

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 & DY. GENL 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.

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 Twentieth Annual General Meeting of the Members of ACE DESIGNERS LIMITED will be held on Friday, the 27th July 2007 at the Registered Office of the Company, Plot No 7 & 8, 2nd Phase, Peenya Industrial Area, Bangalore-560 0058 at 11.30 A.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 2007 and the Profit & Loss Account for the year ended on that date together with the Auditor's Report thereon.
2. To appoint a Director in place of Sri. R. Srinivasan who retires by rotation, but being eligible, offers himself for re-appointment.
3. 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.1,00,000/- (Rupees One lakh only) plus Service Tax and reimbursement of actual out of pocket expenses.

By Order of the Board of Directors

H. R.SAMPATH KUMAR
Company Secretary & Dy. Genl. Manager-Accounts.

Bangalore,
Dated: 26-6-2007.

Note :

1. A member entitled to vote is entitled to appoint a Proxy to attend and on a Poll to vote instead of himself.
2. 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.

DIRECTOR'S REPORT

The Members,
ACE DESIGNERS LIMITED,
Bangalore.

Ladies and Gentlemen,

Your Directors have pleasure in presenting the Twentieth Annual Report and Accounts of your Company for the year ended 31st March 2007.

FINANCIAL PERFORMANCE

The salient features of the financial performance during the year ended 31st March 2007 are summarised as under:

	(Rs. in Lakhs)	
Particulars	31-03-2007	31-3-2006
Sales	26279.53	20664.03
Other Income	487.76	292.24
Stock value adjustment	634.71	400.85
Profit before Interest and Depreciation	7482.55	6090.24
Financial Charges	78.96	82.03
Depreciation	263.42	213.63
Profit before tax	7140.16	5794.58
Income-tax	2255.00	1860.00
Fringe Benefit Tax	12.07	21.66
Add/(less)Deferred Tax	(30.62)	(44.87)
Profit after tax	4842.47	3868.05
Balance b/f from previous year	3679.11	1315.43
Amount available for appropriation	8521.58	5183.43

APPROPRIATION

Interim Dividend	1158.30	356.40
Corporate Tax on Interim Dividend	162.45	49.99
Proposed Dividend	0	623.70
Corporate Tax on Dividend	0	87.47
Transferred to General Reserves	484.25	386.81
Balance carried to Balance Sheet	6716.58	3679.11

OPERATIONS

The year under review witnessed a growth of 27% in Sales Turnover and 20% in terms of number of machines sold over previous year. The total value of Sales stood at Rs.262.80 Crores as against Rs.206.64 Crores in the previous year. The Profit before Tax also increased by 23%. The Export turnover stood at Rs. 7.94 crores registering a growth of 54% over the previous year.

During the period under review, your Company produced and sold a total of 1644 and 1613 machines as against 1368 and 1336 machines recorded in the previous year. The fast moving models 'Jobber-XL, Jobber-Super, Jobber-LM' took a lead, followed by CUB and CLASSIC. Contribution from Jobber series remained at 58% of the total sales recorded during the year.

Several new models such as Vertical Turret Lathe VTL -30 and VTL-30 (with 700 mm stroke), Cub SS, Automation of Cub for bearing rings, Super Jobber series which includes Super Jobber, Super Jobber LM and Super Jobber LM 500 and LT-20 C short stroke machine with tail stock were introduced to meet the growing customer expectations. Few of them have been very well-received in the market cutting into the competitor's share. These new models included Improvements to the existing product-line such as LT-2 XL by introducing an intermediate variant LT-2 XL with short stroke.

In order to effectively combat the competitors and to cater to the new segment of customers who were in need of low cost CNC Lathes and conventional machines, Jobber Junior and Centre Lathes were introduced. Market for Centre Lathes cropped up due to the exit of one of our major competitors.. This model together with the other new products introduced during the year were displayed at the international exhibition IMTEX - 2007 held at Bangalore. Also on display was our regular product LT-2 with Robot solution for automatic loading and unloading of components.

During the year, to cater to the increasing volume of demand, two more Flow lines of manufacturing facility were added. The existing flow lines were modified to meet Lean manufacturing and Quality by Process. Besides, to meet the higher volumes of production in the ensuing years, your Company has been creating additional production infrastructure both in-house and through associate Companies and key vendors. Existing Manufacturing Facilities situated at Plot no. 533 will be re-commissioned during the coming year. Effective steps are being taken to refurbish the Plant including necessary changes to meet the modern concepts of Lean manufacturing and Line assembly. Our Associate companies M/s. Ace Multi Axes Systems Ltd. and M/s. Auto CNC Machining Ltd. also have chalked-out plans for investments in requisite Plant and Machinery to meet our requirement of medium and heavy parts/components. M/s. Ace Multi Axes Systems Limited have taken-up machine assembly activities.

With your Company's manufacturing/assembly activities at multiple locations, besides at the Associate Companies, it was imperative for your Company to upgrade its IT infrastructure- both Hardware and Software requiring huge investments. In this direction your company expects to commission the world's best ERP Software- MySAP ERP (version ECC 6.0) which is expected to go live shortly. M/s. WIPRO have been appointed as the Implementation Partner for this purpose.

Marching enthusiastically in its journey towards Business Excellence, your Company undertook various initiatives and measures for adopting the best Business Practices and it was commended for its **“Strong Commitment for Business Excellence”** by the **CII-EXIM Bank**, whose Auditors were deeply impressed with the initiatives & improvements undertaken by the Company. Similarly, the **“Best 5S Practices”** adopted by Company were also well appreciated in the external audit, conducted by CII-Intimate Fashion and your Company was recognized with the **‘Significant Achievement’ Award**.

DIVIDEND

You are aware that your Directors have already declared and paid Interim Dividend twice, aggregating to Rs.65 per share entailing an amount of Rs. 1158.30 lakhs and Rs. 162.45 lakhs as Corporate Tax thereon. Considering the need for conserving internal accruals for proposed investments, your Directors regret their inability to recommend any further Dividend for the year under review.

BUSINESS PROSPECTS:

The buoyancy in the Machine-tool market witnessed during the past twelve months is continuing. Order inflow for the past 6 months is steady and is expected to remain so. GDP growth projected between 8% to 8.5% by RBI and by various other financial institutions and international agencies is likely to create demand for machine tools in the range of 30% to 35%. With this coupled with growth of automobile sector both automobile manufacturing and auto component manufacturing, your company expects to achieve a growth of over 50% in the next year. . This will be achieved by suitably pricing the product and by leveraging the manufacturing capabilities and aggressively marketing the products . With the likely reduction in the final price of its products, , your company’s operating margin may suffer stresss in the ensuing year. Your Company expects achieve a Saless Turnover of approx. 350 Crores by selling about 2500 machines..

Your company is participating in almost all major Machine Tool shows happening across the South East Asia and South Asia directly or through local distributors. M/s. Micromatic Machine Tools Pvt. Ltd., our sole selling agency have established Trading office in China, through which they will distribute our products in China and Thailand. Also

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. R. Srinivasan, 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 retire on 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 more focused steps are initiated for preserving the Eco-balance through preservation of greenery surrounding the factory premises, conservation of energy and ensuring adequate safety. During the year mock drill was conducted which will help in safe evacuation of people in the event of any eventuality. Your company has made all requisite arrangements for getting ISO 14001 EMS certification. In this direction various measures are taken for compliance as required under EMS.

During the year investments are made for Rain Water harvesting and for charging ground water. Investment made in Rain Water harvesting will go long way in water conservation. Water stored through Rain water harvesting will be utilized for gardening.

During the last year, the total cost incurred on power consumption stood at Rs.98.20 lakhs, which includes an amount of Rs.29.17 lakhs spent on generation of Captive Power through Diesel Generator set. Per unit cost of Power generated by the Captive Generator set amounted to Rs.6.98. The foreign exchange earned during the year amounted to Rs.614.87 lakhs and the total outgo towards imports, foreign tour, Exhibitions, Investments and Advertisements amounted to Rs.1460.68 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.

- (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,

(A.V.SATHE)
CHAIRMAN

Bangalore,
Dated : 26-6-2007.

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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	7703781	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	7703781	Marketing, Finance and Administration	B.E. (Mech) 32	01.04.1989	59	M/s. Central Manufacturing Technology Institute
3	Mr.B. Machado	Managing Director	7703781	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.

P.A. GHATAGE & CO.,
Chartered Accountants
P.A.Ghatage 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 31st March, 2007 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 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;