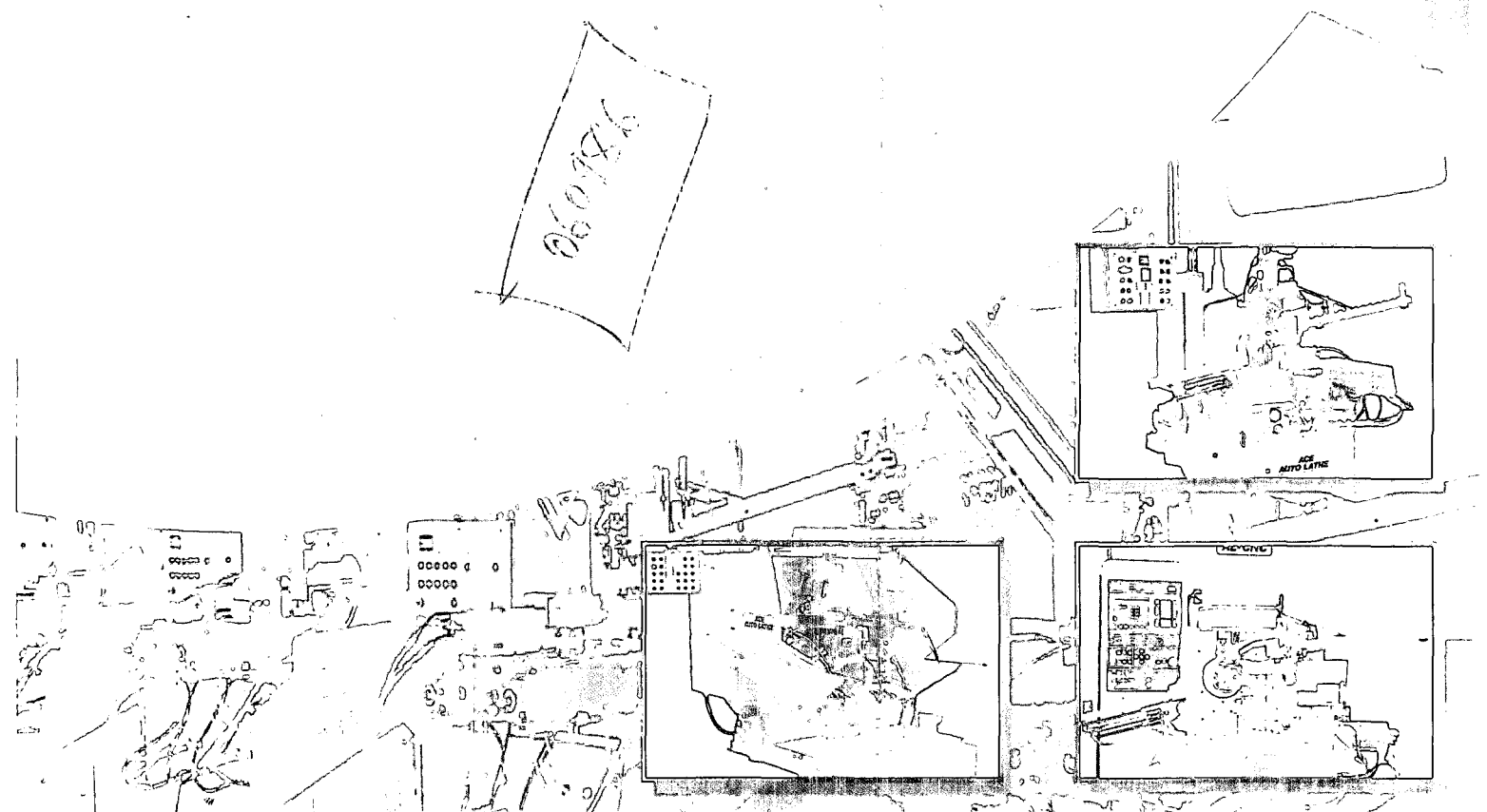


19th ANNUAL REPORT 2005 - 2006

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ACE DESIGNERS LIMITED



ACE DESIGNERS LIMITED

Regd. Office: Plot No.7 & 8, 2nd Phase, Peenya Industrial Area,
Bangalore - 560 058.

BOARD OF DIRECTORS	:	Mr. A.V. Sathe Chairman Mr. S.G. Shirgurkar Managing Director Mr. B. Machado Managing Director Mr. R. Srinivasan Director Mr. A. Shankar Director
COMPANY SECRETARY & SENIOR MANAGER - ACCOUNTS	:	Mr. H.R. Sampath Kumar
BANKERS	:	M/s. Syndicate Bank, Industrial Finance Branch, Dickenson Road, Manipal Centre, Bangalore - 560 042.
AUDITORS	:	M/s. P.A. Ghatage & Co., Chartered Accountants, No.124, Margosa Road, Malleswaram, Bangalore - 560 003.
WORKS	:	Plot No.7 & 8, 2 nd Phase , Peenya Industrial Area, Bangalore - 560 058.

CONTENTS

Sl.No.	PARTICULARS	Page No.
1.	Notice	1
2.	Directors' Report	2-6
3.	Annexure to Directors' Report	7
4.	Auditors' Report	8-11
5.	Balance Sheet	12
6.	Profit & Loss Account	13
7.	Schedules to Balance Sheet	14-16
8.	Schedules to Profit & Loss Account	17-19
9.	Schedule of Fixed Assets	20
10.	Notes on Accounts	21-28
11.	Statement of Significant Accounting Policies	29-30
12.	Cash Flow Statement	31-32
13.	Company's General Business Profile	33

ACE DESIGNERS LIMITED

Regd Office : 7 & 8, 2nd Phase, Peenya Industrial Area,
BANGALORE-560 058

NOTICE

To
All Members
Ace Designers Limited
Bangalore-560 058

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of **ACE DESIGNERS LIMITED** will be held on Thursday, the 22nd June, 2006 at the Registered Office, Plot No.7&8, 2nd Phase, Peenya Industrial Area, Bangalore- 560 058, at 4.30 P.M. for the purpose of transacting the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year ended on that date together with the Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a Director in place of Sri. A. Shankar who retires by rotation, but being eligible, offers himself for re-appointment.
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.70,000/- plus Service Tax and reimbursement of actual out of pocket expenses.

By Order of the Board of Directors
H.R.SAMPATH KUMAR

Company secretary & Sr. Manager-Accounts

Bangalore,
Dated: 10th June, 2006.

- 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.
 - 2) The meeting is proposed to be held at Shorter Notice. Kindly signify your consent to do so, by signing and returning the Form No. 22A sent herewith in duplicate.

DIRECTORS' REPORT

The Members,
ACE DESIGNERS LIMITED,
 Bangalore.

Ladies and Gentlemen,

Your Directors have pleasure in presenting the Nineteenth Annual Report and Accounts of your Company for the year ended 31st March 2006.

FINANCIAL PERFORMANCE

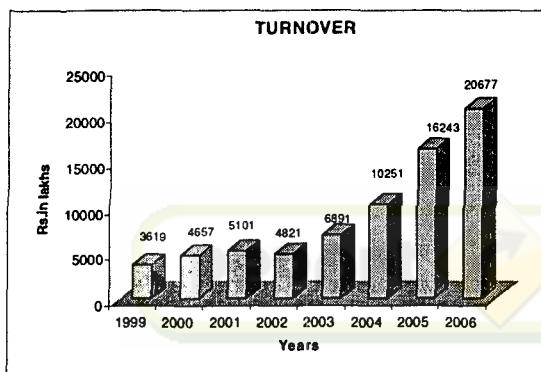
The salient features of the financial performance during the year ended 31st March 2006 are summarised as under:

	(Rs. in Lakhs)	
	31-03-2006	31-3-2005
Sales	20664.03	16236.97
Other Income	292.24	256.25
Stock value adjustment	400.85	166.96
Profit before Interest and Depreciation	6090.24	3835.15
Financial Charges	82.03	145.39
Depreciation	213.63	300.09
Profit before tax	5794.58	3389.67
Income-tax	1860.00	1200.00
Fringe Benefit Tax	21.66	0
Add/(less)Deferred Tax	(44.87)	22.90
Profit after tax	3868.05	2212.57
Balance b/f from previous year	1315.43	1162.25
Amount available for appropriation	5183.48	3374.82
APPROPRIATION		
Interim Dividend	356.40	148.50
Corporate Tax on Interim Dividend	49.99	19.41
Proposed Dividend	623.70	445.50
Corporate Tax on Dividend	87.47	62.48
Transferred to General Reserves	386.81	221.26
Balance carried to Balance Sheet	3679.11	2477.67

OPERATIONS

The year under review was one of the 'Best Years of Performance' for it achieved a record Sales turnover of Rs. 206.64 Crores registering an annual growth of 27% over the previous year. The Profit before tax stood at 5794.58 lakhs registering a steep increase of 70% over previous financial year. Exports at Rs. 515.52 lakhs registered an increase of over 30%.

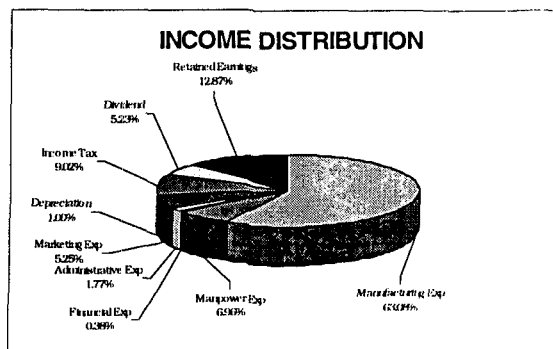
The Company produced and sold a total of 1368 and 1336 machines as against 1056 and 1059 machines during the previous year. Again, during the year under review, the most popular "Jobber" series i.e. Jobber XL, Super Jobber and Jobber-LM took the lead and accounted for a total 768 machines, thereby making a major contribution of over 57% to the total sales.



Two new variant models in Jobber series i.e. Super Jobber and Jobber-LM were introduced during the year. These models were developed to meet the customer expectations of higher performance, more rapid rate and features similar to that of LT-2 and a successful model in mid-segment product range. In addition, an automation process called 'On The Fly Loading' for its 'Cub Model' - an entry level machine, was introduced reducing the cycle time and improving the machine productivity. Another product - "Vertical turret Lathe VTL-30" launched in the previous year was also upgraded to give higher stroke of 700 mm, resulting in better performance and cost savings to the customers. The Company is planning to develop a low cost CNC Centre lathe cater to the needs of small Job Shops, replacing the huge requirement of conventional lathes at affordable price. This new product will be unveiled in IMTEX-2007 and the Company hopes that this product would become one of the niche products. Another new project to develop an inter-face solution with Fanuc Robot as optional feature on all the models is in process and the Company has planned to display this option also in the ensuing IMTEX.

To enhance the production and to meet the continued upsurge in the domestic market, the Company undertook immediate initiatives, in that, it added 2 more "Flow-Lines" to assemble the other two models i.e. LT-2 and LT-16. **The FLOW-LINE** an innovative concept, which proved immensely successful during last year, was appreciated in the **National level CII - Productivity Summit** and the Company bagged **First Prize** for this Innovative Production Method in machine tool design & manufacture. These flow-lines have significantly contributed to achieve higher volumes of production and thus reach the targets set.

For the current financial year 2006-07, the Company has set a Sales target of 2000 machines. To achieve this landmark goal, among other measures, the Company has partly outsourced the entire machine assembly operations of Jobber XL to its associate Company



M/s. Ace Multi Axes Systems Ltd. This is expected to help the Company achieve larger volumes of production in the coming years. At the same time, in order to enhance its in-house manufacturing capacity for production of high precision & critical mechanical components like Spindles, Guideways, Tailstock and Head-stock assemblies, the Company has installed certain critical machines viz., Kellenberger CNC Cylindrical Grinder, AMS Vertical Machining Centres, Schliff Tech Precision Grinder, Amada Press Brake and Coordinate Measuring machine. Similar steps were also taken up to create the required manufacturing capacity with its another associate Company i.e. M/s.Auto CNC Machining Pvt.Ltd. and M/s.Ace Multi Axes Systems Ltd., who have also installed Mazak Machining Centres.

Continuing its efforts to implement Company- wide Best Business Practices, various initiatives were introduced to put in place the possible best systems and procedures and a Code of Conduct to be observed by all the employees and the business associates of the Company. During the surveillance audit conducted by the Auditors of "CII-Exim Bank BE Model", these initiatives and the commitment shown by the Management to adopt the best business practices were appreciated by the Auditors, though Company could not meet their Commendation level. Continuing its journey to achieve the coveted Business Excellence Award, your Company proposes to submit its Application during the current financial year too.

DIVIDEND

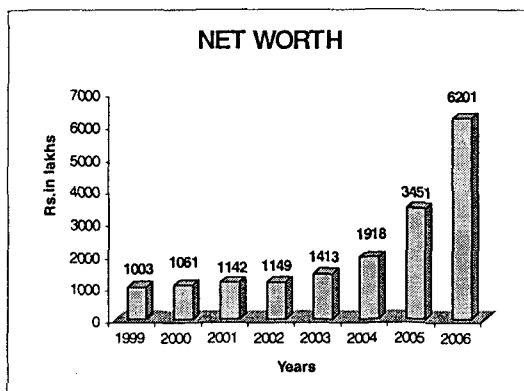
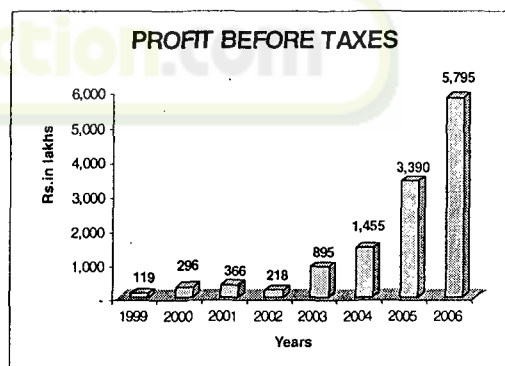
You are aware that your Directors have already paid an Interim Dividend of 20%. Now, considering the record growth in profits, your Directors are pleased to recommend a final Dividend of 35% involving an out-go of Rs. 623.70 lakhs and Corporate Tax of Rs. 87.47 lakhs thereon.

BUSINESS PROSPECTS:

The trend in the Domestic Market for Machine Tools has remained very buoyant for the past two years and considering that this trend would continue during the current year too, your Company is optimistic about achieving a growth of over

40% during the financial year 2006-07. Accordingly, during the first 2 months of the current financial year, your Company achieved a Sales turnover of Rs. 25.58 Crores as against Rs.17.83 Crores during the corresponding period of the previous financial year, thereby registering an increase of over 40%.

As part of its relentless endeavours to enhance exports, your Company will be opening its first Show-room and a Marketing office in Shanghai, which is the Industrial and Commercial hub of



China. Based on the initial enquiries through Exhibitions and personal visits by interested Dealers & Distributors, your Company is confident of entering the Chinese market successfully. At the same time, efforts to export to Middle- East countries have shown significant results.

HUMAN RESOURCE DEVELOPMENT & TRAINING

As in the past, your Company continued its efforts to impart regular training to its employees for strengthening their skills in the relevant areas of their functioning, which is considered to be a necessity for the growth of your Company. Your Directors wish to place on record their appreciation for the continuous support, dedicated efforts and invaluable contributions made by all the employees at all levels.

APPOINTMENT OF DIRECTORS :

Sri. A. Shankar, 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, he 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

Information as required to be given under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is enclosed.

ENERGY CONSERVATION, TECHNOLOGY AND FOREIGN EXCHANGE

During the year Company continued its efforts to explore all such measures which contribute for the conservation of energy. During last year the total cost incurred on power consumption stood at Rs. 81.80 lakhs, which includes an amount of Rs.9.47 lakhs spent on generation of Captive Power through Diesel Generator set. The per unit cost of Power generated by the Captive Generator set amounted to Rs. 7.54.

The foreign exchange earned during the year amounted to Rs.419.14 lakhs and the total outgo towards imports, foreign tour, Exhibitions, Investments and Advertisements amounted to Rs.1199.95 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 31st March 2006 and the Profit of the Company for the year ending 31st March 2006.

- (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 express their great 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,

Sd/-

(A.V.SATHE)

CHAIRMAN

Bangalore,

Dated: 10-06-2006

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ANNEXURE TO DIRECTORS' REPORT

Statement of particulars of employees in pursuance of Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of employees) Rules, 1975

Sl. No.	Name	Designation	Remuneration Received Rs.	Nature of Duties	Qualification & Experience	Date of commencement of employment	Age	Last Employment
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(9)	(10)
1	Mr.A.V.Sathe	Chairman	55,08,249	New Designs, Planning and Development	M.Tech. 40	01.04.1989	67	M/s.Central Manufacturing Technology Institute.
2	Mr.S.G. Shirgurkar	Managing Director	55,25,048	Marketing, Finance and Administration	B.E. (Mech) 32	01.04.1989	59	M/s.Central Manufacturing Technology Institute.
3	Mr.B. Machado	Managing Director	55,25,048	Design, Production, Planning & New Product Development	B.E. (Mech) 32	01.04.1989	59	M/s.Central Manufacturing Technology Institute.

Notes: 1) Remuneration includes Salary, Allowances, Commission and Company's contribution to Provident Fund

2) Nature of employment is contractual.