

34th ANNUAL REPORT

2005-2006



AHMEDABAD STEELCRAFT LIMITED



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BOARD OF DIRECTORS :

Shri Anandbhai V. Shah	- Managing Director
Shri Darshan A. Jhaveri	- Managing Director
Shri Shashank I. Shah	- Executive Director
Shri Anand N. Jhaveri	- Executive Director
Shri Girishbhai D. Shah	- Executive Director
Shri Viral A. Jhaveri	- Executive Director
Shri Ashok C. Gandhi	- Director
Shri Jawahar I. Mehta	- Director
Shri Kanishka H. Kaji	- Director

BANKERS

: Central Bank of India
Lal Darwaja
Ahmedabad 380 001

AUDITORS

: DHIREN SHAH & CO
Chartered Accountants
2nd Floor, Swastik Avenue,
Navrangpura, Ahmedabad 380 009

REGISTERED OFFICE

: 205, 206, "Abhijeet"
2nd Floor, Mithakhali Six Roads,
Navrangpura, Ahmedabad 380 009
Tele : 26401996/97
Fax : 91-79-26404656
E-mail : ascsteelad1@sancharnet.in
Website : www.steelcraft.co.in

FACTORY

: Odhav Road, Ahmedabad-382 410.

NOTICE

NOTICE is hereby given that the 34th Annual General Meeting of the Members of Ahmedabad Steelcraft Limited will be held on Thursday the 21st September, 2006 at 12.00 Noon in the premises of Gujarat Chamber of Commerce and Industry, Ashram Road, Ahmedabad - 380 009 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Shri Anand N. Jhaveri who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Jawahar I. Mehta who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Shri Shashank I. Shah who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration thereto

On Behalf of the Board of Directors

A. V. Shah and D. A. Jhaveri

Managing Directors

Place : Ahmedabad

Date : 13-07-2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOK OF COMPANY WILL REMAIN CLOSED FROM 15-09-2006 TO 21-09-2006 (BOTH DAYS INCLUSIVE)
3. THE SHAREHOLDERS WHO HAVE NOT ENCHANGED THEIR DIVIDEND FOR THE FINANCIAL YEAR 1998-99 ARE REQUESTED TO REVALIDATE THEIR DIVIDEND WARRANTS BEFORE 31-10-2006 THE DIVIDEND NOT ENCHANGED BEFORE WILL BE TRANSFERRED TO INVESTOR PROTECTION FUND.

DIRECTORS' REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting their 34th Annual Report together with Audited Accounts for the year ended on 31st March, 2006.

1. FINANCIAL RESULTS:

	2005-2006 (Rs. in Lacs)	2004-2005 (Rs. in Lacs)
Profit / (Loss) before depreciation and taxation	(241.72)	(26.13)
Less:		
Provision for depreciation	33.81	40.21
Provision for taxation	—	—
Add : Deferred tax credit	(0.91)	3.46
Profit after tax	(276.44)	(62.88)
Add :		
Excess/(Short) provision in previous year	2.76	2.72
Profit brought forward from last year	153.73	213.89
Total	<u>(119.95)</u>	<u>153.73</u>
APPROPRIATIONS:		
Proposed Dividend	—	—
Tax on Dividend	—	—
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	<u>(119.95)</u>	<u>153.73</u>

2. OPERATIONS:

The turnover of the Company during the year was Rs. 992.04 Lacs in comparison of Rs. 3668.87 Lacs in previous year showing substantial decrease in turn over which was on account of change in Government policies. There was huge reduction in export incentive there by reducing export turn over of the Company. Besides this, there has been steep increase in raw materials prices without simultaneous rise in price of finished product.

This has affected the profitability and there was a loss of Rs. 276.45 Lacs during the year. Baring unforeseen circumstances the Company will be able to earn Profit in Current year.

The Company has retrenched 105 employees and compensation aggregating Rs. 42.39 lacs was paid during the year without claiming group gratuity scheme with Life Insurance Corporation of India.

**2. DIVIDEND :**

On account of loss, no dividend is recommended for Financial Year 2005-06.

4. WIND MILL :

Our Wind Mill at Lamba continues to work satisfactorily.

5. DEPOSITORY SYSTEMS :

Your Company has entered into an agreement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) This enables you to hold your shares in a dematerialized form with either of these depositories

Since this mode facilitates quick transfers and prevents forgery, those shareholders who have not opted for this facility are advised to dematerialize their shares in their own interest. Your Company has also made arrangements for simultaneous dematerialisation of the physical shares lodged for transfer

No of Shares demated 23,95,622 being 58.54% of paid-up Capital

6. DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures. This is subject to Accounting Standard 13 in which case the current investments have been valued at cost.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- (iii) That the directors have taken proper and sufficient care 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.
- (iv) That the Directors has prepared the accounts for the Financial Year ended 31st March, 2006 on a going concern basis.

7. INSURANCE :

All the assets of the Company have been adequately insured.

8. DIRECTORS :

As per the provisions of Articles of Association Sarva Shri Anand N. Jhaveri, Shri Shashank I. Shah and Shri Jawahar I. Mehta retires from the Board by rotation and being eligible offer themselves for reappointment.

Sarva Shri Anil K. Jhaveri and Shri Navin K. Jhaveri have on account of oldage resigned from the Board with effect from 31-12-05. The Board appreciates the services and guidance given by them during their tenure as Director.

9. AUDITOR'S REPORT :

The remarks made by the Auditors in their Report have been suitably dealt with in the schedules and notes and therefore do not call for any further clarification.

10. APPOINTMENT OF AUDITORS :

M/S. DHIREN SHAH AND CO. Chartered Accountants retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

11. PARTICULARS OF EMPLOYEES :

There were no employees drawing remuneration of Rs.24,00,000/- or more per annum employed throughout the year of Rs.2,00,000/- or more, per month employed for a part of the year.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure-1 forming part of this report

13. LISTING AGREEMENT :

Your Company is committed to good corporate governance practices. Under Clause 49 of the listing agreement your Directors are pleased to inform that your Company has implemented all the major stipulations prescribed under clause 49 of the listing agreement with the Stock Exchange (s) A certificate from the Statutory Auditors of the Company in the line with clause 49 is annexed to and forms part of the Director's Report.

The securities of the Company has voluntarily de listed from The Ahmedabad Stock Exchange Limited with effect from 31.3.2006.

14. APPRECIATIONS :

Your directors place on record their sincere appreciation for the valuable and dedicated services rendered by the employees of the Company. They also place on record the fullest co-operation extended by the bankers of the Company.

Place : Ahmedabad

Date : 13-07-2006

For and On Behalf of the Board
A. V. Shah and D. A. Jhaveri
Managing Directors

ANNEXURE 1**Particulars as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**

- A. Conservation of Energy: Particulars with respect to Conservation of Energy are given in Form-A enclosed.
- B. (1) Research and Development: Besides the test and normal research nothing significant was felt necessary.
(2) Technology absorption: There is no change in technology.
- C. Foreign Exchange earning and outgo :
1. Activities relating the Export : Please refer to para 4 of this Report.
 2. Foreign Exchange earned Rs. 480.49 Lacs
Foreign Exchange used Rs. 3.81 Lacs

FORM - A

(Forming Part of Annexure I)

Form for disclosure of particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION

1. Electricity

	2005-06	2004-05
(a) Purchased Units	5,27,540	14,56,532
Total Amount Rs.	28,87,069	69,86,786
Rate/Unit Rs.	5.47	4.80
(b) Own Generation (through Diesel Generator)		
Only for emergency lighting & workshop purpose.		
No production achieved through Generators.		
i. Units produced	2,302	645
ii. Qty of diesel consumed Ltrs.	1,058	400
iii. Units per litre of Diesel	0.46	0.62
iv. Cost of diesel consumed Rs.	35,411	12,134
v. Cost Unit Rs.	15.38	18.81

2. Coal (specify quantity & where used)

Quantity (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil

3. Furnace Oil

Quantity (In Ltrs)	2,55,000	8,08,750
Total Amount Rs.	38,34,045	94,56,043
Average Rate (per ltrs) Rs	15.04	11.69

4. Other/internal generation

(Please give details of quantity)	Nil	Nil
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B. CONSUMPTION PER M.T. OF PRODUCTION:

Product (Steel Sections)	3,241	10,689
Electricity (Units)	163	136
Furnace Oil (Ltrs.)	79	75
Coal (Specify quantity)	Nil	Nil
Others	Nil	Nil

For and On Behalf of the Board of Directors

A.V. Shah & D.A. Jhaveri

Managing Directors

Place : Ahmedabad

Date : 24-06-2006



MANAGEMENT'S DISCUSSION & ANALYSIS REPORT

(Pursuant to clause 49 of the listing agreement with stock exchange)

The Company's performance and out look fin 2005-06 is discussed as under :-

The Company's operations falls under single segment i.e M.S Window, Door and Ventilator Sections.

(A) INDUSTRY ANALYSIS

The Company's products are used in manufacturing steel windows, doors & ventilator & construction activities for fixing windows and doors, frames and the shutters thereof.

OUR COMPANY IN THIS INDUSTRY stands out in the country as most prominent manufacturing entire range of Window. Door and Ventilator Sections to the extent of about 60 Profiles It manufacture sections as per ISI & BSS standards. Almost 80% of the total export of these Sections from India is contributed by our Company and is a leading exporter of Sections having won many times EEPC awards of Excellence in exports.

MARKET SCENARIO

Inspite of increase in turnover, the Profitability of company has been affected on account change in Government Policies thereby reducing export incentive by large amount. Besides this increase in rawmaterial prices without simultaneous rise in price of finished products has affected the profitability of Company and there was a loss during the year.

MANUFACTURING

During the year concerted efforts were taken to lower production costs by process improvements and cost reduction by way of reducing reduction in wastage However the procurement cost were enhanced during the year without am simultaneous increase in output cost. This resulted into lower loss during the year.

DEVELOPMENT AND OUTLOOK

Threats to Industry are in the form of competition from global players with cheap imports in finished products. Price pressure and increasing customer expectations on quality and services level are continuing challenges for our products. Alternative material like Aluminium and plastic Sections and Profiles also are a force to reckon with in many parts of world where living standards are high.

RISK MANAGEMENT

The evaluation of risk exposure as perceived by the Management is given below.

(I) CURRENCY RISK

These risk emerges from the potential upward. and downward fluctuation in foreign Currency.

(II) LIQUIDITY RISK

The Company has wide Customer base all over the Country, However liquidity will not be affected perceptibly by delimits by few customers.

(III) LEGAL AND STATUTORY RISK

Legal compliance is given due importance in the Company as internal process for ensuring statutory compliance across the Company.

(IV) POLITICAL RISK

Apart from Generic Government polices (Like taxation, frequent changes in imports, Labour cost, etc) which affect all industries, there are no specific government polices that impact Company's business. There is change in Export - import policy regards to Export incentives and procedure, which can affect viability of Exports.

(V) FINANCE

The Company has marginal borrowing from bank during the year 2005-06.

(VI) HUMAN RESOURCES

Proactive and collaborator approach towards industrial relations supported by positive mind sets amongst all employees ensured cordial employee reforms at all departments.

(VII) INTERNAL CONTROLS

The Company has an established framework of internal control lbr ensuring optimal use of resources and safeguarding of assets.

Place : Ahmedabad

Date : 24-06-2006

On Behalf of the Board of Directors

A. V. Shah and D.A. Jhaveri