

ANNUAL REPORT 2016 - 2017

DIRECTORS' REPORT

Your Directors present the Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March 2017.

(₹ in crores)

Financial Results	Current Year 2016-17	Previous Year 2015-16
Net Sales and Other Income	113.95	135.72
Profit before Finance Cost, Depreciation and Taxes	18.90	35.61
Less: Interest & Finance Charges	0.89	0.70
Depreciation	3.80	3.68
Profit before Tax	14.21	31.23
Less: Tax Expenses	2.68	10.62
Profit for the year	11.53	20.61
Balance as per last Balance Sheet	11.11	13.71
Amount available for appropriation	22.64	34.32
Appropriations		
Transfer to General Reserve	7.00	20.00
Proposed Dividend	-	2.67
Tax on proposed dividend	-	0.54
Balance carried to Balance Sheet	15.64	11.11
	22.64	34.32

Dividend

The Board has recommended a dividend of Rs. 6/- per equity share i.e., 60% of nominal value of Rs. 10/- each for the financial year ended 31st March, 2017. The dividend if approved by the Members in the ensuing Annual General Meeting, would involve a cash outflow of Rs. 3.21 Crore, including Dividend Distribution Tax of Rs. 0.54 Crore.

Transfer to reserve

The Company proposes to transfer Rs 7.00 Crs to the General Reserve out of the amount available for appropriation.

Performance of the Company

The Company posted a net Sales Turnover and Other Income of Rs 113.95 Crs during the year 2016-17 as compared to Rs 135.72 Crs, earned during the year 2015-16. The corresponding profit before tax is Rs 14.21 Crs against Rs 31.23 Crs posted in the previous year. The turnover of the Company was impacted as the

sales from the business of shunting locomotives and engineering products continued to be under pressure. The profit margins are under pressure due to increase in material and other costs. The highlights of the turnover is the supply of 5 nos. of drive line equipments for High Speed Accident Relief Trains (HS Spart), 3 nos. of power packs for Diesel Electric Tower Cars (DETC) and the manufacture & supply 19 nos of shunting locomotives to various customers during the year under reference.

The company with its Engineering and R & D effort was able to bag orders for various niche rail products during the financial year under review. The highlight of these orders and manufacturing programme is as under:

- Order from Integrated Coach Factory for the supply of 18 nos of drive line equipments for HS Spart. This order has been taken up for production during the current financial year after completing the designing of electronic control systems and other modifications.

- Order from Crompton Greaves Limited for the supply of 33 nos of power packs for DETC. The supplies against the said order has already commenced from the fourth quarter of the financial year 2016-17.
- Order from Indian Railways for the supply of 4 nos. of Utility Vehicle, a special purpose vehicle meant for handling track side material. The supplies against this order would be completed in the current financial year.
- Order from Indian Railways for the supply of 34 nos. of Diesel Electric Tower Cars, to be designed, manufactured and supplied within two years.
- Order from Indian Railways for 2 nos. of Work Side Tamper, a special purpose vehicle meant for ballast tamping. This will be manufactured and supplied by the Company during the current financial year.

With the development of power packs and special rail vehicles, your company has made substantial inroads in rail products business and hopes to add a few business verticals in the coming years.

Current Year

Your company opened the financial year with an order backlog of Rs. 320 Crs and has drawn a plan to execute considerable portion of these orders in the current financial year.

While sizable orders are received for power packs and special rail vehicles, the business scenario for shunting locomotives continue to be unstable as the customers are delaying the investment decisions on capacity creation.

Directors

Mr. Milind S Thakker will retire by rotation at the ensuing AGM and being eligible offer himself for reappointment.

Public Deposits

The Company has not accepted any public deposits from the public or the members during the year under review and no amount on account of principal or interest was outstanding as on the date of the balance sheet.

Particulars of loans, guarantees or investments

The company has not given any loan or guarantees or

made any investments covered under Section 186 of the Companies Act, 2013.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed together with proper explanation relating to material departure, if any;
- b) they had 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 the Company at the end of the financial year ended 31st March, 2017 and of the profit of the Company for the year;
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the accounts for the year ended 31st March 2017 were prepared on going concern basis;
- e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Corporate Governance

Constitution of the Board

The present strength of the Board of Directors of the Company is five directors. The Board comprises of one promoter director and four independent directors.

Board Meetings

The Board Meetings are conducted at least once every quarter to consider strategy and policy issues, matters relating to the operations of the Company and also review financial results and other reports. The board met five times during the financial year under review.

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Audit Committee

The Audit committee has met and reviewed the audited accounts and appointment of auditors of the company

Corporate Social Responsibility

The CSR committee of the company met and approved the CSR budget for the year and also monitored the implementation of CSR projects / initiatives.

The details about the CSR policy and initiatives undertaken by the Company on CSR during the year are available on Company's website www.san-engineering.com. Annual report on the CSR activities is appended as Annexure A to the Board's report.

Related party transactions

The transactions between the company with its related parties during the year 2016-17 were in the ordinary course of business and based on the principles of arm's length. The details of material related party transactions at an aggregate level for the year ended March 31, 2017 in form AOC-2 is annexed as Annexure B

Extracts of Annual Return

The details forming part of the extract of Annual Return in form MGT-9 is annexed herewith as Annexure C.

Risk Management Framework

The Company has taken steps to strengthen its business process by setting up standard operating procedures in day to day business activities. Systems are established to create an environment for timely and effective response by strengthening the internal control systems in the company.

Declaration by Independent directors

The Company has received necessary declaration from each independent director under Sec 149(7) of the Companies Act, 2013, that he meets the criteria of independence laid down in Sec 149(6) of the Act.

Auditors

M/s N R Rajagopalan & Co, Chartered Accountants, the statutory auditors of the Company retire at the conclusion of the Annual General Meeting and is eligible for re-appointment.

Cost Auditor

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board of Directors has appointed Mr. K Ramachandran, Cost Accountant in whole-time practice as the Cost Auditor for the financial year 2017-18. The remuneration payable to the cost auditor is placed for ratification by the members of the Company in terms of the said rules.

Particulars of Employees

Information as per Rule 5(2) of Chapter XIII, of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is set out as Annexure D forming part of this report

Information required under Sec 134(m) of the Companies Act, 2013

a) Conservation of Energy

The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.

The Company has taken several steps to reduce power consumption in all machines, especially in high consumption areas such as Heat Treatment by optimizing the loads and proper maintenance of furnaces. The company has modernized the machine shop by installing several CNC machines in place of convention machines. These machines have low energy consumption compared to convention machines.

(b) i) Research and Development

The company has a Research & Development Centre, which is recognized as an in-house R & D facility by the Ministry of Science and Technology, New Delhi. The R & D department is continuously engaged in the development of new technology, development of new range of products and improvement of existing products and processes.

Specific areas in which R & D was carried out by the Company:

During the year under review the company carried R & D activities on the following ongoing projects:

SAN ENGINEERING & LOCOMOTIVE CO. LTD.,

- Development of power packs for Diesel Electric Tower Cars
- Development of Utility Vehicles
- 700 / 800 hp Hybrid Locomotive development
- Electronic control systems on High Speed Accident Relief Trains (HS SPART).
- Standardisation of locomotives and rail products
- Development of gear boxes for a variety of standard and non-standard applications.
- Development of various speed reducer gear boxes.

Apart from the above, the R & D team also continued its work on standardization of various Final Drives, Cardan Shafts and further development of sub-assemblies for locomotives.

Benefits derived as a result of R & D:

With orientation of R & D activities towards product development and cost reduction, the company has been successfully achieving these objectives on a continuous basis.

Expenditure on R & D:	(₹ in Crores)
Capital	2.87
Recurring	0.87
Total	3.74
Total R & D Expenditure as	
Percentage of total turnover	3.28%

ii) Technology Absorption, Adoption and Innovation

The Company continues to make technical efforts for development of products, process and improvement of quality through its in house R & D activities. No foreign technical collaboration is in force as on the date.

c) Foreign Exchange Earnings & Outflow:

(₹ in crores)

i) Foreign Exchange Earned:

Export of goods on FOB basis 0.21

ii) Out Flow of Foreign Exchange:

Raw Material / Spares 7.81

Expenditure on Traveling/Others 0.13

Acknowledgement

The directors wish to place on record their sincere appreciation of the co-operation and the assistance extended by Company's bankers viz., State Bank of India and Canara Bank, during the year under review. The directors thank all the members for their confidence reposed in the Company. The Directors also wish to place on record their appreciation of the dedicated services rendered by the executives, staff and workers at all levels.

For and on behalf of the Board

Bangalore
14th July, 2017

MILIND S THAKKER
Chairman