

55th
Annual
Report
2004-05





FIVE YEARS AT A GLANCE

(Rupees in lacs)

Year ending	March 2005	March 2004	March 2003	March 2002	March 2001
INCOME / PROFITS :					
Sales/Income from operations	12715.01	11390.34	9607.33	8718.90	10088.34
Other Income	167.60	94.61	148.43	261.58	428.68
Total Income	12882.61	11484.95	9755.76	8980.48	10517.02
Total Expenditure	12745.08	11384.47	9576.36	9023.74	10667.96
Depreciation	28.43	34.54	45.69	65.57	97.62
Profit Before Exceptional Item & Tax	106.10	65.94	(82.85)	(218.62)	(332.13)
Exceptional Item	0.00	51.49	0.00	0.00	0.00
Provision for diminution in value of investment	0.00	5.80	16.93	12.38	140.76
Taxation(including prior years' taxes)	0.00	0.00	0.00	(6.98)	0.00
Deferred Tax Asset	0.00	0.00	0.00	(26.15)	0.00
Profit After Tax	109.10	8.65	(99.78)	(197.87)	(472.89)
Dividends (incl. Corp. Div. Tax)	0.00	0.00	0.00	0.00	0.00
Retained Earnings	109.10	8.65	0.00	0.00	0.00
ASSETS EMPLOYED :					
Gross Fixed Assets	420.95	673.43	669.65	671.64	1248.20
Net Fixed Assets	156.81	245.42	261.06	283.27	571.51
Net Current Assets (incl. Investments)	3957.41	3481.20	3439.67	3200.86	3629.25
TOTAL ASSETS	4114.22	3726.62	3700.73	3484.13	4200.76
FINANCED BY :					
a) Borrowed Funds	968.88	704.33	687.06	380.26	864.73
b) Shareholders' Funds					
i) Share capital	951.96	951.96	951.96	951.96	951.96
ii) Reserves	2203.79	2094.69	2086.04	2151.91	2384.07
Total Share holders' funds	3155.75	3046.65	3038.00	3103.87	3336.03
TOTAL FUNDS EMPLOYED	4124.63	3750.98	3725.06	3484.13	4200.76
OTHERS :					
Dividends %	0.00	0.00	0.00	0.00	0.00
Book Value per Share (Rs.)	33.15	32.00	31.91	32.61	35.04
Debt / Equity Ratio	0.31:1	0.23:1	0.23:1	0.12:1	0.26:1
Profit Before Exceptional Item & Tax as % of Total Income	0.85	0.57	0.00	0.00	0.00
Profit After Exceptional Item & Tax as % of Total Income	0.85	0.08	0.00	0.00	0.00
Profit After Tax as % of Shareholders Funds	0.03	0.00	0.00	0.00	0.00
Cash Earning per Share (CEPS) Rs.	1.44	0.46	0.00	0.00	0.00
Earning per Share (EPS) Rs.	1.15	0.09	0.00	0.00	0.00
Current Ratio	2.63	2.65	2.76	3.17	2.61

55th Annual General Meeting

Day and Date :
Saturday, 30th July, 2005

Venue :
M. C. Ghia Hall,
Bhogilal Hargovindas Building, 2nd Floor,
18/20 K Dubhash Marg,
Mumbai 400 001.

Time :
3.30 p.m.

CONTENTS

Notice	2
Directors' Report	3
Corporate Governance Report	5
Management Discussion and Analysis Report...	8
Auditors' Report	10
Balance Sheet	12
Profit and Loss Account	13
Schedules forming part of the Balance Sheet and Profit and Loss Account	14
Notes to Accounts	19
Balance Sheet Abstract and General Business Profile	23
Cash Flow Statement	24

BOARD OF DIRECTORS

Shri Arvind R. Doshi - Chairman & Managing Director
Shri Dilip J. Thakkar
Shri John O. Band
Shri Jaykumar K. Patil - upto 23/12/2004
Shri Pritam A. Doshi
Shri Karthikeyan Muthuswamy

SENIOR EXECUTIVES

Shri Samir Roy - President
Shri D. Kaushik - General Manager - Marketing
Shri K. N. Kumar - General Manager - Finance

COMPANY SECRETARY

Ms. Sunita Agarwal

AUDITORS

M/s. K. S. Aiyar & Co.
Chartered Accountants

SOLICITORS & ADVOCATES

M/s. Chandra Naik & Associates

BANKERS

State Bank of India
Bank of Baroda
State Bank of Indore

REGISTRAR & SHARE TRANSFER AGENTS

MCS Limited
Sri Venkatesh Bhavan
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai - 400 093.
Phone : 2821 5235 Fax : 2835 0456

REGISTERED & CORPORATE OFFICE

B-Block, Gold Coin,
407, Tardeo Road,
Mumbai - 400 034
Tel. : 2492 5024 / 2492 6381
Fax : 2495 0332
E-mail : corporate@paelttd.com

NOTICE

NOTICE is hereby given that the Fifty Fifth Annual General Meeting of the Members of PAE LIMITED will be held as scheduled below:

Day : Saturday
Date : 30th July, 2005
Time : 3.30 p.m.
Place : M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 K Dubhash Marg, Mumbai 400 001.

The Agenda for the meeting will be as under:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Report of the Auditors and Directors' thereon.
2. To appoint a Director in place of Shri John O. Band who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**:-

"RESOLVED THAT Shri Karthikeyan Muthuswamy a Director who was appointed as an Additional Director in the meeting of the Board of Directors held on 29th April, 2005 and who holds office as such upto the date of Fifty Fifth Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Karthikeyan Muthuswamy as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

Sunita Agarwal
Company Secretary

Registered Office:

Gold Coin, B-Block, 407, Tardeo Road, Mumbai 400 034.

Dated : 10th June, 2005

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THIS ANNUAL GENERAL MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 concerning special business is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will be closed from Wednesday 20th July, 2005 to Saturday, 30th July, 2005 (both days inclusive)
4. Members are requested to notify any change in their address to the Company or its Registrars and Share Transfer Agents viz. M/s MCS Ltd, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Area, Andhari (E), Mumbai - 400 093, or their Depository Participants (DP).
5. Consequent upon the introduction of Section 205-C by the Companies (Amendment) Act; 1999, the amount of unclaimed /unpaid dividends / Fixed Deposits remaining unclaimed with

the Company for the period of 7 years have been transferred to the Investor Protection & Education Fund (IPEF) and no claim thereto will be entertained by the said Fund and also the Company.

Members who have not encashed the dividend warrant/s pertaining to dividend for the financial year 1997-98 are requested to forward the same to the Company's Registrars & Transfer Agents, M/s. MCS Ltd, or to the Company immediately to facilitate payment.

6. The facility for making nominations is now available for shareholders and fixed deposit-holders in respect of the shares and fixed deposits held by them. Nomination forms can be obtained from the Company's Registrars & Transfer Agents, M/s. MCS Limited or from the Company.
7. **Re-appointment of Directors**

At the ensuing Annual General Meeting, Mr. John O. Band retires by rotation and being eligible offers himself for reappointment.

Shri John O. Band aged 52 years is an eminent Chartered Accountant. He is a qualified FCA from (England & Wales) and he is also a member Securities Institute, UK. He is having a wide experience in Securities Industry as an Investment Manager, Stockbroker and Merchant Banker. He has worked with various major international firms including Andersen, Banque National de Paris and Daiwa Securities of Japan. He is a Director of our Company since June, 2002.

REQUEST TO THE MEMBERS:

1. Members are requested to bring their copy of Annual Report to the Meeting.
2. Members desiring any relevant information on the Accounts at the Annual General Meeting are requested to write to the Company Secretary at least 7 days before the date of the Meeting so as to enable the management to keep the information ready.
3. Members who have multiple folios in identical names or joint names in the same order are requested to send all the Share Certificates to the Company Secretary or to the Registrar and Transfer Agents M/s. MCS Limited for consolidation of all such folios into one to facilitate better services.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACTS, 1956.

Item No. 4:

Pursuant to the Section 260 of the Companies Act, 1956 read with Article 123 - of the Company's Articles of Association, Mr. Karthikeyan Muthuswamy was appointed as Additional Director of the Company on 29th April 2005.

Mr. Karthikeyan Muthuswamy holds office upto the date of forthcoming Annual General Meeting. Notice has been received by the Company from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Karthikeyan Muthuswamy as a candidate for the office of the Director along with a deposit of Rs.500/-, which will be refunded to such Member, if Mr. Karthikeyan Muthuswamy is elected as a Director.

Mr. Karthikeyan Muthuswamy is a member of Institute of Chartered Financial Analyst. As an analyst, he was involved in analysis and underwriting of new issues as well as tracking companies in textiles, etc. Further, as senior correspondent of Business India, he has covered large corporate groups and capital markets. Mr. Karthikeyan Muthuswamy was a part of new start up consulting team, which was set up by Confederation of Indian Industry in New Delhi. In the year 2000, he was the operational head of the team headed by Dr. Reddy's DSP Merrill Lynch and IDFC. His appointment as a Director will be of immense value and benefit to the Company. Hence your Board of Directors recommend his appointment.

None of the directors except Mr. Karthikeyan Muthuswamy is concerned or interested in the resolution.

By Order of the Board of Directors

Sunita Agarwal
Company Secretary

Registered Office:

Gold Coin, B-Block, 407, Tardeo Road, Mumbai 400 034.

Dated : 10th June, 2005

DIRECTORS' REPORT

To the Members:

Your Directors have pleasure in presenting their Fifty Fifth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2005.

1. FINANCIAL RESULTS:

(Rupees in lacs)

	Current Year ended 31.03.2005	Previous Year ended 31.03.2004
Total Revenue	12,882.61	11,484.95
Total Expenses	12,671.94	11,333.54
Less: Interest	73.14	50.93
Less: Depreciation	28.43	34.54
Profit/(Loss) before exceptional items and tax	109.10	65.94
Less: Exceptional items	-	(57.29)
Profit/(Loss) before Tax	109.10	8.65
Profit/(Loss) before Tax but before prior years adjustments	109.10	8.65
Profit/(Loss) after taxes	109.10	8.65

1. DIVIDEND

To conserve the resources of the Company, the Directors do not recommend dividend for the year under review.

2. REVIEW OF OPERATIONS:

- The Sales and other Income for the financial year under review were Rs.12,882.61 Lacs as against Rs. 11,484.95 lacs previous financial year registering an increase of 12.17%.
- Profit before Tax has increased from Rs.8.65 to Rs.109.10 Lacs. Profitability has increased due to change in the focus of the business to profitable products.
- During the year under review, significant improvement has been made in systems implementation, cost controls and streamlining of operations.

3. FIXED DEPOSITS:

The amount of Fixed Deposits accepted from the public during the year under review stands at Rs.70.20 Lacs.

At the end of the year, there were 5 matured deposits for Rs. 0.57 lacs, which were not claimed by the depositors. There were no deposits during the year, which were claimed but not paid by the Company.

The unclaimed deposits lying with the company for more than seven years were transferred to Investor Protection & Education Fund as per section 205C of the Companies Act, 1956

4. LISTING:

The Company's shares continued to remain listed on The Stock Exchange, Mumbai and National Stock Exchange, Mumbai throughout the year under report.

None of the Stock Exchange Authorities had suspended the trading of your Company's shares during the year under report.

5. DIRECTORS:

The Board reports with profound grief the sudden demise of Shri Jaykumar K. Patil – Director of the Company on 23rd December 2004. He was associated with the Company for more than two years. The Board places on record its deep appreciation of the valuable services rendered and contribution made by Late Shri J. K. Patil toward progress of the Company.

In accordance with the provisions of the Companies Act, 1956, and the Article 117 of the Articles of Association of the Company Shri John O. Band, Director is retiring by rotation and being eligible, offers himself for re-appointment.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles 123 of the Articles of Association of the Company Mr. Karthikeyan Muthuswamy was appointed as an additional director by the Board of Directors at its Meeting held on 29th April, 2005 to hold the office of directorship of the Company till the date of the ensuing Annual General meeting. Karthikeyan Muthuswamy is eligible for re-appointment as Director of the Company and offers himself for re-appointment.

6. CORPORATE GOVERNANCE:

The Report on Corporate Governance alongwith the Auditor's Certificate regarding compliance of the conditions of Corporate Governance as also the Management Discussion and Analysis Report pursuant to clause 49 of the Listing Agreement are annexed hereto.

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

Since the Company does not own any manufacturing facility the other particulars relating to Conservation of energy and technology absorption stipulated in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

The Company has earned foreign exchange of Rs.1.44 Lacs during the year and has used foreign exchange of Rs 6.61 lacs.

8. DIRECTORS' RESPONSIBILITY STATEMENT.

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with the proper explanation relating to material departures; if any
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments 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 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 had prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

9. PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 are given in a separate statement attached to this report and forms part of it.

10. AUDITORS:

M/s K. S. Aiyar & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offered themselves for reappointment. A certificate as required under Section 224 (1B) of the Companies Act, 1956 regarding their eligibility for reappointment has been received from them.

The Board of Directors recommends their reappointment as Statutory Auditors.

11. ACKNOWLEDGEMENTS:

The Directors wish to place on record their appreciation for the continued support received from the Shareholders, Consortium of Bankers, Customers, Dealers, Suppliers, Principals and for the valuable contributions made by the Employees at all levels.

For and on behalf of the Board of Directors

Arvind R. Doshi
Chairman & Managing Director

Registered Office:

Gold Coin, B - Block, 407,
Tardeo Road, Mumbai 400 034.

Dated: 10th June 2005

ANNEXURE TO DIRECTORS' REPORT

Information as per 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 31.03.2005

Sr. No.	Name & Designation	Age (Years)	Gross Remuneration (Rs.)	Qualifications	Total Experience	Date of Commencement of Employment	Previous Employment
A	Names of Employees employed throughout the year and were in receipt of remuneration of not less than 24,00,000/-						
1	Mr. Arvind R. Doshi Chairman & Managing Director	66	28.91 Lacs	Diploma in Civil & Sanitary Engg. & Business Management	42 Years	16.04.1994	Worked with Premier Automobiles Ltd. as Managing Director for 5 years
B	None of the Employees employed for the part of the year and were in receipt of remuneration of not more than Rs.2,00,000/- per month.						

- Notes:**
- Gross Remuneration shown above is subjects to Tax and comprises salary, allowance, monetary value of perquisites, company's contribution to Provident Fund and officers' Superannuation Fund.
 - The condition of the employment of the said employee is contractual and terminable by six months notice.

ANNEXURE TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE REPORT

GENERAL SHAREHOLDER INFORMATION:

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE: -

The Company's philosophy of Corporate Governance aims at establishing and practicing a system of good corporate governance which will assist the management in managing the company's business in an efficient and transparent manner towards fulfilling the corporate objectives and to meet the obligations and best subservise the interests of the stakeholders, namely -Shareholders, Society, Employees and other stakeholders.

2. BOARD OF DIRECTORS

Board is headed by Shri Arvind R. Doshi as Chairman & Managing Director and consists of personalities with exceptional expertise and experience in diversified fields of specialization.

During 2004-05, the board of directors met Six times on the following dates;

30th April, 2004, 28th June, 2004, 28th July, 2004, 27th August, 2004, 28th October, 2004 and 25th January, 2005.

The names and categories of the Directors on the Boards, their attendance at Board Meeting during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given in the table below:-

Name	Category	No. of Board Meetings attended during the year	Whether attended AGM held on 27 th August, 2004	No. of Directorships in other public Companies.	No. of Committee positions held in other public Companies.	
					Chairman	Member
A. R. Doshi	CMD	6	Yes	2	Nil	Nil
D. J. Thakkar	ID	6	Yes	10	4	9
John Band	ID	5	Yes	Nil	Nil	Nil
P. A. Doshi	ND	1	No	Nil	Nil	Nil
J. K. Patil*	ID	Nil	No	Nil	Nil	Nil

CMD: Chairman & Managing Director,

ND: Non Executive & Non Independent Director,

ID: Independent Director

* Ceased as Director w.e.f. 23.12.2004

3. AUDIT COMMITTEE:

The Audit Committee of PAE Limited comprises of three non-executive Independent Directors viz. Shri Dilip J. Thakkar, Chairman, Shri John O. Band and Shri Pritam

A. Doshi are the Members. The Company Secretary Ms. Sunita Agarwal acts as the Secretary to the Meeting.

Terms of reference of the Audit Committee cover the areas mentioned in clause 49 of the listing agreements of the Stock Exchanges and Section 292A of the Companies Act, 1956.

During the year, the Committee held three meetings on 28th June, 2004, 28th October, 2004 and 25th January, 2005 and the attendance of members was as follows:

Name of Members	Status	No. of Meeting attended
Mr. Dilip J. Thakkar	Chairman	3
Mr. John O. Band	Member	3
Mr. Pritam A. Doshi	Member	Nil

4. REMUNERATION:

Remuneration Committee: The remuneration committee comprises of three independent directors, Shri Dilip J. Thakkar, Shri Pritam A. Doshi and Shri John O. Band who is the Chairman of the remuneration committee. Ms. Sunita Agarwal, Company Secretary is the Secretary of the Committee.

The functioning and terms of reference of the committee are as prescribed under the Listing Agreement with the stock exchanges. It determines the Company policy on all elements of remuneration package of all the directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc., details of fixed components and performance linked incentives alongwith performance criteria, service contracts, notice period, severance fees, etc. stock options details, if any, and also to determine the remuneration of the Non Executive Directors. It also reviews all other aspects of benefits and compensation of Senior Management.

During the year, no meeting was held since the terms of remuneration payable to the Chairman & Managing Director as well as sitting fees payable to non-executive directors for attending the Board Meeting and Committee Meetings, remained the same as approved by the Remuneration Committee in the previous meeting. Further, during the year under review, no fresh appointment was made in the category of senior management and no revision was done in the existing senior managers of the Company.

Details of remuneration paid to the Directors during the financial year 2004-2005.

Director	Sitting Fees (Rs.)	Salaries & Perquisites (Rs.)	Contribution to PF (Rs.)
Mr. Arvind R. Doshi	-	25,69,973	3,22,000
Mr. Dilip J. Thakkar	45000	-	-
Mr. John O. Band	44000	-	-
Mr. Jaykumar K. Patil	-	-	-
Mr. Pritam A. Doshi	5000	-	-

5. SHAREHOLDERS' GRIEVANCES & SHARE TRANSFER COMMITTEE:

This Committee consists of two Independent Directors and one Executive Director namely Shri John O. Band as Chairman, Shri Arvind R. Doshi and Shri Pritam A. Doshi as Members. The Committee was constituted on 15.06.1990 to redress the shareholders/investors' complaints, etc. relating to delay in transfer of shares, demat, non-receipt of annual accounts, delays in Balance Sheet, split, duplicate, transmission etc. of the shares issued by the company.

Since the Company's shares are tradable only in demat form, only a few number of shares in physical form for transfer amongst the family members of the members, were received during the year. The Managing Director has been authorised by the Board to approve such transfers. This facilitates approval of transfers within the time stipulated under Listing Agreement. Further, the Complaints of the above nature are promptly attended to by the Compliance Officer.

Ms. Sunita Agarwal has been nominated as the Compliance Officer.

Statement of the various complaints received and cleared by the Company during the year 2004 - 2005:

Sr. No.	Subject	Received (Nos.)	Cleared (Nos.)	Pending
1	Non Receipt of Share Certificate	41	41	-
2	Non Receipt of Dividend	19	19	-
3	Change of address	74	74	-
4	Loss of share Certs./warrants	5	5	-
5	Misc.	36	36	-
	Total	175	175	-

6. GENERAL BODY MEETINGS:

The last three Annual General Meetings of the Company were held as under:-

AGM for the Financial Year ended	Location	Date	Time
2001-02	M. C. Ghia Hall Bhogilal Hargovindas Building, 2 nd floor, 18/20. K. Dubhash Marg, Mumbai - 400 001	06.09.2002	3.30 p.m.
2002-03	Same as above	01.09.2003	3.30 p.m
2003-04	Same as above	27.08.2004	3.30 p.m

No Special Resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting.

7. MANAGEMENT

Management Discussion and Analysis Report

This Annual Report has a detailed chapter on Management Discussion and Analysis.

8. DISCLOSURES:

(a) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large.

Please refer to note no. 19 of Notes to Accounts. These transactions, however, does not have potential conflict with the interests of the Company.

(b) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

9. MEANS OF COMMUNICATION:

The Company has published its quarterly results in Free Press Journal (English), Nav Shakti (Marathi-Vernacular), Mumbai.

The quarterly and half yearly results were also made available on the Company's website - www.paelttd.com

Company releases official news on its website from time to time, however there was no official news released by the Company during the year.