for entire stock.	The information on stock is compiled/ maintained by concerned branch and Marketing Division at Head Office. Monitoring of cargo is done through surveyors/visits by PEC officials. The procedures laid down are considered practical and adequate for normal business.  Since information on stock is available at the respective nodal points i.e. branch or concerned Marketing Division at Head Office the objective of maintaining a separate stock register is already met.
17	In our opinion and according to information and explanations given to us, the internal control procedures are neither adequate nor commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.	There are several internal circulars on various aspects of the business. These are reviewed from time to time to plug weaknesses wherever noticed.
18	The Company has an internal audit system, which is carried out by its own internal staff and as there is no sufficient internal control and internal audit system commensurate with the size of the company. However in our opinion the company needs to develop and put in place an audit manual and guidelines. Further the scope and coverage of the audit needs to be enhanced looking to the size and operations of the company.	The company has full-fledged Internal Audit Department headed by Chief Finance Manager and a Chartered Accountant. The strength of the Internal Audit Department is adequate commensurate with the size of the Company.
19	Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, which have been relied upon by us, we report that no fraud on or by the Company has been noticed or reported during the year except a case of theft/ misappropriation/fraud of pledged stock of Canadian yellow peas amounting to ₹ 86.80 Crores by one of its associates for which the matter is sub-Judice. (Refer Clause No. X of the Note No. 22 of the Financial Statements).	No other case of fraud has come to the notice of the management.



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PEC LIMITED FOR THE YEAR ENDED 31 MARCH 2012.**

The preparation of financial statements of **PEC Limited** for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 August 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statement of **PEC Limited** for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

**For and on behalf of the  
Comptroller and Auditor General of India**

**(Ila Singh)**

**Principal Director of Commercial Audit  
& ex-officio Member, Audit Board-I  
New Delhi.**

**Place: New Delhi**

**Dated: 26<sup>th</sup> September 2012**



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