

**Ace Micromatic**  
Group Company



## ACE DESIGNERS LIMITED

Regd. Office: Plot No.7 & 8, 2<sup>nd</sup> Phase, Peenya Industrial Area,  
Bangalore – 560 058.

<b>BOARD OF DIRECTORS</b>	:	Mr. A.V. Sathe Chairman
		Mr. S.G. Shirgurkar Managing Director
		Mr. B. Machado Managing Director
		Mr. R. Srinivasan Director
		Mr. A. Shankar Director
<b>COMPANY SECRETARY &amp; SENIOR MANAGER – ACCOUNTS</b>	:	Mr. H.R. Sampath Kumar
<b>BANKERS</b>	:	M/s. Syndicate Bank, Industrial Finance Branch, Dickenson Road, Manipal Centre, Bangalore – 560 042.
<b>AUDITORS</b>	:	M/s. P.A. Ghatage & Co., Chartered Accountants, No.124, Margosa Road, Malleswaram, Bangalore – 560 003.
<b>WHOLLY OWNED SUBSIDIARY</b>	:	M/s. Ace International Inc. 49684, Martin Drive, Wixom, Michigan – 48393.
<b>WORKS</b>	:	Plot No.7 & 8, 2 <sup>nd</sup> Phase , Peenya Industrial Area, Bangalore – 560 058.

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## ACE DESIGNERS LIMITED

Regd Office : Plot No.7 & 8, 2<sup>nd</sup> Phase, Peenya Industrial Area,  
BANGALORE-560 058

### NOTICE

To  
All Members  
Ace Designers Limited  
Bangalore-560 058

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of **ACE DESIGNERS LIMITED** will be held on Wednesday, the 21<sup>st</sup> July 2004 at 10.30 a.m at 10/30, Sindhi School Lane, Kumara Krupa Road, High Grounds, Bangalore-560 001 for the purpose of transacting the following business :

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31<sup>st</sup> March 2004 and the Profit & Loss Account for the year ended on that date together with the Auditors' Report thereon.
2. To appoint a Director in place of Sri. B.Machado who retires by rotation, but being eligible, offers himself for re-appointment.
3. To declare a Dividend.
4. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution :

**RESOLVED** that M/s P.A.Ghatage & Company, Chartered Accountants, Bangalore-560 003 be and are hereby appointed Statutory Auditors of the Company from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration of Rs.50,000/- plus Service Tax and reimbursement of actual out of pocket expenses.

By Order of the Board of Directors

**H.R.SAMPATH KUMAR**  
**COMPANY SECRETARY &**  
**SENIOR MANAGER-ACCOUNTS**

Bangalore,  
Dated : 29<sup>th</sup> June, 2004

#### Note :

1. A member entitled to vote is entitled to appoint a Proxy to attend and on a Poll to vote instead of himself. Any person so appointed need not be a member of the Company. A Proxy, in order to be effective, must be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.

## DIRECTORS' REPORT

The Members,  
**ACE DESIGNERS LIMITED,**  
Bangalore.

Ladies and Gentlemen,

Your Directors have pleasure in presenting the Seventeenth Annual Report and Accounts of your Company for the year ended 31<sup>st</sup> March 2004 ;

### FINANCIAL PERFORMANCE

The salient features of the financial performance during the year ended 31<sup>st</sup> March 2004 are summarised as under:

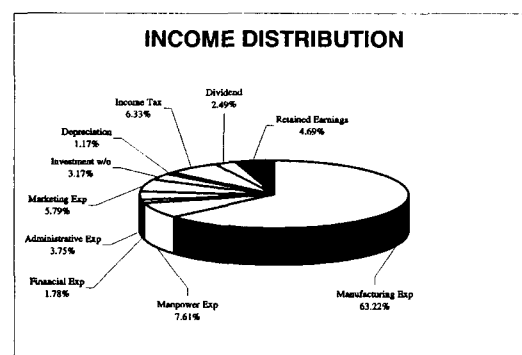
	(Rs. in Lakhs)	
	31-3-2004	31-3-2003
Sales	10252.63	6894.04
Other Income	95.61	117.28
Stock value adjustment	417.49	(94.64)
Profit before Interest and Depreciation	1773.30	1295.99
Financial Charges	192.04	289.90
Depreciation	126.37	111.09
Profit before tax	1454.89	895.00
Income-tax	655.00	340.00
Add/(less)Deferred Tax	(26.57)	15.08
Profit after tax	773.32	570.08
Balance b/f from previous year	734.30	461.58
Amount available for appropriation	1507.62	958.84

### APPROPRIATION

Dividend	237.60	148.50
Corporate Tax on Dividend	30.44	19.03
Transferred to General Reserves	77.33	57.01
Balance carried to Balance Sheet	1162.25	734.30

### OPERATIONS

During the year under review, Company achieved a record turnover of Rs.102.56 Crores by crossing a billion rupee mark. This year too, Company retained its number one position both in terms of highest number of CNC lathes produced & sold in the domestic market. The number of machines produced & sold during the last year stood at 665 Nos., as against 459 Nos. in the corresponding period of the previous year. The year also witnessed a record growth Sales of over 48% and Profit before tax close to 200%, as compared to its previous year performance.



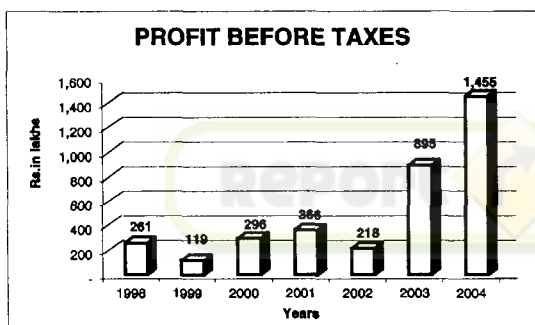
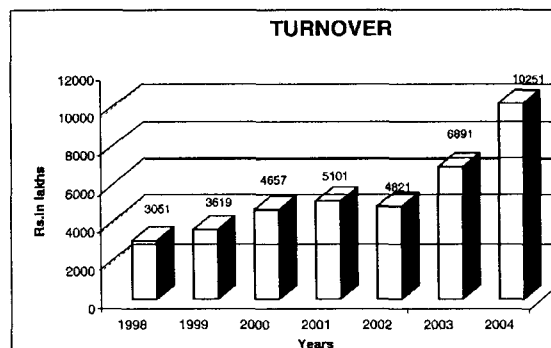
Overall, the previous year was an un-precedented year of performance in terms of sales, production and orders received & executed.

## DIVIDEND

Your Directors are pleased to recommend a Dividend at the rate of 40% on the Paid up Equity Capital of the Company involving an out-go of Rs.237.60 lakhs and a Corporate Tax payable thereon of Rs.30.44 lakhs.

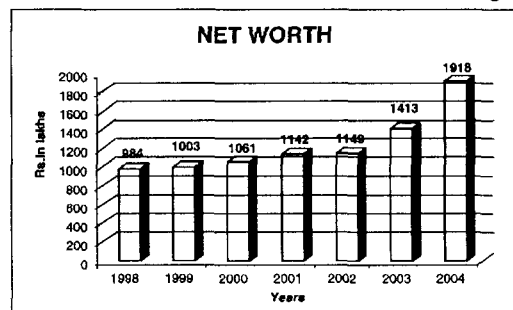
## BUSINESS PROSPECTS:

The year under review witnessed tremendous market boom in the entire manufacturing sector and resultantly in the Engineering Industry in general and machine tool Industry in particular. This trend in the market has become stronger in the current year and your Directors are optimistic of achieving an increased turnover in the current year, to stand at Rs. 150 Crores which is over 50% of the turnover of the year under review.



During the current year, your Company shifted its main Assembly Plant to its New Unit located at Plot No. 7 & 8, where it has set up a state-of-the-art infrastructure with in-house facility for phosphating and powder coating. We have also invested in automated Stores Management system for efficient storage & handling of tools & equipments. During the last year, the Company also commissioned the FLOW-LINE concept for assembly of standard machines, to reach the desired volumes in coming

years. The Overwhelming market response for your Company's products, has thrown a new challenge requiring us to create additional Assembly and manufacturing space and to meet this challenge, during the current year, your Company proposes to construct one more hanger adjacent to the Shop-2 premises, which is expected to be ready for occupation before the end of current financial year.



On the Export front, your Company could not make significant progress. Towards our efforts in achieving sustained growth in the exports, a new Overseas Display Center was opened at Germany, by entering into a tie-up with M/s. I.M.T.S.C. for distribution & servicing of our products in the local market. During the year, your Company participated in the IMTEX-2004, a machine tool exhibition, held at Mumbai in January, 2004 and displayed some of its newly developed products i.e. Vertical Turret Lathe, LT-2 XL (500) with Sub spindle, Turnmill Centre – SLC 100 and XL series of various other models. All the new products were well received by the customers.

## HUMAN RESOURCE DEVELOPMENT & TRAINING

Your Company believes that knowledgeable employees are its great assets. Imparting regular training and equipping them in the relevant areas of their functioning is considered to be a necessity for the growth of your Company. As such, during the year, the Company arranged for extensive in-house and external Training programmes to its technical and non-technical personnel at various levels.

## APPOINTMENT OF DIRECTORS

Sri B.Machado, Director retires by rotation in terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company. However, being eligible, offers himself for re-appointment.

## AUDITORS

M/s. P.A. Ghatage & Co., Chartered Accountants, Bangalore, who had been appointed Statutory Auditors of the Company at the previous Annual General Meeting would retire at the conclusion of the forthcoming Meeting. However, they have conveyed willingness to be re-appointed and confirmed their eligibility for the same.

## STATUTORY INFORMATION

The Compiled Profit & Loss Account for the year ended 31<sup>st</sup> March, 2004 and Balance Sheet as on that date in respect of the Wholly Owned Subsidiary, M/s. Ace International Inc., USA together with a Statement pursuant to section 212 of the Companies Act, 1956 are enclosed.

There were no employees employed either for the whole year or part thereof who drew remuneration, the details of which is required to be given under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## ENERGY CONSERVATION, TECHNOLOGY AND FOREIGN EXCHANGE

Your Company continues to explore all such measures which contribute to the conservation of energy. During the year the total cost incurred on power consumption stood at Rs.55.14 lakhs including an amount of Rs.5.26 towards Captive generation of electricity by utilizing the Diesel Generator set. The per unit cost of Power generated by the Captive Generator set amounted to Rs.8.11.

The foreign exchange earned during the year amounted to Rs. 450.12 lakhs and the total outgo towards imports, foreign tour, Exhibitions, Investments and Advertisements amounted to Rs.19.41 lakhs respectively. The Company has not imported any foreign technology.

## DIRECTORS' RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that :

- (1) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- (2) Appropriate Accounting Policies have been selected and applied consistently and also have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2004 and the Profit of the Company for the year ending 31<sup>st</sup> March 2004.
- (3) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- (4) The Annual Accounts have been prepared on a Going Concern basis.

## ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the valuable patronage, co-operation and goodwill received by it from the Customers, Business Associates, Financial Institutions and Bank. The Board also places on record its sincere appreciation of the dedicated services of its employees at all levels.

For and on behalf of the Board of Directors,

Bangalore,  
Dated, the 29<sup>th</sup> June, 2004.

Sd/-  
(A. V. SATHE)  
CHAIRMAN

**P.A. GHATAGE & CO.,**

Chartered Accountants

**P.A.Ghatage** B.Com., F.C.A

**K.Ramesh Babu** B.Com., F.C.A

Phone: 23311991

124, Margosa Road,

Malleswaram,

Bangalore – 560 003.

## AUDITOR'S REPORT TO THE MEMBERS OF ACE DESIGNERS LIMITED

We have audited the Balance Sheet of M/s. Ace Designers Limited, as at 31<sup>st</sup> March, 2004 and also the Profit and Loss Account for the year ended on that date 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.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### We report as follows:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit ;
  - c) The Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Company's Accounting Policies and the notes thereto give the information required by the Companies Act, 1956, 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<sup>st</sup> March, 2004;
    - ii) In the case of the Profit and Loss account, of the profit for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P.A. GHATAGE & CO.**

Chartered Accountants

Sd/-

**(P.A. GHATAGE)**

Partner

Place: Bangalore

Dated: 29<sup>th</sup> June, 2004.



**P.A. GHATAGE & CO.,**

Chartered Accountants

**P.A.Ghatage** B.Com., F.C.A

**K.Ramesh Babu** B.Com., F.C.A

Phone: 23311991

124, Margosa Road,

Malleswaram,

Bangalore – 560 003.

**Statement referred to in paragraph (1) of our Report of even date on the Accounts for the year ended 31<sup>st</sup> March 2004 of ACE DESIGNERS LIMITED**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The fixed assets of the Company have been physically verified by the Management according to a phased programme designed to cover all the items over a period of three years, which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.
  - (c) During the year, the Company has not disposed of any substantial/major part of fixed assets.
2. (a) As explained to us the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of the inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the Company has not taken loan from parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
  - (b) According to the information and explanations given to us and on the basis of our examination of the records the Company has not granted any loans to the parties listed in the register maintained under Section 301 of the Companies Act, 1956.
  - (c) There is no amount of loan granted to any Company listed in the Register maintained under Section 301 of the Companies Act, 1956
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness was noticed in the internal controls.
5. In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956,
  - a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that needed to be entered into the Register maintained under Section 301 have been so entered.

- a) According to information and explanations given to us and excluding certain transactions of purchase of goods and materials of special nature for which alternate quotations are not available, where each of such transactions is in excess of Rs. 5 lakhs in respect of any party, in our opinion, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public in contravention of the provisions of Section 58-A of the Companies Act and the Rules made thereunder.
7. In our opinion, the Company has an Internal Audit system commensurate with size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of the products where pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. According to the Records of the Company and information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other Statutory dues with appropriate authorities during the year.
10. The Company does not have accumulated losses as at the end of the year and the Company has not incurred cash losses during the current and the immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial institutions and Banks.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
14. (a) Based on the Records examined by us and according the information and explanations given to us, we are of the opinion that the Company has not conducted transactions and contracts of dealing Shares and Securities and as such, maintaining proper records therefore and making timely entries therein does not arise.
- (b) Based on our audit procedures and best of knowledge and belief and according to the information and explanations given to us, the Shares and Securities have been held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
16. To the best of knowledge and belief and according to the information and explanations given to us, Term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans are obtained.