

# **15th Annual Report 2004-2005**



**AIA ENGINEERING LIMITED**

**BOARD OF DIRECTORS :**

Mr. Vinod Narain	-	Chairman
Mr. Bhadresh K. Shah	-	Managing Director
Mr. Jules Spede	-	Director
Mr. Rajendra S. Shah	-	Director
Dr. S. R. Ganesh	-	Director

**BANKERS :**

STATE BANK OF INDIA,  
GVMSAV Ltd. Branch,  
Odhav Road,  
Ahmedabad-382 410

ABN AMRO BANK N.V.,  
7, Alkapuri,  
R. C. Dutt Road,  
Vadodara – 390 007.

**COMPANY SECRETARY :**

Mr. S.N.Jetheliya

**AUDITORS :**

M/s. Talati & Talati,  
Chartered Accountants,  
Ambica Chambers,  
Near Old High Court,  
Navrangpura,  
Ahmedabad – 380 009.

**INTERNAL AUDITORS:**

M/s. K. K. Patel & Associates,  
Chartered Accountants,  
F-51, 2nd floor,  
Akash Ganga Complex,  
Near S. T. Stand,  
HIMATNAGAR – 383 001.

**REGISTERED OFFICE :**

115, G.V.M.M.Estate,  
Odhav Road,  
Ahmedabad – 382 410.

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**NOTICE**

Notice is hereby given that the 15th ANNUAL GENERAL MEETING of the Shareholders of AIA Engineering Limited will be held on Friday, the 5th August, 2005 at 11.30 A.M. at the Registered Office of the Company at 115, G.V.M.M. Estate, Odhav Road, Ahmedabad-382 410 to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt the audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend on 13% Redeemable Cumulative Preference Shares.
3. To declare dividend on Equity Shares.
4. To Appoint a Director in place of Mr. Jules Spede, who retires by rotation and who, being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS:**

To consider and if thought fit, to pass with or without modifications the following resolutions:

**6. As an Ordinary Resolution :**

**"RESOLVED THAT** Mr. Rajendra S. Shah who has been appointed as an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds his office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

**7. As an Ordinary Resolution :**

**"RESOLVED THAT** Mr. Vinod Narain who has been appointed as an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds his office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

**8. As an Ordinary Resolution :**

**"RESOLVED THAT** Dr. S. R. Ganesh who has been appointed as an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds his office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors,  
For AIA Engineering Limited,

Place: Ahmedabad  
Date : 5th July, 2005

(S.N.Jetheliya)  
Company Secretary

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company.
2. A relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is attached herewith.

**ANNEXURE TO NOTICE****Explanatory Statement relating to the Special Business :**

As required by Section 173 of the Companies Act, 1956, the following

Explanatory Statement sets out all material facts relating to the Special Business mentioned under item Nos. 6 to 8 of the accompanying Notice dated 5th July, 2005.

**Item No. 6**

Mr. Rajendra S. Shah appointed as an Additional Director, vacates office at the ensuing Annual General Meeting. The Company has received Notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Mr. Rajendra S. Shah as a Director of the Company.

Mr. Rajendra S. Shah is currently Managing Director of Harsha Engineers Limited. He is B.E. (Mech.) and possesses rich and varied experience in Administration and Finance.

The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in item No.6 of the convening notice.

None of the Directors except Mr. Rajendra S. Shah is in any way concerned or interested in the said resolution.

**Item No. 7**

Mr. Vinod Narain appointed as an Additional Director, vacates office at the ensuing Annual General Meeting. The Company has received Notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Mr. Vinod Narain as a Director of the Company.

Mr. Vinod Narain is currently Chairman of Welcast Steels Limited, a listed Company. He has done his National Certificate Course of Mechanical Engineers from Birmingham, Diploma in Automobile Engg. of UEL (England) and he is also Fellow of the Institution of Valuers and possesses rich and varied experience in Corporate Management.

The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in item No.7 of the convening notice.

None of the Directors except Mr. Vinod Narain is in any way concerned or interested in the said resolution.

**Item No. 8**

Dr. S. R. Ganesh appointed as an Additional Director, vacates office at the ensuing Annual General Meeting. The Company has received Notice in writing from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Dr. S. R. Ganesh as a Director of the Company.

Dr. S. R. Ganesh is currently a Management Advisor. He possesses vast knowledge and experience in the field of academic, industry and management consultancy. He has done his B.Tech. (Mechanical Engineering) from I.I.T., Mumbai, S.M. (Management) from Sloan School of Management, M.I.T., USA and Ph.D. (Business Studies) from London Business School, U.K.

The Directors consider that his association at the Board level would be of large value to the Company and hence recommend his appointment in terms of Resolution set out in item No.8 of the convening notice.

None of the Directors except Dr. S. R. Ganesh is in any way concerned or interested in the said resolution.

By Order of the Board of Directors,  
For AIA Engineering Limited,

Place: Ahmedabad  
Date : 5th July, 2005

(S.N.Jetheliya)  
Company Secretary



## DIRECTORS' REPORT

To,  
The Members,  
**AIA Engineering Limited**

Your Directors, while submitting the 15th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2005, note with profound sorrow the sad passing away of our respected Director Mr. Amit Mehta on 2nd January, 2005.

The Directors place on record their appreciation for the services rendered by Mr. Amit Mehta to the growth of the Company.

Whilst he rests in eternal peace, your Directors join the Shareholders in paying their respectful homage to the former Director. We all cherish his memory with profound admiration.

### 1. FINANCIAL HIGHLIGHTS :

Particulars	Yearended 31.3.2005 Rs.in Lacs	Yearended 31.3.2004 Rs.in Lacs
Sales & Other Income	22629.10	16803.06
Profit before Interest, Depreciation and Taxation.	3461.89	3380.82
Interest	152.53	123.41
Depreciation	133.34	116.60
Profit before tax	3176.02	3140.81
Provision for Taxation (Current)	1151.00	1070.00
Provision for Taxation (Deferred)	13.50	5.37
Profit after tax	2011.52	2065.44
Excess Provisions of Depreciation	0.00	(3.48)
Short/(Excess) Provision of Taxation	(28.80)	10.75
Surplus Brought Forward from Previous Year	3065.10	2050.41
Balance available for appropriations	5105.42	4108.58
Transferred to Capital Redemption Reserve	1913.38	0.00
Transferred to General Reserve	0.00	206.00
Dividend on Preference Shares	445.00	497.47
Proposed Dividend on Equity Shares	29.69	244.89
Tax on Dividend on Preference Shares	62.41	63.74
Tax on Dividend on Equity Shares	4.16	31.38
Balance Carried Forward	2650.78	3065.10

### 2. CONVERSION INTO PUBLIC LIMITED COMPANY :

During the year under review, the Company has been converted into a Public Limited Company w.e.f. 30-03-2005 pursuant to the provisions of Section 44 of the Companies Act, 1956.

### 3. CONVERSION/REDEMPTION OF PREFERENCE SHARES :

During the year under review 13% Redeemable

Cumulative Preference Shares aggregating to Rs.19,13,32,400 (Nineteen crores thirteen lacs thirty two thousand four hundred only) have been Converted into 1,66,376 repatriable Equity Shares of Rs.10 each of the Company at a price of Rs.1150 per Equity Share i.e. at a premium of Rs.1140 per Share as per approval No.3/43/SIAA/NFC/2004-NRI dated 24th December, 2004 received from the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and the balance 13% Redeemable Cumulative Preference Shares aggregating to Rs.19,13,37,600 (Nineteen crores thirteen lacs thirty seven thousand six hundred only) were redeemed out of the Reserves of the Company.

### 4. ISSUE OF BONUS SHARES :

During the year under review 1,04,61,104 (One crore four lacs sixty one thousand one hundred and four only) Bonus Equity Shares aggregating to Rs.10,46,11,040 (Ten crores forty six lacs eleven thousand fourty only) were issued out of the amount standing to the Credit of Share Premium Account in the ratio of 4 New Equity Shares of Rs.10 each for every 1 Existing Equity Share of Rs.10 each.

### 5. DIVIDEND :

The Board of Directors is pleased to recommend a Dividend of Rs.13/- per Share (pro-rata) on 38,26,700 - 13% Redeemable Cumulative Preference Shares of Rs.100/- each of the Company for Financial Year 2004-05. The amount of Preference Dividend outgo, including tax thereon will be Rs.507.41 lacs. (Five crores seven lacs and forty one thousand only)

The Board of Directors is also pleased to recommend a Dividend of Rs.1/- per Share (pro-rata) on 13076380 Equity Shares of Rs.10/- each of the Company for Financial Year 2004-05. The amount of Equity Dividend outgo, including tax thereon will be Rs.33.85 lacs (Thirty three lacs and eighty five thousand only)

### 6. OPERATIONAL REVIEW :

During the year under review, the Turnover of the Company has gone up by 38.17% from Rs.16102.40 lacs to Rs.22249.45 lacs. However on account of steep increase in the prices of raw materials, Profit Before Tax has increased by 1.12% only from Rs.3140.81 lacs to Rs.3176.02 lacs.

### 7. CAPITAL EXPENDITURE OUTLAY :

During the year under review, the Company has incurred Rs.523.45 lacs (including Rs.147.29 lacs of Capital work in progress) on Capital Expenditure.

**8. TECHNICAL COLLABORATION :**

The Company has, since year 2002 Technical Collaboration with Southwestern Corporation UK for high performance classifiers used in vertical mills.

**9. TECHNOLOGY :**

The grinding media developed with superior quality alloys have now been well accepted by the leading customers of the company and for all their new requirements, the customers have switched over to these alloys. Similarly for mining application, the company has conducted several tests for reduction in wear rate and eventually reduced cost of grinding for the customers. The results were encouraging and the new alloys have been introduced to various customers.

The new alloys introduced for Vertical Mill spares have given very encouraging results compared to the conventional alloys and in view of that most of the customers in this segment have started accepting these alloys as standard.

**10. SALES & SERVICE ORGANISATIONS :**

The Company has expanded its activities by forming a wholly owned subsidiary in Canada and starting an office there and also an office in Australia. The Company is actively pursuing penetrating Chinese market through a strategic alliance where potential for Vertical Mill spare parts is huge.

**11. HUMAN RESOURCE POLICY :**

The company, once again followed the well-treaded path of maintaining superlative industrial policy. It is actively involved in utilizing the strength of the work force to the maximum, by undertaking motivational drives, orientations, instilling confidence building measures and providing congenial work environment.

**12. COMPUTERISATION AND COMMUNICATION :**

The Company has continued to invest resources in maintenance and up-gradation of the existing ERP software. Our IT team is now building software using the latest programming technology. Company has also invested in new hardware (including a new server) and improved the data redundancy levels. Besides the core function of IT to serve the business needs, Company is continuously trying to use IT as a means to enhance communication and information sharing.

**13. FUTURE PROSPECTS :**

With a number of high performance alloys, the company has a bright future with respect to cement industries, mining industries, quarry industries and utility companies.

**14. FUTURE EXPANSION :**

The company has started with Phase-I expansion at

Changodar for starting an engineering unit, which will engage in supply of Vertical Mill spares and other wear resistant castings for its customers all over the world. For Phase-II which will involve manufacture of grinding media, the company has signed an MOU with Government of Gujarat under their scheme "Vibrant Gujarat". The company is in the process of applying for its statutory requirements and as soon as they are received the company plans to install high pressure moulding line to produce more than 50,000 tons of casting per annum.

**15. INTELLECTUAL PROPRIETARY RIGHTS :**

To protect its intellectual property, the Company has filed 4 patents in 2002-2003. In India, normally it takes 5 to 6 years for a patent to be granted after passing through the stages of patent examination. The Patent Office has already examined these Patent applications and our Patent Attorney has clarified the questions raised by the Patent Examiner. These patents will be open for opposition by the end of this year. The date of final grant of these patents will depend on whether our patent applications are opposed or not.

During the year under review, the Company has filed a Provisional application for the product Sintercast on 1st. January, 2005. The complete patent application is being drafted. It is expected to be filed in India by July, 2005. After filing in India, it will be filed in USA and Europe and some other countries, which will be decided in due course. The draft of new patent "Liners for Cheek End of Tube Mills" is also getting ready and it will be filed by August, 2005.

**16. SUBSIDIARY COMPANIES :**

The Audited Statements of Accounts of Paramount Centrispun Castings Pvt. Ltd., Reclamation Welding Ltd., Vega Industries (Middle East), F.Z.E., Ajman, Vega Industries (Canada) Inc., Vega Industries Ltd., U.K. and Vega Industries Ltd., USA, the Company's Subsidiary Companies together with the Reports of the Directors and Auditors for the year/period ended 31st March, 2005 as required under Section 212 of the Companies Act, 1956 are attached.

**17. INSURANCE :**

The Company has taken adequate insurance coverage of all assets and stocks against various calamities viz. fire, floods, earthquake, cyclone, act of terrorism etc.

**18. DEPOSITS :**

The Company has not accepted deposits from the public during the year under review, within the meaning of Section 58A of the Companies Act, 1956.





## 19. INDUSTRIAL RELATIONS :

Various programmes have been introduced to instill healthy competition among various departments of the Company to maximize productivity.

## 20. ENVIRONMENT – SAFETY – HEALTH :

The company is fully focused on complying with various government norms and in accordance with environmental protection rules and regulations. Various approvals / licences / clearances have been obtained from Gujarat Pollution Control Board and other statutory bodies. Utmost care has been taken to manage disposal of solid wastes by processing and disposing the same. Various environment safety measures have been introduced. Concerned employees handling particular operations are provided with adequate personal protective equipments and they are subject to safety and health education

## 21. CORPORATE GOVERNANCE :

In line with the Company's commitment to good corporate governance practices, your Company has appointed Mr. Vinod Narain, Mr. Rajendra S. Shah and Dr. S. R. Ganesh as independent Directors.

## 22. INTERNAL CONTROL AND AUDIT :

Company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from un-authorised use or disposition and that transactions are authorised, recorded and reported correctly.

During the year under review, Internal Audit of the Company has been carried out by a firm of Chartered Accountants in the areas of Purchase, Sales, Expenses, Production, Inventory and Financial Management & Accounting. During the year under review, Company has also introduced Pre-transaction Audit.

## 23. DIRECTORS :

Mr. Jules Spede, a Director of the Company retires by rotation at the ensuing Annual General Meeting of the Company. He being eligible, offers himself for reappointment.

Messrs. Vinod Narain, Rajendra S. Shah and Dr. S. R. Ganesh were appointed as Additional Directors of the Company. As per the provisions of 260 of the Companies Act, 1956, their terms of appointment will expire on the day of ensuing Annual General Meeting and are eligible for reappointment.

In pursuance of Section 257 of the Companies Act, 1956, Company has received a Notice proposing the appointment of Messrs. Vinod Narain, Rajendra S. Shah and Dr. S.R. Ganesh as Directors of the Company.

## 24. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, the Board of Directors confirms that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed;
- (ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are 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 ended 31st March 2005 and the Profit and Loss Account for the year ended 31st March 2005;
- (iii) 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;
- (iv) the Annual Accounts have been prepared on a going concern basis.

## 25. PARTICULARS OF EMPLOYEES :

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 are given as an Annexure-A to this report.

## 26. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The additional information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo, stipulated under Section 217 (1)(e) of the Companies Act, 1956 are given as an Annexure-B to this report.

## 27. AUDITORS :

Members are requested to appoint Auditors for the current year and fix their remuneration. M/s. Talati & Talati, Chartered Accountants, the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

## 28. ACKNOWLEDGEMENT :

Your Directors thank the Company's customers, vendors, bankers, auditors and Government bodies for their continued support during the year. Your Directors place on record their appreciation of the contribution made by employees at all levels. Your Company's consistent growth was made possible by their hard work, solidarity, co-operation and support.

For and on behalf of the Board,

Place : Ahmedabad

(Vinod Narain)

Date : 5th July, 2005

Chairman

**AIA Engineering Limited****ANNEXURE- "A" TO THE DIRECTORS' REPORT**

Information under section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 and forming part of the Directors' report for the year ended 31st March, 2005.

(A) Employed throughout the financial year under review and were in receipt of remuneration for the financial year in the aggregate of not less than Rs.24,00,000/- p.a.

1. Name	Shri Bhadresh K. Shah
2. Age	54 Years
3. Qualification	B.Tech Metallurgical
4. Designation	Managing Director
5. Date of commencement of employment.	1.4.1991
6. Experience	28 Years
7. Remuneration	Rs.68,63,036 p.a.
8. a) Particulars of last employment:	
Employer	Ahmedabad Induction Alloys Ltd.
b) Last Post	Managing Director
c) No. of Years	16 Years

(B) Employed for part of the financial year under review and were in receipt of remuneration at the rate of not less than Rs.2,00,000/- per month : Nil

Place : Ahmedabad  
Date : 5th July, 2005

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For and on behalf of the Board,  
(Vinod Narain)  
Chairman



## ANNEXURE - "B" TO THE DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors report for the year ended 31st March 2005.

### FORM - A

#### A) CONSERVATION OF ENERGY :

- a) In Liner pusher Furnace, burner locations are re-arranged and the loading of liners was increased. This resulted in reduction of LDO consumption by 15% to 20%. In view of this LDO consumption has been reduced from 95 Lts./ MT. to 75 Lts/ MT.
- b) In case of 1500 KW Induction Melting Furnace crucible, 2-Ton crucible was replaced by 3-Ton crucible, which has reduced furnace energy consumption from 622.5 to 610 KWh per MT of charge.

#### I. POWER & FUEL CONSUMPTION :

Particulars	Current Year 2004-2005	Previous Year 2003-2004
<b>1. Electricity</b>		
a) Purchased Units	20036794	17083688
Total Amount (in Rs.)	101065518	85458242
Rate/Unit/(Rs.)	5.04	5.00
b) Own Generation		
Through Diesel Generator Unit	63855	81141
Unit per Litre of Diesel Oil	2.65	2.48
Cost/Unit (Rs.)	12.34	10.18
c) Through Steam Turbine/Generator		
Units	N.A.	N.A.
Units per Ltr.of Fuel/Oil/Gas	N.A.	N.A.
Cost/Unit (Rs.)	N.A.	N.A.
<b>2. Coal(Specify Quantity and where used)</b>		
Quantity (in Tons)	N.A.	N.A.
Total cost (Rs.)	N.A.	N.A.
Average Rate/(Rs.)	N.A.	N.A.
<b>3. Light Diesel Oil</b>		
Quantity (in Kilo Ltrs)	1141630	1428790
Total Amount	29339891	27218449
Average Rate (Rs.)	25.70	19.05
<b>4. Others/Internal Generation.</b>		
Quantity	N.A.	N.A.
Total Cost	N.A.	N.A.
Rate/Unit(Rs.)	N.A.	N.A.

#### II. CONSUMPTION PER UNIT OF PRODUCTION :

Product:		
Castings Unit (Tonnes)	11915	10917
(Excluding production on job work – 14892 Tonnes)		
[Previous Year 15006 Tonnes]		
Electricity per Ton of Castings (Units)	1687	1572



## FORM - B

**(B) TECHNOLOGY ABSORPTION :****I. RESEARCH & DEVELOPMENT ( R & D)****a) Specific areas in which R & D carried out by the company.**

Special alloys for grinding media used in first chamber and second chamber of dry cement grinding mills developed.

**b) Benefits derived as a result of the above R & D.**

Field trials have indicated reduction in wear rate of grinding media up to 40% over conventional alloys.

**c) Future plans of action.**

To internationally market the improved grinding media.

**d) Expenditure on R & D (Rs. in lacs)**

1. Capital - Nil
2. Recurring - Nil
3. Total - Nil
4. Total R & D expenditure as percentage of total turn over - Nil.

**II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****a) Efforts in brief made towards technology absorption, adaptation and innovation.**

A newer type of grinding roll is being developed for a South Korean Company.

**b) Benefits derived as a result of the above efforts.**

Some new NTPC projects are adopting these types of rolls and the company will enjoy improved market share.

**c) Imported Technology**

No technological inputs were used from outside. All developments were inhouse.

**d) Foreign Exchange Earnings and outgo:**

Company is presently exporting part of its products.

	Year ended 31.3.2005 Rs.	Year ended 31.3.2004 Rs.
i) Total foreign exchange used	4,79,05,144	11,11,17,634
ii) Total foreign exchange earned	72,17,84,213	39,38,24,936

Place : Ahmedabad  
Date : 5th July, 2005

For and on behalf of the Board,  
(Vinod Narain)  
Chairman