

**S.G.KESHAVAMURTHY & Co.**  
**Chartered Accountants**

**INDEPENDENT AUDITOR'S REPORT**

To the Members **MRF CORP LIMITED**, CHENNAI.

**Report on the Financial Statements:**

We have audited the annexed Financial Statements of **MRF CORP LIMITED** ('The Company') which comprise the Balance Sheet as at 31<sup>st</sup> March 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements:**

The Company's Board of Directors are responsible for the matters stated in section 134 (5) of the Companies Act, 2013 ( "the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India, including the accounting standards specified under section 133 of the act, read with rule 7 of the companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgment and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility:**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and the rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation and presentation of the financial statements that give a true & fair view, in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the company's directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Opinion:**

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

- (i) In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2016;
- (ii) In the case of the statement of profit and loss, of the '**PROFIT**' for the year ended on that date;
- (iii) In the case of the Cash flow statement, of the cash flows for the year ended on that date;

**Report on Other Legal and Regulatory Requirements:**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, We report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the 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 Financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on 31 March 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016, from being appointed as a director in terms of section 164(2) of the Act;
- f. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note Q(m) to the financial statements;
- g.

**For S.G.KESHAVAMURTHY & CO.**

*Chartered Accountants*

Firm's registration number: 001779S

*S K Nagachandra*

*Partner*

Membership number: 022961

Place: Chennai

Date: 11/04/2016

## **Annexure to the Independent Auditors' Report:**

The Annexure referred to in our Independent Auditor's report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

1.
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
  - (c) The title deed in respect of immovable property is held in the name of the company.
2. As explained to us, physical verification of inventories has been conducted by management at reasonable intervals during the year. In our opinion and according to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventories by the management as compared to inventory records. However the discrepancies noticed on such verification have been properly dealt in the books of account by the management.
3. As explained to us no party has been listed in the Register maintained under section 189 of The Companies Act, 2013; The Company has not granted any loans secured or unsecured to companies/firms/LLP or other parties covered in the register maintained under section 189 of the companies Act 2013.
4. The Company has not granted any loans or provided any guarantee and security to persons specified under section 185 of the Companies Act 2013. The investments made by the company are in conformity with the provisions of section 186 of the companies Act 2013.
5. The company has not accepted any deposits from the public.
6. The Central Government has prescribed the maintenance of cost records under section 148(1) of the Act. We have broadly reviewed the accounts & records of the company in this regard and we are of the opinion that accounts and records have been made and maintained. We have however not made a detailed examination of the same.
7.
  - (a) As informed to us there are no undisputed amounts payable in respect of Provident Fund, ESI, Income Tax, Sales tax, , Service tax, duty of custom, duty of excise, Value Added Tax, cess and other statutory dues which were outstanding as at 31 March 2016 for a period of more than six months from the date on which the same became payable.

(b) There is a disputed liability of Rs.45.46 lakhs towards Income Tax for the Assessment Years 2012-13 & 2013-14 and the appeals are pending before the first appellate authority viz., Commissioner of Income Tax (Appeals)-Chennai.

8. The Company has not defaulted the repayment of its dues to financial institution, Bank, Government or Debenture holders.
9. The company did not raise any money by way of Initial Public offer or further Public Offer and the company has not taken any term loans.
10. On the basis of our examination and according to the information and explanations given to us no fraud on or by the company has been noticed or reported during the year.
11. The company has not paid or provided any remuneration as per the provisions of section 197 of the Companies Act.
12. The company is not a Nidhi Company.
13. The company has transactions with its Holding company and the details of the same are shown in notes forming part of the financial statements as required by the applicable accounting standards.
14. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with them.
16. The company is not required to be registered under section 45-IA of Reserve Bank of India Act, 1934.

**For S.G.KESHAVAMURTHY & CO.**

*Chartered Accountants*

Firm's registration number: 001779S

*S K Nagachandra*

*Partner*

Membership number: 022961

Place: Chennai

Date: 11/04/2016

**MRF CORP LIMITED:****Balance Sheet as at 31st March, 2016**

<b>Particulars</b>	<b>Note No</b>	<b>As at 31 March 2016 <u>Rs.</u></b>	<b>As at 31 March 2015 <u>Rs.</u></b>
<b><u>A) EQUITY AND LIABILITIES</u></b>			
<b><u>(1) Shareholder's Funds:</u></b>			
(a) Share Capital	2	501000	501000
(b) Reserves and Surplus	3	332563040	255911102
<b><u>(2) Non-Current Liabilities:</u></b>			
(a) Long Term Borrowings	4	73558787	123558787
(b) Deferred Tax Liabilities (Net)	5	1147662	- - -
<b><u>(3) Current Liabilities:</u></b>			
(a) Trade Payables	6	110390365	113336802
(b) Other Current Liabilities	7	45910709	29528591
(c) Short Term Provisions	8	13532633	8872106
<b>TOTAL</b>		<b>577604196</b>	<b>531708388</b>
<b><u>B) ASSETS</u></b>			
<b><u>(1) Non-current assets:</u></b>			
(a) Fixed Assets			
(i) Tangible Assets	9	112791792	57814830
(ii) Intangible Assets	9	154420	308840
(b) Non-current investments	10	88829	88829
(c) Deferred Tax Assets (Net)	5	- - -	19018
(d) Long Term Loans and Advances	11	2532527	4266444
(e) Other Non-Current Assets	12	529886	448886
<b><u>(2) Current assets:</u></b>			
(a) Current Investments	13	105905900	95905900
(b) Inventories	14	239143554	247706995
(c) Trade Receivables	15	62165025	62271254
(d) Cash and Cash Equivalents	16	38004013	52408867
(e) Short Term Loans and Advances	17	15046417	9256917
(f) Other Current Assets	18	1241833	1211608
<b>TOTAL</b>		<b>577604196</b>	<b>531708388</b>
<b>Significant Accounting Policies</b>	<b>1</b>		
<p>Notes referred to above form an integral part of the Accounts. This is the Balance Sheet referred to in our report of even date.</p> <p>For S.G.KESHAVAMURTHY &amp; Co., Chartered Accountants,</p> <p>S.K.NAGACHANDRA Partner Membership No:22961</p> <p>K.M.MAMMEN Director DIN: 00020202</p> <p>ARUN MAMMEN Director DIN: 00018558</p> <p>Place :Chennai Dated:11.04.2016</p>			

**MRF CORP LIMITED:****STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016**

Particulars	Note No	For the year ended 31 March 2016	For the year ended 31 March 2015
		<b>Rs.</b>	<b>Rs.</b>
Revenue from Operations (Gross)		1634155527	1494032423
<u>Less: Excise Duty</u>		(182831006)	(177036083)
<b>Revenue from Operations (Net)</b>	<b>19</b>	<b>1451324521</b>	<b>1316996340</b>
Other Income	<b>20</b>	8327991	5800912
<b>Total Revenue</b>		<b>1459652512</b>	<b>1322797252</b>
<b>Expenses:</b>			
(a) Cost of materials consumed	<b>21</b>	815428779	808262716
(b) Changes in inventory of finished goods, work-in-progress and stock in trade	<b>22</b>	6873441	(9485728)
(c) Employee benefits expense	<b>23</b>	120328310	102971388
(d) Finance cost	<b>24</b>	602214	580059
(e) Depreciation and amortization expense	<b>9</b>	8399757	7438357
(f) Other expenses	<b>25</b>	383299043	316125735
<b>Total Expenses</b>		<b>1334931544</b>	<b>1225892527</b>
Profit before exceptional/extraordinary items and tax		124720968	96904725
<b>Profit before extraordinary items</b>		<b>124720968</b>	<b>96904725</b>
<b>Profit before tax</b>		<b>124720968</b>	<b>96904725</b>
<b>Tax expense</b>			
(a) Current tax		45700000	31200000
(b) Deferred Tax		1166680	(1631500)
<b>Total Tax expenses</b>		<b>46866680</b>	<b>29568500</b>
<b>Profit / (Loss) for the year</b>		<b>77854288</b>	<b>67336225</b>
<b>Earning per equity share</b>			
(a) Basic		1553.98	1344.04
(b) Diluted		1553.98	1344.04
<b>Significant Accounting Policies</b>	<b>1</b>		
Notes referred to above form an integral part of the Accounts. This is the Statement of Profit & Loss referred to in our report of even date. For S.G.KESHAVAMURTHY & Co., Chartered Accountants,			
S.K.NAGACHANDRA Partner Membership No:22961	K.M.MAMMEN Director DIN: 00020202	ARUN MAMMEN Director DIN: 00018558	
Place :Chennai Dated:11.04.2016			

**MRF CORP LIMITED****Cash Flow Statement for the year ended 31st March 2016.**

	<b>Year 2015-16</b>		<b>Year 2014-15</b>	
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
<b><u>(A) CASH FLOW FROM OPERATING ACTIVITIES</u></b>				
Profit before Taxation and Exceptional items	124720968		96904725	
<b><u>Adjustments for:</u></b>				
Depreciation	8399757		7438357	
<b>Operating Profit before Working Capital Changes</b>		<b>133120725</b>		<b>104343082</b>
<b><u>Adjustments for changes in Working Capital:</u></b>				
Trade receivables	106229		4264045	
Inventories	8563441		(19252132)	
Prepaid expenses & accrued interest	(30225)		(276000)	
Loans & advances	(4136583)		3167225	
Trade Payable	(2946437)		8623345	
Other Current Liabilities	16986665		(4045051)	
		18543090		(7518568)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>151663815</b>		<b>96824514</b>
Direct Taxes paid	(41644020)		(30140012)	
		(41644020)		(30140012)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>110019795</b>		<b>66684502</b>
<b><u>(B) CASH FLOW FROM INVESTING ACTIVITIES</u></b>				
Purchase of Investment	(10000000)		(7349467)	
Purchase of/additions to Fixed Assets	(63222299)		(4751848)	
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(73222299)</b>		<b>(12101315)</b>
<b><u>(C) CASH FLOW FROM FINANCING ACTIVITIES</u></b>				
Dividend & Corporate Dividend Tax paid	(1202350)		(1172290)	
Repayment of Loan (MRF Ltd)	(50000000)		(30000000)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(51202350)</b>		<b>(31172290)</b>
<b>NET DECREASE/INCREASE IN CASH (A+B+C)</b>		<b>(14404854)</b>		<b>23410897</b>
<b>Opening balance of Cash &amp; Cash Equivalents</b>		52408867		28997970
<b>Closing balance of Cash &amp; Cash Equivalents</b>		38004013		52408867

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

For S.G.KESHAVAMURTHY & Co.,  
Chartered Accountants,

S.K.NAGACHANDRA  
Partner  
Membership No:22961

K.M.MAMMEN  
Director  
DIN: 00020202

ARUN MAMMEN  
Director  
DIN: 00018558 |

Place :Chennai  
Dated:11.04.2016



## **MRF CORP LIMITED**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

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#### **A. BASIS OF ACCOUNTING:**

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 which continue to apply under Section 133 of the Companies Act, 2013, ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013, to the extent applicable.

#### **B. USE OF ESTIMATES:**

The preparation of financial statements require estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

#### **C. FIXED ASSETS AND DEPRECIATION:**

a. Fixed Assets are stated at cost net of credits under Cenvat/VAT Schemes. All costs relating to the acquisition including freight and installation of Fixed Assets are capitalised and also include interest on borrowings upto the date of capitalisation.

##### **b. Depreciation:**

(i) Effective 1st April 2014, depreciation on Buildings has been provided on straight line method as specified in Schedule II to the Companies Act, 2013.

(ii) The estimate of the useful life of other class of assets has been assessed based on technical advice which considered the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support, etc. The above change has resulted in higher depreciation for the period From 01.04.2015 to 31.03.2016 by Rs. 9,56,187/- .

(iii) Assets acquired/purchased costing less than Rupees five thousand have been depreciated at the rate of 100%.

(iv) Intangible Assets are amortised over 5 years commencing from the year in which the expenditure is incurred.

#### **D. IMPAIRMENT OF ASSETS:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as impairment loss and is recognised in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

#### **E. INVESTMENTS:**

Long-term Investments are stated at Cost. Current Investments are stated lower of cost and fair value. Diminution is provided to recognize a decline, other than temporary, in the value of long-term Investments.

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## **MRF CORP LIMITED**

### **SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

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#### **F. INVENTORY:**

Inventory consisting of stores & spares, raw material, work-in-progress and finished goods are valued at lower of cost and net realisable value.

The cost is computed on FIFO basis and is net of credit under Cenvat / VAT schemes.

Work-in-Progress and Finished Goods inventory include materials, labour cost and other related overheads.

#### **G. REVENUE RECOGNITION:**

Sale of goods and services are recognised when risks and rewards of ownership are passed on to the customers which generally coincide with delivery and when the services are rendered, Sale Include Excise Duty but exclude VAT.

#### **H. EXCISE DUTY:**

Excise Duty has been accounted on the basis of both payments and made in respect of goods dispatched and also provision made for goods lying in bonded warehouses.

#### **I. RESEARCH AND DEVELOPMENT:**

Revenue expenditure on Research and Development is charged to the Statement of Profit and Loss, the year in which it is incurred. Capital expenditure on Research and Development is included as additions to Fixed Assets.

#### **J. PROPOSED DIVIDEND:**

Dividend Proposed by the Directors is provided for in the books of account pending approval at the Annual General Meeting.

#### **K. TAXATION:**

Provision for Current Tax is made on the basis of estimated taxable income for the current accounting period and in accordance with the provisions of the Income Tax Act. 1961.

Deferred Tax for Timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been enacted or substantially enacted on the Balance Sheet date. The Deferred Tax Asset is recognised and carried forward only to the extent that there is a reasonable certainty except for carry forward losses and unabsorbed depreciation which is recognised on virtual certainty that the assets will be adjusted in future.

#### **L. LEASES:**

Lease payments under operating leases are recognised as expenses on straight line basis over the lease term in accordance with the period specified in respective agreements.

#### **M. EMPLOYEE BENEFITS:**

The Company's contribution to the Provident Fund is remitted to a Trust established for this purpose based on fixed percentage of the eligible employees' salary and charged to the Statement of Profit and Loss. The company is liable for annual contributions and any shortfall in the fund assets, based on the Government specified minimum rate of return, and recognises such contributions and shortfall, if any, as an expense in the year incurred. The Company also contributes to Regional Provident Fund on behalf of some of its employees who are not part of the above Trust and such contributions are charged to the Statement of Profit and Loss.

The Company also contributes to a Government administered Pension Fund on behalf of its employees, which are charged to the Statement of Profit and Loss.

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## **MRF CORP LIMITED**

### **SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

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Superannuation benefits to employees, as per Company's Scheme, have been funded with Life Insurance Corporation of India (LIC) and contribution is charged to the Statement of Profit and Loss.

Liabilities with regard to Gratuity are determined under Group Gratuity Scheme with LIC and the provision required is determined as per Actuarial Valuation as at the Balance Sheet date, using the Projected Unit Credit Method.

Short term employee benefits are recognised as an expense as per the Company's Scheme based on expected obligation on undiscounted basis. Other Long term employee benefits are provided based on the Actuarial Valuation done at the year end, using the Projected Unit Credit Method.

Actuarial gains/loss are charged to the Statement of Profit and Loss and not deferred.

#### **N. FOREIGN CURRENCY TRANSACTIONS:**

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

Monetary items, denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the contracted rate is recognized as exchange difference. Premium paid on forward contracts has been recognized over the life of the contract. Non monetary foreign currency items are carried at cost.

#### **O. BORROWING COSTS:**

Borrowing Costs that are attributable to the acquisition of or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to statement of profit and loss.

#### **P. PROVISIONS AND CONTINGENT LIABILITIES:**

A provision is recognised when there is a present obligation as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent Liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligations or reliable estimate of the amount of the obligation cannot be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### **Q. NOTE - OTHER ADDITIONAL INFORMATION.**

a) The Company has adopted Accounting Standard 22 "Accounting for taxes on income"; and the net deferred tax liability amounting to Rs.11,47,662/- pertaining to the current year has been recognized.

	<u>Current Year</u> <u>31/03/2016</u> (Rs.)	<u>Year ended</u> <u>31/03/2015</u> (Rs.)
<b>Liability:</b>		
Depreciation	17,06,505/-	2,41,325/-
	-----	-----
	17,06,505/-	2,41,325/-
	-----	-----
<b>Asset:</b>		
Expenditure allowable on actual payment	5,58,843/-	2,60,343/-
	-----	-----
	5,58,843/-	2,60,343/-
	-----	-----
Net Deferred Tax Liability/(Asset)	11,47,662	(19,018)

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## **MRF CORP LIMITED**

### **SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

b) Provision for Taxation has been made in respect of the income presently determined for the period 1<sup>st</sup> April '2015 to 31st March' 2016 which is subject to appropriate revision/adjustment on final determination of Income for the year to end on 31st March, 2016, relating to assessment year 2016-17.

c) In terms of the guidance on implementing the revised AS 15 issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the Provident Fund Trust set up by the Company is treated as Defined Benefit Plan since the Company has to meet the shortfall in the fund assets, if any. However, as at year end, no shortfall remains un provided for. Further, having regard to the assets of the Fund and Return on the Investments, the Company does not expect any deficiency in the foreseeable future.

d) During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	<u>Current Year</u> <u>31/03/2016</u> (Rs.)	<u>Year ended</u> <u>31/03/2015</u> (Rs)
i) Employer's contribution to Provident Fund&Family Pension Fund *	47,16,235/-	40,68,085/-
ii) Employer's contribution to Superannuation Fund *	19,79,713/-	16,15,842/-
*(Included in 'Contribution to Provident and Other Funds')		
iii) Defined benefit obligation:		
a) Gratuity Funded	59,34,591/-	24,30,893/-
Service Cost	--	--
Interest Cost	--	--
Expected return of plan assets	--	--
Actuarial (Gain)/Loss	--	--
Net Cost	59,34,591/-	24,30,893/-
iv) Other Long Term Employee Benefits:		
a) Leave encashment – Non Funded	53,44,075/-	47,39,528/-

e) Related party disclosures:

(i) Names of related parties and nature of relationship where control exists are as under:

Holding Company :**MRF Limited**

(ii) Transactions with related parties:

<u>Nature of transactions</u>	<u>Current Year</u> <u>31/03/2016</u> (Rs.)	<u>Year ended</u> <u>31/03/2015</u> (Rs.)
Sale of Finished Goods (Paints & Thinners)	1,97,84,214/-	1,56,90,444/-
Dividend paid	10,02,000/-	10,02,000/-
Lease Rent paid	13,09,581/-	12,79,352/-
Expenditure reimbursed	25,57,973/-	46,75,678/-
Deposit repaid	2,00,000/-	----
Loan repaid	5,00,00,000/-	3,00,00,000/-
<u>Outstanding:</u>		
Loan Payable	7,35,58,787/-	12,35,58,787/-
Trade Receivable	32,69,699/-	14,20,288/-
Other Payable	59,34,591/-	----

## **MRF CORP LIMITED**

### **SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

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**f)** The Company's leasing arrangements are in respect of operating leases for premises (residential, office, godowns etc.) The leasing arrangements are not non-cancellable, range between eleven months and three years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

**g)** Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for Rs.-NIL- (Previous Year – Rs.1,73,000/-)

**h)** The Company operates mainly in one business segment, i.e. Paints; accordingly sales and stock in trade represent paints.

**i)** Fixed Deposit with Indian Bank, Anna Salai Branch, Chennai-2, to the tune of Rs.2,80,000/- is pledged at Indian Bank, Anna Salai Branch, Chennai-2, for issue of Bank Guarantees in favour of 'The Commercial Tax Authorities, New Delhi' for VAT purpose.

**j)** CIF Value of Imports:-

	<u>Current Year</u> <u>31/03/2016</u> (Rs.)	<u>Previous Year</u> <u>31/03/2015</u> (Rs.)
Raw Materials	7,10,61,843/-	5,51,24,904/-
Capital Goods	32,17,626/-	- NIL –

**k)** Contingent Liabilities not provided for:

**(i)** Income Tax demand for AY 2012-13 Rs.35,89,880/-

**(ii)** Income Tax demand for AY 2013-14 Rs. 9,57,840/-

**l)** The Figures of the previous year have been regrouped wherever necessary to make them comparable with that of the current year.

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Vide our Report of even date  
For S.G.KESHAVAMURTHY & Co.,  
Chartered Accountants,

S.K.NAGACHANDRA  
Partner  
Membership No:22961

K.M.MAMMEN  
Director  
DIN: 00020202

ARUN MAMMEN  
Director  
DIN: 00018558

Place :Chennai  
Dated:11.04.2016

**MRF CORP LIMITED:****Notes to Accounts**

	<b>As at 31.03.2016</b>	<b>As at 31.03.2015</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:2. Share Capital:</u></b>		
<b><u>Authorised:</u></b>		
50,00,000 Equity Shares @ Rs.10/- each	50000000	50000000
1,000-11% Redeemable Preference Shares @ Rs.100/- each	100000	100000
	<b>50100000</b>	<b>50100000</b>
<b><u>Issued, Subscribed &amp; Paid up:</u></b>		
50,100 Equity Shares @ Rs.10/- each fully paid-up	501000	501000
(a) Entire Capital is held by MRF Limited - Holding Company		
(b) The Company has only one class of shares viz.,		
- Equity Shares having a Par Value of Rs.10/-		
- Each holder of equity shares is entitled to one vote per share.		
	<b>501000</b>	<b>501000</b>
<b><u>Note No:3. Reserves and Surplus:</u></b>		
<b><u>General Reserve</u></b>		
Per Last Balance Sheet	<b>29313726</b>	<b>19623253</b>
<b><u>Add:</u></b> Transfer from Surplus in Statement of Profit and Loss	12472097	9690473
Balance at the end of the year	<b>41785823</b>	<b>29313726</b>
<b><u>Surplus in Statement of Profit and Loss:</u></b>		
Per Last Balance Sheet	<b>226597376</b>	170153974
(+) Net Profit/(Net Loss) For the year	77854288	67336225
Closing Balance	<b>304451664</b>	<b>237490199</b>
<b><u>Less: Appropriations</u></b>		
Proposed Dividend	1002000	1002000
(Dividend per share Rs.20/-)		
Tax on Proposed Dividend	200350	200350
Transferred to General Reserve	12472097	9690473
	<b>290777217</b>	<b>226597376</b>
	<b>332563040</b>	<b>255911102</b>
<b><u>Note No:4. Long-term Borrowings:</u></b>		
<b><u>Unsecured</u></b>		
Loans and advances - (From MRF Limited)	<b>73558787</b>	<b>123558787</b>
<b><u>Note No:5. Deferred Tax Liabilities / (Assets) (Net)</u></b>		
<b><u>(i) Deferred Tax Assets</u></b>		
-Expenses allowable on payment basis	(558843)	(260343)
<b><u>(ii) Deferred Tax Liabilities</u></b>		
-Depreciation and related items	1706505	241325
	<b>1147662</b>	<b>(19018)</b>

**MRF CORP LIMITED:****Notes to Accounts**

	<b><i>As at</i></b> <b><i>31.03.2016</i></b>	<b><i>As at</i></b> <b><i>31.03.2015</i></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:6. Trade Payables:</u></b>		
Trade Payables	110390365	113336802
	<b>110390365</b>	<b>113336802</b>
<b><u>Note No:7. Other Current Liabilities:</u></b>		
Sales Tax Payable	16673757	14513150
Liabilities for Expenses	14520379	2952285
Other Liabilities	461124	394023
TDS payable	1987704	1415170
Advances from Customers	12053275	10043088
Other Payables-Employee Benefits	214470	210875
	<b>45910709</b>	<b>29528591</b>
<b><u>Note No:8. Short-term Provisions:</u></b>		
Income Tax payable (Net of Advance Tax/TDS)	6986208	2930228
Proposed Dividend	1002000	1002000
Tax on Proposed Dividend	200350	200350
Provision for Employee Benefits-Leave encashment-Non Funded	5344075	4739528
	<b>13532633</b>	<b>8872106</b>

**MRF CORP LIMITED:****Note No: 9. FIXED ASSETS**

	Fixed Assets	Gross Block				Depreciation/Amortisation				Net Block	
		Balance as at 1 April 2015	Additions during the year	Deductions/ Adjustments	Balance as at 31 March 2016	Balance as at 1 April 2015	Additions during the year	Deductions/ Adjustments	Balance as at 31 March 2016	Balance as at 31 March 2016	Balance as at 31 March 2015
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
(i)	<b>Tangible Assets</b>										
	Feehold Land	--	22169015	--	22169015	--	--	--	--	22169015	--
	Buildings	2138829	261044	--	2399873	233069	68556	--	301625	2098248	1905760
	Plant and Equipment	37550265	34044479	--	71594744	5120835	2190756	--	7311591	64283153	32429430
	Furniture and Fixtures	10021186	1517001	--	11538187	6351146	2062681	--	8413827	3124360	3670040
	Vehicles	2970267	0.00	--	2970267	1326758	546062	--	1872820	1097447	1643509
	Office equipment	1889382	450643	--	2340025	743972	374558	--	1118530	1221495	1145410
	Other Electrical Equipment	19803822	3974269	--	23778091	3722161	2348236	--	6070397	17707694	16081661
	Others(Data processing equipments)	2054356	805848	--	2860204	1115336	654488	--	1769824	1090380	939020
	<b>Total</b>	<b>76428107</b>	<b>63222299</b>	<b>--</b>	<b>139650406</b>	<b>18613277</b>	<b>8245337</b>	<b>--</b>	<b>26858614</b>	<b>112791792</b>	<b>57814830</b>
(ii)	<b>Intangible Assets</b>										
	Computer software	772100	--	--	772100	463260	154420	--	617680	154420	308840
	<b>Total</b>	<b>772100</b>	<b>--</b>	<b>--</b>	<b>772100</b>	<b>463260</b>	<b>154420</b>	<b>--</b>	<b>617680</b>	<b>154420</b>	<b>308840</b>
(iii)	<b>Capital work-in-progress</b>	--	63222299	63222299	--	--	--	--	--	--	--
	<b>Total</b>	<b>--</b>	<b>63222299</b>	<b>63222299</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>Total ( i + ii + iii )</b>	<b>77200207</b>	<b>126444598</b>	<b>63222299</b>	<b>140422506</b>	<b>19076537</b>	<b>8399757</b>	<b>--</b>	<b>27476294</b>	<b>112946212</b>	<b>58123670</b>
	<b>Previous Year</b>	<b>72448359</b>	<b>9503696</b>	<b>4751848</b>	<b>77200207</b>	<b>11638180</b>	<b>7438357</b>	<b>--</b>	<b>19076537</b>	<b>58123670</b>	<b>60810179</b>



**MRF CORP LIMITED:****Notes to Accounts**

<b>Note No</b>	<b>As at 31.03.2016</b>	<b>As at 31.03.2015</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:10. Non Current Investments:</u></b>		
<b>a) Investments in Equity Instruments (At cost)</b>		
50 Fully paid Equity Shares of Rs.10/- each in 'Akzo Nobel India Ltd'	2688	2688
3840 Fully paid Equity Shares of Rs.1/- each in 'Asian Paints Ltd'	12742	12742
50 Fully paid Equity Shares of Rs.10/- each in 'Bakelite Hylam Ltd'	2912	2912
5 Fully paid Equity Shares of Rs.10/- each in 'Baroda Rayon Corporation Ltd'	2875	2875
50 Fully paid Equity Shares of Rs.10/- each in 'Bayer CropScience Ltd'	4175	4175
70 Fully paid Equity Shares of Rs.10/- each in 'Camphor & Allied Products Ltd'	4175	4175
50 Fully paid Equity Shares of Rs.10/- each in 'Century Enka Ltd'	13500	13500
50 Fully paid Equity Shares of Rs.10/- each in 'Forbes & Co Ltd'	12250	12250
50 Fully paid Equity Shares of Rs.10/- each in 'Gujarat Carbon & Industries Ltd'	2787	2787
15 Fully paid Equity Shares of Rs.10/- each in 'J K Synthetics Ltd'	5050	5050
50 Fully paid Equity Shares of Rs.10/- each in 'Nirlon Ltd'	1088	1088
100 Fully paid Equity Shares of Rs.10/- each in 'NOCIL'	6825	6825
50 Fully paid Equity Shares of Rs.10/- each in 'Philips Carbon Black Ltd'	1775	1775
50 Fully paid Equity Shares of Rs.10/- each in 'SRF Ltd'	1725	1725
50 Fully paid Equity Shares of Rs.10/- each in 'Synthetics & Chemicals Ltd'	2562	2562
20 Fully paid Equity Shares of Rs.10/- each in 'Tata Steel Ltd'	11700	11700
<b>(Aggregate Market Value Rs.36,85,141/-)</b>	<b>88829</b>	<b>88829</b>
	<b>88829</b>	<b>88829</b>
<b><u>Note No:11. Long Term loans and advances:</u></b>		
Advance for Capital Purchase	- -	120427
Advance Sales Tax	45427	1716242
Staff Loans	2487100	2429775
	<b>2532527</b>	<b>4266444</b>
<b><u>Note No:12. Other Non-Current Assets:</u></b>		
Security & Other Deposits	529886	448886
	<b>529886</b>	<b>448886</b>
<b><u>Note No:13. Current Investments:</u></b>		
<b><u>Investments in liquid mutual funds</u></b>		
-Reliance Fixed Horizon Fund(G) *	- -	10000000
-HDFC High Int Fund-STP-Post IPO coll *	- -	12500000
-ICICI Prudential Flexible Income Plan-Reg. (G) *	- -	10000000
-Franklin Templeton MF-Low Duration Fund *	- -	17500000
-HDFC FR Income Fund-STP-WHO-(G) *	- -	10000000
-UTI-ST Income Fund Ins(G) *	20000000	15000000
-Reliance Short Term Fund *	30905900	10905900
-Birla SL-FRF Long Term Reg. (G) *	10000000	10000000
-RELIANCE CORPORATE BOND FUND-CBGP	10000000	- -
-BIRLA SUNLIFE DYNAMIC BOND FUND(G)	15000000	- -
-BIRLA SUNLIFE SHORT TERM OPPOR+B22TUNITIES FUND(G)+B46	15000000	- -
-DSP BLACK ROCK INCOME OPPORTUNITIES FUND(G)	5000000	- -
* All Growth funds are stated @ cost		
	<b>105905900</b>	<b>95905900</b>

**MRF CORP LIMITED:****Notes to Accounts**

	<b>As at 31.03.2016</b>	<b>As at 31.03.2015</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:14. Inventories:</u></b> <i>(at lower of cost or net realisable value)</i>		
Raw Material	79337326	82385525
Work in Progress	1885475	2640388
Finished Goods	140148524	157687051
Traded Goods	14915767	3495767
Stores & spares	2856462	1498264
	<b>239143554</b>	<b>247706995</b>
<b><u>Note No:15. Trade Receivables:</u></b> <b><u>Unsecured, Considered good, due for a period:</u></b>		
Less than six months	61771370	61162307
More than six months	393655	1108947
	<b>62165025</b>	<b>62271254</b>
<b><u>Note No:16. Cash and Cash Equivalents:</u></b>		
Balances with banks	37709142	52151265
Cash, Cheques, drafts on hand	294871	257602
	<b>38004013</b>	<b>52408867</b>
<b><u>Note No:17. Short-Term loans and advances:</u></b>		
Advance with Excise authorities	2045557	1102358
Loans and advances to Employees	561985	490719
Other Advances for services & supplies	12438875	7663840
	<b>15046417</b>	<b>9256917</b>
<b><u>Note No:18. Other Current Assets:</u></b>		
Prepaid Expenses	1241833	1211608
	<b>1241833</b>	<b>1211608</b>

**MRF CORP LIMITED:****Notes to Accounts (Contd.)**

	<b>2015-16</b>	<b>2014-15</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:19. REVENUE FROM OPERATIONS:</u></b>		
Sale of Products	1628681449	1489640091
<b><u>Less:</u></b> Excise Duty	(182831006)	(177036083)
Scrap sales	5474078	4392332
	<b>1451324521</b>	<b>1316996340</b>
<b><u>Note No:20. OTHER INCOME:</u></b>		
Interest - Deposits	----	67574
Dividend on Investments(other than Trade)	19887	2045107
Profit on Sale of Investment	7759127	3318201
Other Miscellaneous Income	548977	370030
	<b>8327991</b>	<b>5800912</b>
<b><u>Note No:21. COST OF MATERIALS CONSUMED</u></b>		
<b><u>Class of Goods</u></b>		
Resins	192883538	193995765
Solvents	63482500	82965547
Intermediates	146706415	191470299
Others	412356326	339831105
<b>Total cost of materials consumed</b>	<b>815428779</b>	<b>808262716</b>
<b><u>Note No:22.</u></b>		
<b><u>Changes in inventory of finished goods,</u></b>		
<b><u>work-in-progress and stock-in-trade</u></b>		
<b>Opening Stock:</b>		
Finished Goods	157687052	150649690
Work-in-progress	2640388	2981944
Stock-in-trade	3495767	705845
<b>(a)</b>	<b>163823207</b>	<b>154337479</b>
<b>Closing Stock:</b>		
Finished Goods	140148524	157687052
Work-in-progress	1885475	2640388
Stock-in-trade	14915767	3495767
<b>(b)</b>	<b>156949766</b>	<b>163823207</b>
<b>(a-b)</b>	<b>6873441</b>	<b>(9485728)</b>
<b><u>Note No:23. Employee Benefits Expense:</u></b>		
Salaries & Wages , Bonus & Commission	100857919	89510558
Contribution to Provident and Other Funds	6727004	5705954
Staff Welfare Expenses	12743387	7754876
	<b>120328310</b>	<b>102971388</b>
<b><u>Note No:24. Finance cost:</u></b>		
Interest Charges	10081	12134
Bank Charges	592133	567925
	<b>602214</b>	<b>580059</b>

**MRF CORP LIMITED:****Notes to Accounts**

	<b>2015-16</b>	<b>2014-15</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Note No:25. Other Expenses:</u></b>		
Rent	18182592	15456354
Rates & Taxes	3398663	3314490
Power and Fuel	1913449	1823609
Insurance	1142083	1043090
Repairs - Buildings	508348	491313
Repairs - Plant and Machinery	1915947	1494908
Repairs - Other Assets	2616283	4223510
Communication Expenses	3011934	3045655
Stores and Spares Consumed	7054795	8679436
Freight and Forwarding (Net)	77022456	70896141
Commission & Discount	108523175	91189304
Processing Expenses	27286186	23830059
Travelling & Conveyance	10437521	10111681
Vehicle Expenses	1932554	1792143
Advertisement	68289238	48854904
Printing & Stationery	2049297	1834618
Sales Tax Absorbed by the company	122892	153133
Bad Debts	411161	1281761
Provision for Doubtful Debts		- -
Miscellaneous Expenses	47047616	26376078
<b><u>Auditors Remuneration:</u></b>		
Fee for Statutory Audit	116140	112360
Fee for Tax Audit	28500	- -
Auditors - Reimbursement of Expenses	137600	100000
Net Loss/(Gain) on Foreign Currency Transactions	150613	21188
<b>Total</b>	<b>383299043</b>	<b>316125735</b>