

GALAXY AGRICO EXPORTS LIMITED

RAJKOT



ANNUAL REPORT

2005-2006



DIRECTORS' REPORT

To,
The Members,
GALAXY AGRICO EXPORTS LTD.,

The Directors have pleasure in presenting their **TWELVETH ANNUAL REPORT** and the Audited Statement of Accounts of your company for the year ended **31st MARCH, 2006**.

01) FINANCIAL RESULTS:

| Particulars | [Rs. in Lac] | |
|--|--------------|------------|
| | 31.03.2006 | 31.03.2005 |
| Income from Operations | 1517.99 | 1199.80 |
| Profit before Interest, Depreciation and Taxation | 119.91 | 72.64 |
| Less : Interest | 33.99 | 19.23 |
| Depreciation & Miscellaneous Expenditure Written Off | 29.38 | 22.31 |
| Profit after Interest & Depreciation | 56.41 | 31.10 |
| Less : Provision for Tax: | | |
| Current Tax | 10.00 | 3.82 |
| Deferred Tax | 7.70 | 8.47 |
| Fringe Benefit Tax | 0.82 | ---- |
| Profit after tax | 37.89 | 18.81 |
| Less : Short Provision of Income Tax Written Off | 0.01 | 1.30 |
| Net Profit after adjustments | 37.79 | 17.51 |
| Balance of P&L A/c. Brought Forward from Previous Year | 109.93 | 92.42 |
| Balance of P&L A/c. Carried Forward to Balance Sheet | 147.72 | 109.93 |

02) DIVIDEND:

The directors do not recommend any dividend.

03) OPERATIONS:

During the year under review the Company registered a 41% increase in turnover aggregating to Rs. 1417.06 Lac as compared to Rs.1004.64 Lac in the previous year. The net profit after tax doubled over the previous year aggregating to Rs.38.00 Lac as compared to Rs.18.81 Lac in the previous year. The company continues to focus on the export market and has successfully launched its garden tools in US market.

04) RESPONSIBILITY STATEMENT:

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates 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, 2006** and of the Profit of the Company for that year;
- (iii) that the Directors had 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 have prepared the annual accounts on a going concern basis.

Regd. Off. : 302, Diwali Chambers, Opp. Mehta Petrol Pump, Dhebar Road, Rajkot - 360 002. Gujarat. (India)

Ph. : 91-281-2234139, 2233091, Fax : 2224888, Website : <http://www.galaxyagrico.com>

E-mail : info@galaxyagrico.com / galaxy_ad1@sancharnet.in

Factory : 236, Jai Kishan Ind. Estate, Behind Murlidhar Weigh Bridge, Veraval (Shapar) Dist. : (Rajkot). Guj. (India)

Ph. : 91-2827-252676, 252990 Fax : 254371 E-mail : works@galaxyagrico.com





05) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

Pursuant to section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the company has to give information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo.

Your company continues to accord high priority to conservation of energy

A. Power & Fuel Consumption

| (i) Electricity | 2005-2006 | 2004-2005 |
|-----------------------------|-----------|-----------|
| a) Purchased: | | |
| Units | 8,76,641 | 6,05,286 |
| Total Amount Rs. | 47,38,993 | 32,63,132 |
| Rate/Unit Rs. | 5.40 | 5.39 |
| b) Own Generation | Nil | Nil |
| (ii) Fuel | | |
| Quantity (Ltrs.) | 4,39,153 | 3,91,975 |
| Total Cost Rs. | 69,96,519 | 48,85,298 |
| Average Cost (Per Ltr.) Rs. | 15.93 | 12.46 |

B. Consumption per unit of Production

Your company manufactures variety of products. The products, before reaching the finishing stage, passes through various operations. It is, therefore, not feasible to furnish the information in respect of consumption of power and fuel per unit of production.

Your company has earned foreign-exchange by exporting to Africa, Dubai, U.S., and U.K. And the European markets, the particulars of which are as follows:

| | | 2005-2006 | 2004-2005 |
|--------------------------------------|-------|-----------|-----------|
| Foreign Exchange earned (Rs. In Lac) | Rs. | 1,109.24 | 713.24 |
| Foreign Exchange used | US \$ | 10,441.29 | 9,873.68 |
| | Euro | 7,030.00 | 1,628.64 |
| | GBP | 300.00 | Nil |

06) PROSPECTS:

During the year under review the company's turnover has increased to Rs.1417.06 Lac as compared to Rs.1004.64 Lac. This was possible due to the company offering wider range of products and gaining a strong foothold in the American market. Further the company continues to give special attention to the export market and continues to increase the range of products manufactured which will help the company post higher revenues leading to greater profitability.

07) DIRECTORS:

Shri Ajay R. Patel and Shri Jitendra H. Shah retire by rotation and being eligible offer themselves for re-appointment.

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**08) PARTICULARS OF EMPLOYEES:**

There are no employees whose details are required to be mentioned as per Section 217(2A) of the Companies Act, 1956.

09) AUDIT COMMITTEE:

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement the Audit Committee comprises of the following Directors:

Mr. Bharat T. Shah
 Mr. Ajay R. Patel
 Mr. Shashikant Bhalodi

The Audit Committee of the Board of Directors reviews, acts and reports to the Board with respect to various auditing and accounting matters.

10) AUDITORS:

M/s. Mistry & Associates, Chartered Accountant are present the Auditors of the Company. They retire as auditors of the company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished the necessary certificates. Your directors request their re-appointment. Their remuneration may also be appropriately decided.

11) CORPORATE GOVERNANCE:

A separate report on Corporate Governance along with Auditor's Certificate on its compliance is attached as a part of the Annual Report.

12) MANAGEMENT DISCUSSION & ANALYSIS REPORT:**a) Industry Structure & Developments**

Your company is primarily engaged in manufacturing of Agricultural and gardening equipments. There are very few players in the organized sector offering such a wide variety of agriculture and gardening tools and equipments. With India's economy opening up and businesses becoming global both, the export market looks promising.

b) Opportunities & Threats

The growing demand for low cost quality products with wide variety gives opportunities in the America and European markets. The established Brand name of Galaxy also gives your company an opportunity to enter into new territories with ease. However with China also able to give low cost products in huge quantity could be a big threat to the company.

c) Segment / Product wise performance

Your company has a single business segments namely Agriculture and Gardening tools and equipments

d) Outlook

With the Agriculture sector looking positive and a positive attitude for better environment remaining a priority the company is hopeful of posting better profits in the financial year 2006-07.

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e) Risk & Concerns

The business of the company is export oriented with its exposure to the USA and African countries and with the Rupee becoming strong against the Dollar, the loss on account of foreign exchange is a great risk and a matter of concern for the company. Further dependent on the financial economy, its policies Political uncertainty, and the threat of war, inflation, are factors, which could affect the profitability of the company.

f) Internal control systems & their adequacy

The company has an effective Internal control System in place and this is periodically reviewed for effectiveness. The company also has in place cross-functional Internal Audit team focusing on the controls, reporting to the Audit Committee. The findings are reviewed with the Audit Committee and key observations are discussed for implementation.

g) Discussion on financial performance with respect to operational performance

The financial performance of the Company has been given separately in the Directors Report.

h) Material development in human resources / industrial relation front, including number of people employed.

The Company continues to maintain excellent relations, which also ensures human resource development. Training and educational programme are conducted as per requirements to improve efficiency.

13) STOCK EXCHANGE LISTING:

The company shares are listed on the Saurashtra-Kutch (Rajkot) Stock Exchange Ltd. and Mumbai Stock Exchange and the company has paid requisite listing fees on both the Stock Exchanges. The company is awaiting the approval for de-listing from the Ahmedabad and Kolkata Stock Exchanges.

14) ACKNOWLEDGEMENT:

Your directors wish to express their appreciation to all employees of the Company for their excellent support and co-operation in achieving the Organizational Goals during the period under review. The Board wishes to thank the Government, Company's Bankers and all other Institutions connected with the company who have extended their support to the company during its operations.

FOR & ON BEHALF OF THE BOARD OF DIRECTORS,

NATHABHAI J. SADARIA
 Director

RAJKOT, 2nd August 2006

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MISTRY & ASSOCIATES
Chartered Accountant

A/61, Madhav Land Apts,
Nr, Chitrakut Van, Kiran
Motor Lane, Bodakdev,
Ahmedabad - 380 015

AUDITORS' REPORT

To,
The Members of
GALAXY AGRICO EXPORTS LTD.,

We have audited the attached Balance Sheet of **GALAXY AGRICO EXPORTS LIMITED**, as at **31st March, 2006**, the Profit & Loss Account and also the Cash Flow Statement 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.

As required by the Companies (Auditor's Report) Order, 2003 and as amended by Companies (Auditor's Report) (Amendment) Order, 2005 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) 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;
- (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and 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;
- (v) On the basis of written representations received from the directors, as on **31st March, 2006**, and taken on records by the Board of Directors, we report that none of the director is disqualified as on **31st March, 2006** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at **31st March, 2006**;
 - (b) in the case of the Profit & Loss Account, of the **Profit** for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Ahmedabad, Dated 3rd August, 2006



**For Mistry & Associates,
Chartered Accountant**

**Suresh Mistry
Proprietor**

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Statement on the Companies (Auditor's Report) Order, 2003

To,
The Members,
Galaxy Agrico Exports Limited

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year, the company has not disposed off substantial part of fixed assets and the going concern status of the company is not affected.
 - (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
 - (iii) (a) The company has accepted loan from one party covered under register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 50.00 lac and the year-end balance of loans accepted from this party was Rs. 50.00 lac.
 - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the company.
 - (c) In respect of loans accepted by the company, the interest payments are regular. There is no stipulation regarding repayment of principal amount.
 - (d) There is no overdue amount of loan accepted party listed in the register maintained under section 301 of the Companies Act, 1956.
- The Company has not granted any loans, secured or unsecured, to companies, firms, or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.

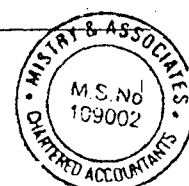


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- (v) In respect of transactions covered under Section 301 of the Companies Act, 1956;
- (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 do not exceed Rs. 5,00,000/- (Rupees Five lacs only) or more in respect of each party. Accordingly Clause V (b) of the Order is not applicable to the company.
- (vi) The Company has not accepted any deposits from the Public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of goods manufactured by the Company. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) In respect of Statutory dues;
- (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it except for delay in few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.
- (d) According to the information and explanations given to us, there are no dues outstanding of wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of any dispute, other than the following:
- | Name of the Statute | Nature of the dues | Amount (Rs) | Period to which the amount relates | Forum where dispute is pending |
|----------------------|--------------------|-------------|------------------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax demand | 1,51,502 | A.Y. 2000-01 | CIT (Appeals-I) Rajkot |
- (x) In our opinion, the company has no accumulated losses The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) In our opinion and according to the information & explanations given to us, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.



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- (x) In our opinion, the company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) In our opinion and according to the information & explanations given to us, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.

