

**44th ANNUAL REPORT  
2004-2005**



**BANCO PRODUCTS (INDIA) LIMITED**

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**Board of Directors** : Shri V. K. Patel Chairman  
Shri A. G. Shroff  
Shri S. K. Patel  
Shri M. K. Patel  
Shri Sudhir Munjal (From 24.11.2004)  
Shri Ram Devidayal  
Shri R. R. Biswas Executive Director

**Company Secretary** : Shri Mukesh Khanna

**Bankers** : Bank of Baroda  
State Bank of India  
HDFC Bank Ltd.

**Auditors** : Shah & Company,  
Chartered Accountants,  
Mumbai.

**Registered Office** : Bil, Near Bhaili Rly. Station,  
Padra Road, Dist. Baroda - 391 410

**Works** : At Bil, Near Bhaili Rly. Station,  
Padra Road, Dist. Baroda - 391 410  
: At Ankhi, Tal. Jambusar, Dist. Bharuch

**BANCO PRODUCTS (INDIA) LIMITED****NOTICE**

Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of Banco Products (India) Limited will be held on Saturday, the 13<sup>th</sup> August, 2005 at 10.30 a.m at its Registered Office at Bil, Near Bhaili Railway Station, Padra Road, Dist. Baroda - 391 410 to transact the following business.

**Ordinary Business :**

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2005 and Balance Sheet as of that date together with the reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri Ram Devidayal who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S.K.Patel who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

**Special Business :**

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution,

"RESOLVED THAT in supersession of all the Resolutions passed earlier, consent of the Company be and is hereby granted, pursuant to Section 293(1)(d) and other applicable provisions of the Companies Act, 1956 or any Repeal or amendments thereof, to the Board of Directors to borrow, from time to time, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), which may exceed the aggregate of the Paid up Capital and Free Reserves, that is to say, reserves not set apart for any specific purpose of the Company, from time to time, provided that such excess shall not exceed Rs. 50 Crores at any time."

By Order of the Board,

Date : 17.6.2005

V K Patel

Place : Bil

Chairman

**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 THE PROXY NEED NOT BE A MEMBER. PROXIES SHOULD BE LODGED WITH THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING IN ORDER TO BE EFFECTIVE.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business enumerated at Item No. 6, is attached herewith.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 8<sup>th</sup> August, 2005 to Saturday, the 13<sup>th</sup> August, 2005. (Both days inclusive)
4. The identities/signatures of Members holding shares in electronics form are liable for verification with the specimen signatures as may be furnished by NSDL and CDSL to the Company. Such members are advised to bring the identity cards issued by their Depository Participants.
5. Pursuant to the provisions of Section 205(A) of the Companies Act, 1956, as amended, with effect from 31<sup>st</sup> October, 1998, dividends for the financial year ended 31<sup>st</sup> March, 1998 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of the same under sub section (1) of the said Section, will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205 C of the said Act. According to the provisions of the said Act, as amended, no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. **Members who have not encashed the dividend warrants or not received dividend for the financial year ended 31<sup>st</sup> March, 1998 or any subsequent financial years, are requested to make the claim to the Company.**

**BANCO PRODUCTS (INDIA) LIMITED**

6. Shareholders are requested to :
- bring their copy of the Annual Report at the meeting.
  - send all communications relating to their shareholding, quoting Folio No. at Registered Office or at the office of M/s. Intime Spectrum Registry Ltd., Baroda.
7. **Members desirous of obtaining any information with respect of the accounts of the Company are requested to send their queries in writing to the Company at it's Registered Office so as to reach at least Seven days before the date of the Meeting.**

By Order of the Board,

Date : 17.6.2005

V K Patel

Place : Bil

Chairman

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

**Item 6 :**

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors can not, except with the consent of the Company in General Meeting, borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of the business, in excess of the aggregate of the Paid up Capital and Free Reserves of the Company.

At the Annual General Meeting held on 26<sup>th</sup> September, 1998, Shareholders had authorised Board of Directors to borrow money, not exceeding Rs. 25 Crores. Your Directors, considering the long term future requirements of borrowed funds, are of the view that the aforesaid limit be enhanced. In the circumstances, the consent of the Shareholders, under Section 293(1)(d) of the Companies Act, 1956 is required to enable the Board of Directors to borrow in excess sum upto Rs. 50 Crores, over and above aggregate of Paid up Capital and Free Reserves of the Company.

None of the Directors of the Company, is in any way concerned or interested in the resolution.

The Board recommends the resolution for adoption.

By Order of the Board,

Date : 17.6.2005

V K Patel

Place : Bil

Chairman

**Annexure to the Notice of Annual General Meeting.**

Information pursuant to Clause 49 of the Listing Agreement regarding reappointment of Directors.

<b>Name of the Director</b>	<b>Ram Devidayal</b>	<b>S. K. Patel</b>
<b>Date of Birth</b>	<b>08.12.1950</b>	<b>25.03.1960</b>
<b>Date of Appointment</b>	<b>27.07.2002</b>	<b>25.09.1983</b>
<b>Specialised Expertise</b>	<b>General Management</b>	<b>General Management</b>
<b>Qualifications</b>	<b>M.Com. (Business Management)</b>	<b>B.Sc. M.B.A.</b>
<b>Directorships of other Companies as on 31st March, 2003</b>	<b>Devidayal (Sales) Ltd. Highland Farms Pvt. Ltd. Ritika Investments Co. Pvt. Ltd.</b>	<b>Banco Aluminium Ltd. Ganga Investments Pvt Ltd. K K Patel Foundation</b>
<b>Chairman/Member of Committees of Companies as on 31st March, 2005</b>	<b>Chairman of Remuneration Committee &amp; Member of Audit Committee and Shareholders' Grievance Committee of Banco Products (India) Limited.</b>	<b>Member of Shareholders' Grievance Committee of Banco Products (India) Limited.</b>

**BANCO PRODUCTS (INDIA) LIMITED****DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting the 44th Annual Report together with the audited statements of accounts for the year ended 31st March, 2005. Following figures summarise the operational result.

**1. FINANCIAL RESULTS :**

(Rs. in Lacs)

	Year ended 31.3.2005	Year ended 31.3.2004
<b>TOTAL TURNOVER &amp; OTHER INCOME</b>	<b>13983.85</b>	<b>12024.44</b>
<b>PROFIT BEFORE TAXATION</b>	<b>1718.72</b>	<b>1666.50</b>
Less:		
Provision for Taxation	560.00	463.00
Deferred Tax Liability	104.85	26.56
<b>PROFIT AFTER TAX</b>	<b>1053.87</b>	<b>1176.94</b>
Add:		
Balance brought forward from Previous Year	909.51	343.72
Prior years adjustments	—	0.08
Goodwill written off	(3.55)	—
Transfer from Export Profit Retention Reserve	—	2.25
Deferred Tax Liability decreased upto year 2003-2004	17.27	83.55
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	<b>1977.10</b>	<b>1606.54</b>
<b>APPROPRIATIONS:</b>		
Short Provision of Tax of Previous Year	10.36	—
Transfer to General Reserve	600.00	125.00
Proposed Dividend	507.07	507.07
Provision for Tax on Proposed Dividend	71.12	64.96
Short Provision of Dividend Tax Year 2003-2004	1.30	—
Balance carried to Balance Sheet	787.25	909.51
	<b>1977.10</b>	<b>1606.54</b>

**2. DIVIDEND :**

The Directors are pleased to recommend payment of dividend @ 75 % (Rs. 7.50/- per Share) for the year 2004-2005 to the Shareholders holding shares of the Company on 13.8.2005. The Dividend, if approved by the Shareholders at the ensuing Annual General Meeting, will absorb Rs.578.19 lacs, including tax and surcharge levied on dividend amount.

**BANCO PRODUCTS (INDIA) LIMITED****3. OPERATIONS:**

During the year under review, the Company has registered good results on attaining turnover of Rs. 139.8 Crores against Rs. 120.2 Crores of previous year, with Gross Profit before Tax of Rs. 17.1 Crores against Rs. 16.6 Crores of previous year and Net Profit of Rs. 10.5 Crores against Rs. 11.8 Crores of previous year with Net Foreign Exchange Earnings of Rs. 9.3 Crores.

The Indian Automobile Industry has continued in recording its impressive performance and our Company has been able to participate in this growth, year after year.

Considering significant increase in export sales of its Aluminium Radiators over last three consecutive years and in order to meet with increased exports demands of existing and potential Original Equipments Manufacturers (OEMs), worldwide, the Company has decided to set up 100% Export Oriented Unit (EOU) with total outlay of Rs. 20 crores which would be funded with Internal Accruals and supports of the Banks. 100% EOU is expected to be commercially operative by December, 2005. It is hoped that the Company would continue to perform better in coming years.

**4. DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 217(2AA) of the Companies Act, 1956, the directors would like to state that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) 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 true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the directors have prepared the annual accounts on a "going concern" basis.

**5. DIRECTORS:**

Shri Ram Devidayal and Shri S.K. Patel, the Directors, retire by rotation and being eligible, offer themselves for reappointment.

Shri Sudhir S Munjal has been appointed as a Director on the Board of Directors of the Company with effect from 24.11.2004 in the casual vacancy caused by the resignation of Shri Pankaj M. Kadakia. The Board hopes that his valuable contributions and guidance would be highly beneficial to the Company.

**6. AUDIT COMMITTEE:**

Audit Committee as constituted in terms of Section 292A of the Companies Act, 1956, with three independent Directors viz Serveshri Atul G Shroff, Ram Devidayal, Sudhir Munjal and non executive Promoter V. K. Patel as Members, performed inter alia the work assigned to it as laid down thereunder, during the year under review.

**7. CORPORATE GOVERNANCE :**

Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchange, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance, are made a part of the Annual Report, as Annexure "A".



**BANCO PRODUCTS (INDIA) LIMITED****8. PARTICULARS OF EMPLOYEES :**

Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not furnished as no employee is covered thereunder.

**9. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 :**

Particulars in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology absorption and Foreign Exchange earning and outgo, is given in the Annexure – "B".

**10. AUDITORS :**

M/s. Shah & Co., Chartered Accountants, Mumbai, the Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting. The retiring Auditors, being eligible, have expressed their willingness for reappointment and offer themselves for reappointment. You are requested to appoint the Auditors and fix their remuneration.

**11. PUBLIC DEPOSITS:**

As on 31<sup>st</sup> March, 2005, deposits amounting to Rs.54,500/- which were due for repayment, remained unclaimed. Out of these, no deposits have since been refunded/renewed.

**12. INSURANCE:**

All the properties and insurable interests of the Company including buildings, plant and machineries and stocks etc., have been adequately insured.

**13. INDUSTRIAL RELATIONS:**

Overall industrial relation has continued to be cordial. The Board places on record its appreciation for the continued support and co-operation received from all the employees.

**14. ACKNOWLEDGEMENTS:**

The Board places on record its deep appreciations for the co-operation and continued support received by the Company from Shareholders, Banks, Vendors and Depositors during the year under review.

By Order of the Board,

Date : 17.6.2005  
Place : Bil

V K Patel  
Chairman

**BANCO PRODUCTS (INDIA) LIMITED**

## ANNEXURE - A

### MANAGEMENT DISCUSSION & ANALYSIS

**Introduction :**

Banco Products (India) Limited is in the business of manufacturing Gaskets and Radiators- both of which are considered important components in sealing and cooling applications in Automotive and Industrial Engines. Backed by over four decades of sound and in-depth manufacturing experience, the Company is continuously upgrading competencies in product and process design, faster product development, quality system, maintenance of manufacturing, delivery performance and response time. The Company is highly focused on the continuous improvement in order to render high degree of customer satisfaction.

**Industry Structure and Development :**

Indian Auto Industry, during the year 2004-2005, registered a growth of 16% in domestic and 31% in export sales in numbers, over that of last year and the growth seems to be continuing in the similar fashion for the year 2005-2006. Meanwhile downward trend in use of Cu-brass Radiator is continuing as the same is being replaced by Aluminium Radiators in majority of the OEM applications for all ranges of vehicles in Automobile Industry. Gasket production and sales have shown a nominal growth over that of last year. Needless to mention that growth in Radiator and Gasket segment will substantially depend on the growth in Auto Production as well as speed at which indigenisation is implemented by the vehicle manufacturers across the Country.

**Our Operations :**

The focus at our manufacturing facilities is continued to be on higher productivity, shorter lead time, faster development and validation of new products, lower unit costs, improving delivery performance, optimising response time, adherence to stricter quality system maintenance, closer analysis of the market and better product reliability. There is reasonably higher growth of Sales in our Export segment. In addition to Aluminium Radiators, the Company has successfully productionised various Aluminium Heat Exchanger products such as oil-coolers, charged air coolers etc.

**Technology :**

The Company's agreement with Japan Metal Gaskets Co., Japan on need base technical know how, is in force. In addition to that, the Company is getting design support from Elring Klinger, Germany for non retorque Cylinger Heat Gasket manufacturing, on case to case basis.

**Internal Control and its Adequacy :**

The Company has successfully obtained renewal of TS-16949 certification and now started work on company wide Lean 6 -Sigma implementation. Software for inter and intra department communication and follow up has been upgraded to latest version. For data security specifically in design section, suitable software has been installed.

The system of internal control provides reasonable maintenance of proper accounting records and the reliability of financial information used with a view to running business. The Company has clearly defined organisation structure and limits of authority. Sufficient control is exercised through monthly, quarterly and annual business review by the Management Review Committee and application of Corporate Governance. An internal audit system is in place. Normal foreseeable risks to the Company's assets, are adequately covered by comprehensive insurance.



**BANCO PRODUCTS (INDIA) LIMITED****Financials :**

The detailed financial analysis of the Company's operations for the year is given in the Directors' Report and therefore the same is not repeated. However, some important ratios on the Company's profitability are given below.

	2004-2005	2003-2004
Net Profit to Sales (PBT)	12.63	14.53
Earning per Share (EPS)(Rs.)	15.59	17.41
Cash earning per Share(Rs.)	19.98	21.54
Return on Networth (PAT)	15.64	19.01
Dividend Payout Ratio (including Dividend Tax)	54.86	48.60
Retained Earnings (Rs. in Lacs)	475.67	604.90
Retained Earnings (%)	45.14	51.40

**Risk and Concerns :**

The excessive competition in the auto industry which is facing the problem of over capacity, has forced auto manufacturers to cut costs in order to maintain the bottomline, the effect of which is evident as the auto-component manufacturers are experiencing scale down of net value addition in rupee term. In addition to that there is continuous pressure on price to prevent the invasion of cheaper auto components from outside the country.

**Future Strategy :**

It is clear that the Company's future has to be built upon its existing strengths and over four decades of proven skills in cooling and sealing business. Fastest possible development of new products, very high quality customer satisfaction management are the thrust area. The Company has clearly focused on developing new markets both in India and abroad, substantially broad basing export sales, penetrating existing markets and launching new products. In addition, there is an increased focus on achieving greater efficiency through cost reduction initiatives, improved quality standards and better supply chain management.

**BANCO PRODUCTS (INDIA) LIMITED****REPORT ON CORPORATE GOVERNANCE**

In compliance with Clause 49 of the Listing Agreement entered into with Stock Exchange, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by it.

**1. Company's Philosophy on Code of Corporate Governance**

Banco Products (India) Limited's philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation, across all facets of its operations leading to sharply focussed and operationally efficient growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

**2. Board of Directors**

The Board of Directors is consisting of seven directors with a Non-Executive Chairman and three independent Directors as on 31.3.2005. A brief resume of the directors being reappointed at the Annual General Meeting, the nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership of the committees of the Board is annexed to the Notice.

The names and categories of the Directors, their attendance at Board Meetings, Annual General Meeting, No. of directorships in other companies and committee meetings etc. are given below.

Name of Director	Category of Director	No. of Board Meeting attended	Whether attended last A.G.M.	No. of Directorship in domestic public companies	No. of Committee membership	
					Chairman	Member
V.K.Patel	Non Executive Chairman & Promoter.	3	Yes	2	—	1
A.G.Shroff	Non Executive Independent.	2	No	10	3	7
S.K.Patel	Non Executive & Promoter.	4	Yes	2	—	1
M.K.Patel	Non Executive & Promoter.	2	No	2	—	1
R.Devidayal	Non Executive Independent	3	Yes	1	1	2
R.R.Biswas	Executive Independent	4	Yes	—	—	—
Sudhir Munjal	*Non Executive Independent	—	N.A.	1	—	—

\* Joined as a Director effective from 24.11.2004