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ANNUAL REPORT
2004 - 2005

LIPPI SYSTEMS LIMITED
AHMEDABAD

LIPPI SYSTEMS LIMITED

BOARD OF DIRECTORS

Shri Nandlal J. Agrawal	Managing Director
Shri Sanjaybhai C. Agrawal	Director
Shri Dineshbhai R. Gupta	Director
Shri Minesh C. Shah	Director
Shri Shankarbhai R. Raval	Director
Shri Kamlesh S. Sharma	Director
Shri Jagdish R. Dave	Director
Shri Yogin M. Patel	Director

BANKERS

Bank Of Baroda
Bhadra,
Ahmedabad - 380 001.

AUDITORS

Ashok Dhariwal & Co.
Chartered Accountants
A/602, Nar Narayan Complex,
Navrangpura,
Ahmedabad - 380 009.

REGISTERED OFFICE

3rd Floor, Agrawal Chambers,
Opp. Town Hall,
Ellisbridge,
Ahmedabad - 380 006.

NOTICE

NOTICE is hereby given that 12th Annual General Meeting of the members of the Company will be held on Tuesday, 27th September, 2005 at 11.00 a.m. at the registered office of the Company at 3rd Floor, Agrawal Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad 380 006, to transact the following business:-

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2005, Profit and loss account for the year ended on that date together with the directors report and auditors report thereon.
2. To appoint Shri. Minesh C. Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Shri. Shankarbhai M. Raval, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

By Order of the Board of Directors

Place : Ahmedabad
Date : 30th June, 2005

Nandlal J. Agrawal
Chairman Cum Managing Director

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 COMPANY.

2. The proxies in order to be effective, must be lodged with the company not less than 48 hours before the meeting.

3. The Register of Members and Share Transfer Books will remain close from Thursday, the 15th September, 2005 to Thursday, the 22nd September, 2005 (both days inclusive).

4. Members are requested to bring their copies of Annual Report at the meeting.

DIRECTORS REPORT

To,
The Members

Your Directors have pleasure in presenting their 12th Annual Report together with the Audited Accounts for the year ended on 31st March, 2005.

FINANCIAL RESULTS:

Amt. (Rs. in lacs)		
Particulars	2004-05	2003-04
Net Sales	758.29	653.17
Other Income	7.42	13.75
Interest	33.01	21.46
Depreciation	157.93	118.00
Income Tax Provision(MAT)	07.14	13.34
Deferred Tax Liability	30.26	29.79
Net Profit	43.79	73.73

OPERATIONS :

Your directors are pleased to report that during the year under report your, Company has achieved a turnover of Rs 758.29 lacs as compared to Rs. 653.17 lacs for the preceding year. However, due to increased cost of inputs, the cost production increased, which could not be passed on to the customers and hence, the profit margins remained under pressure and as a result of increased cost of production and higher depreciation, your company could achieve a net profit of Rs. 43.79 lacs as compared to Rs. 73.73 lacs for the previous year.

Your directors expect some better results for the current year.

DIVIDEND :

Considering various factors such as present requirement of long term funds, current market conditions etc., your directors have not recommended any dividend for the year under report.

FIXED DEPOSITS

During the year under review your Company has not accepted any fixed deposits from the public and therefore no information is required to be furnished in respect of outstanding deposits.

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

The particulars in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, pursuant to Section 217 (1) (e) of the Companies Act read with Companies (Disclosure of particulars in Report of Directors) Rules, 1988 are provided by way of annexure to this Report.

PARTICULARS OF EMPLOYEES :

The Company has no employees whose salary exceeds the limits prescribed under Section 217 (2A) of the Companies Act, 1956. Hence the information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 do not apply.

AUDIT COMMITTEE :

Pursuant to Section 292 A of the Companies Act, 1956 the Board of Directors has constituted an audit committee. The audit committee comprises of Shri Jagdish Dave, Shri Sankarbhaj Raval and Shri Kamlesh Sharma.

DIRECTORS RESPONSIBILITY STATEMENT:

Your Directors confirm that :

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of state of affairs of the company as at 31st March, 2005 and of the profit of the company for the year ended on that date.
- (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 your company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the annual accounts on a "going concern basis"

CORPORATE GOVERNANCE :

A report on Corporate Governance is also enclosed and forms part of the annual report.

DIRECTORS :

Shri Minesh C. Shah and Shri Shankarbhaj M. Raval retire by rotation and being eligible offer themselves for reappointments.

AUDITORS :

The Auditors M/s. Ashok Dhariwal & Co., Chartered Accountants retire at the ensuing annual general meeting. The Company has received a certificate from the auditors stating that their appointment, if made, will be within the limits prescribed under section 224 (1B) of the Companies Act, 1956. The Board propose to reappoint them.

ACKNOWLEDGEMENT :

The Board wish to place on record their sincere appreciation and acknowledge with gratitude the efforts put in and co-operation extended by bankers, shareholders, employees at all level and all other associated persons, bodies or agencies for their continued support.

Place : Ahmedabad

For and on Behalf of Board of Directors

Date : 30th June, 2005

NANDLAL J. AGRAWAL
Chairman Cum Managing Director



ANNEXURE TO DIRECTORS REPORT

Information as per Section 217(1) (e) of the Companies Act, 1956.

(A) CONSERVATION OF ENERGY :

All possible measures are being taken on regular basis for conservation of energy. Total energy consumption and energy consumption per unit of production

d) Total Energy Consumption per unit of production in prescribed form :**A) POWER AND FUEL CONSUMPTION IN RESPECT OF :**

	Year ended <u>2004-2005</u>	Year ended <u>2003-2004</u>
1. Electricity :		
a) Purchased		
Units Nos.	976068	750894
Total Amt. (Rs.)	4526828	3445760
Rate per Unit (Rs.)	4.64	4.59

b) Own Generation

(i) Through Diesel Generation Set		
Units	21435	22531
Unit per Litre of Diesel Oil	4.29	4.33
Cost per Unit	6.29	5.54

B. CONSUMPTION PER UNIT OF PRODUCTION :

Consumption per square meter of Production	<u>2004-2005</u>	<u>2003-2004</u>
Electricity (No. of Units)	345.898	307.522

RESEARCH AND DEVELOPMENT :

The Company has no specific research and development department. However the company has well equipped quality control department to check the quality of its products and effective steps are being taken for its improvement.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The information required to be given in respect of foreign exchange earnings and outgo is provided in the notes forming part of accounts. Members are requested to refer the same.

REPORT ON CORPORATE GOVERNANCE**COMPANY PHILOSOPHY ON CODE OF GOVERNANCE :****A brief statement on company's philosophy on code of Governance:**

The company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as fair and transparent business practices, effective Management Controls at all levels, adequate representation of promoter, executive and independent directors on the board, accountability for performance at all levels, monitoring of executive performance by the Board and transparent and timely disclosure of financial and management information.

1. Board of Directors:

There are eight members of the Board of Directors of the company comprising of Executive Directors and independent directors. There is no institutional nominee on the board. During the year six meetings of the Board were held. The Board of directors were met on 30.06.2004, 31.07.2004, 31.10.2004, 20.12.2004, 31.01.2005. and 15.03.2005.

The composition and attendance of the Board of Directors are as :

Sl. No.	Name of Director	Category of Director	No. Of Board Meetings attended	Attendance at the last AGM	No. Of Directorship held other than Lippi System Ltd.	No. Of Committee/ membership @held other than Lippi System Ltd.
1	Shri Nandlal Agrawal	Managing Director-Chairman	6	Yes	3	None
2	Shri Sanjay Agrawal	Non-executive	5	Yes	5	None
3	Shri Dinesh Gupta	Non-executive	5	Yes	4	None
4	Shri Shankar Raval	Independent	5	Yes	Nil	None
5	Shri Minesh Shah	Executive	6	Yes	Nil	None
6	Shri Kamlesh Sharma	Independent	6	Yes	1	None
7	Shri Jagdish Dave	Independent	6	Yes	1	None
8	Shri Yogin Patel	Independent	6	Yes	Nil	None

@ Only Remuneration Committee, Shareholders/ Investors Grievance Committee and Audit Committee are considered for the purpose.

The information required to be given for the Directors seeking appointment / reappointment at the Annual General Meeting as per clause 49 (VI) is as :

Shri Minesh C. Shah, is diploma in production engineering, aged about 38 years. He has great expertise in the field of production, marketing and business administration. Shri Shankarbhai M. Raval is M.A, L.L.B., aged about 69 years. He possesses indepth knowledge in the field of legal and public relation.

The board of directors of the company has constituted various committees of the members of the board. The terms of reference of these committees have been determined by the board from time to time.

AUDIT COMMITTEE :

The Company has constituted an audit committee. The audit committee comprises of Shri Jagdish Dave (Chairman), Shri Sankarbhai Raval and Shri Kamlesh Sharma. The company Secretary acts as secretary of the committee.

The terms of reference of the Committee are as is specified in clause 49 of the Listing agreement. During the financial year the Committee met on 30.06.2004, 31.07.2004, 30.10.2004, 31.01.2005. The minutes of the Audit committee are circulated to the Board members.

REMUNERATION COMMITTEE :

The remuneration committee consists of Shri Shankar M. Raval (Chairman), Shri Dinesh Gupta and Shri Yogin M. Patel

The Remuneration Committee has been constituted to recommend / review the remuneration package of the Managing / whole time Directors.

Share Transfer-cum-investors Grievances Committee:

The Board has constituted Share Transfer cum Investors Grievances Committee consisting of Shri Dinesh Gupta (Chairman) Shri Minesh Shah, and Shri Jagdish Dave. The terms of reference of the Committee are as specified in clause 49 of the Listing agreement .The members of Share transfer cum investors Grievances Committee normally meets twice in every month. No complaint was pending as on 31st March, 2005.

Details of remuneration to Directors during the year ending on 31st March, 2005 :

During the year company has paid an amount of Rs. 3.60 lacs and Rs. 1.76 lacs to Shri Nandlal J. Agrawal and Shri Minesh C. Shah, respectively. The Company is neither paying any sitting fees nor providing any perquisite to its non-executive director.

GENERAL BODY MEETINGS :

Last Three AGMs were held at the registered office of the company at 3rd Floor, Agarwal Chamber, Nr. Town Hall, Ellisbridge, Ahmedabad 380 006 at 11.00 a.m., on Friday, 27th September, 2002, at 11.00 a.m. on Monday, 29th September, 2003 and at 11.00 a.m. on Wednesday, 29th September, 2004, for the year 2001-02, 2002-03, 2003-04 respectively.

The Company has also passed a special resolution for appointment of managing director at its annual general meeting held on 29.09.2003. No resolution is propose to be passed through postal ballot during the ensuing meeting.

Disclosures:

-No transaction of material nature has been entered into by the company with its promoters, Directors or management or relatives etc. that may have potential conflict with the interest of the company.

-There were no instances of non-compliance or penalty imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

Means of Communication

During the year, the quarterly / six monthly / yearly Results of the company were submitted to the Stock Exchanges immediately after the meeting of the Board and were also published in newspapers .

Management Discussion and Analysis Report forms a part of this Annual Report.

General Shareholder Information:**Annual General Meeting:**

The ensuing Annual General Meeting ("the AGM") of the company will be held on Tuesday, the 27th September, 2005 at 11.00a.m. at 3rd Floor, Agarwal Chamber, Nr. Town Hall, Ellisbridge, Ahmedabad 380 006

Financial Calendar

The Financial year of the company is for a period of 12 months from 1st April to 31st March. The financial results of the company is scheduled to be published as under:

Un audited results for the first quarter ending on 30th June, 2005, for the second quarter ending 30th September, 2005, for the third quarter ending 31st December, 2005 and (Audited) for the financial year ending 31st March, 2006 will be published by end of, July, 2005.