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**56<sup>TH</sup> ANNUAL REPORT**  
**2005-2006**

**FIVE YEARS AT A GLANCE**

(Rupees in lacs)

Year ending March 31,	2006	2005	2004	2003	2002
<b>Profitability Items</b>					
Gross Income	14,386	12,883	11,485	9,539	8,871
PBDIT	314	210	101	12	-49
Depreciation	26	28	35	46	66
PBIT	288	182	66	-34	-115
Interest	80	73	51	49	104
PBT	208	109	15	-83	-219
Provision for diminution in value of investment	0	0	6	17	12
Taxes	77	0	0	0	-33
PAT	131	109	9	-100	-198
<b>Balance Sheet Items</b>					
Net Fixed Assets	177	157	245	261	283
Investments	538	538	537	556	579
Net Current Assets	3,463	3,419	2,945	2,884	2,622
Total Capital Employed	4,178	4,114	3,727	3,701	3,484
Shareholders Funds	3,208	3,145	3,023	3,014	3,104
Borrowings	958	969	704	687	380
Deferred Tax Liability	12	0	0	0	0
Total	4,178	4,114	3,727	3,701	3,484
<b>Ratios</b>					
Book Value Per Share	33.70	33.04	31.76	31.66	32.61
CEPS	1.65	1.44	0.46	-0.57	-1.39
EPS	1.38	1.15	0.09	-1.05	-2.08

## 56th Annual General Meeting

### Day and Date:

Tuesday, the 26th day of December, 2006

### Venue:

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

### Time:

3.30 p.m.

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Our President Mr. Samir Roy (middle) and Regional Sales Manager - West, Mr. K. S. Prasanna (left) receiving the trophy for All India No.2 in terms of Industrial Battery Sales Performance from Mr. S. B. Ganguly, Executive Chairman & CEO of Exide Industries Ltd.

## BOARD OF DIRECTORS

Shri Arvind R. Doshi - Chairman & Managing Director

Shri Dilip J. Thakkar

Shri John O. Band

Shri Pritam A. Doshi - Executive Director

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. Sandhya Sati

## AUDITORS

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

Chartered Accountants

## SOLICITORS & ADVOCATES

M/s. Chandra Naik & Associates

## BANKERS

State Bank of India

State Bank of Indore

Corporation Bank

## REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.,

C-13, Pannalal Silk Mills Compound,

L.B.S. Road, Bhandup (W),

Mumbai - 400 078.

## REGISTERED & CORPORATE OFFICE

B-Block, Gold Coin,

407, Tardeo Road,

Mumbai - 400 034

Tel.: 2492 5024 / 2492 6381

Fax: 2495 0332

website: [www.paelttd.com](http://www.paelttd.com)

## NOTICE

NOTICE is hereby given that the Fifty Sixth Annual General Meeting of the Members of PAE LIMITED will be held on Tuesday, the 26th day of December, 2006 at 3.30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001 to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To appoint Director in place of Shri Dilip J. Thakkar 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 Special Resolution:  
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310 read with schedule XIII and all other applicable provisions if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the appointment of Shri Pritam A. Doshi as an Executive Director of the Company for period of 5 (Five) years with effect from 3rd May, 2006 on the terms and conditions including remuneration as recommended by Remuneration Committee and approved by Board of Directors on 29th April, 2006, as detailed in the explanatory statement annexed hereto.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter, vary and modify the said terms including salary, allowances, designation and perquisites in such a manner as may be agreed to between the Board and Shri Pritam A Doshi within and in accordance with and subject to the limits prescribed in schedule XIII of the said act, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time or any amendments thereto as may be agreed to between the Board and Shri Pritam A. Doshi.

**RESOLVED FURTHER THAT** notwithstanding anything contained herein above where in any financial year during the tenure of the Director, the Company incurs loss or its profits are inadequate, the Company shall in accordance with the provisions of Schedule XIII of the Companies Act, 1956, pay to Shri Pritam A. Doshi remuneration by way of salary and perquisites up to the limits, based on the effective capital of the Company from time to time, as specified in Section II of Part II of the aforesaid Schedule XIII or such higher limit as may be prescribed under the Law as minimum remuneration.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to execute all such documents, deeds and agreements as may be required for giving effect to this resolutions."

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
"RESOLVED THAT subject to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) (hereinafter referred to as "the Act"), the Company hereby approves that the Register of Members together with the Index of Members, copies of all Annual Returns of the Company prepared under section 159 of the Act, together with copies of certificates and documents required to be annexed thereto under section 161 of the Act, be kept at the offices of Company's Registrar

and Transfer Agents - Intime Spectrum Registry Ltd., at C-13, Pannalal Silk Mills Compound, L. B. S. Road, Bhandup West, Mumbai 400 078."

By Order of the Board of Directors

Sandhya Sati  
Company Secretary

Registered Office  
Gold Coin, 'B' Block,  
407, Tardeo Road,  
Mumbai 400 034

Dated: 9th November, 2006

## 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 relative explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of item nos. 4 & 5 set out above is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will be closed from 16th day of December 2006 to 26th day of December 2006 (both days inclusive).
4. The Shares of the Company are mandated by the Securities and Exchange Board of India for trading in dematerialized form by all the investors.
5. Members are requested to notify any change in their address to the Company or its Registrars and Share Transfer Agents viz. Intime Spectrum Registry Ltd, C-13, Pannalal Silk Mills Compound, L. B. S. Road, Bhandup West, Mumbai 400 078, and are advised not to send any correspondence to MCS LTD., with immediate effect.
6. Consequent upon the introduction of Section 205-C by the Companies (Amendment) Act, 1999, the amount of unclaimed/unpaid dividends, share application money, fixed deposits, interest on fixed deposits remaining unclaimed with the Company for the period of 7 years have been transferred to the Investor Education & Protection Fund (IEPF) and no claim thereto will be entertained by the said Fund and also the Company.
7. 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. Intime Spectrum Registry Limited or from the Company.
8. Members may refer Report on Corporate Governance for particulars of Directors retiring by rotation and eligible for reappointment.

## REQUEST TO THE MEMBERS

1. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their Annual Report to the Meeting.
2. Queries on accounts and operations of the company, if any, may please be sent to the Company ten days in advance of the meeting so as to answers may be made available at the meeting.
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 Intime Spectrum Registry Limited for consolidation of all such folios into one to facilitate better service.

**ANNEXURE TO NOTICE**

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

**Item No. 4**

On the recommendation of the Remuneration Committee and subject to the approval of the Members, the Board of Directors at their meeting held on 29th April, 2006 has appointed Shri Pritam A. Doshi as "Executive Director" of the Company for a period of 5 years with effect from 3rd May, 2006.

Shri Pritam A. Doshi is a dynamic entrepreneur with brilliant academic career and rich experience in the field of Bio-engineering, Management, Information Technology, Investment strategy, etc. He holds Masters degree in Business Administration from University of Chicago Graduate School of Business and Bachelors degree in Bio-Engineering from University of Pennsylvania. He has worked with Trident Capital LP, a Silicon Valley based venture capital firm that invests internet and wireless startup businesses.

He also worked with HSBC Securities Inc. as Assistant Vice President-Equity Research and has gained significant knowledge and experience in healthcare, B2B commerce, internet security sectors as well as in investments and equity markets.

He was associated with the Company as Vice President for more than 2 years and was later appointed as Director with effect from 30th January, 2004. Under Shri Pritam A. Doshi's leadership, the Board of Directors expects to diversify and strengthen its existing Power and Component division and hence recommends his appointment for the approval of members.

Subject to the approval of shareholders, Board entered into an Agreement dated 10th May, 2006 for appointment of Shri Pritam A. Doshi as an Executive Director of the Company. The Broad terms and conditions of the agreement are as under:

- i) **Salary:** Rs.45,000/- per month in the grade Rs.10,000/- Rs.85,000/-.
- ii) **Commission:** Incentive or Commission of 1% of the net profits of the Company in each financial year as may be determined by the Board of Directors at the end of financial year subject to the ceiling and provisions stipulated in sections 198, 309 and 310, Schedule XIII & other applicable provisions of the Companies Act, 1956.

iii) **Perquisites:** The Executive Director will be entitled for the following perquisites subject to a ceiling of 100% of Annual Salary.

- a) **Housing:**  
Furnished accommodation/House Rent Allowance.  
Also entitled to House Maintenance Allowance together with utilities thereof such as gas, electricity, water, furniture, furnishing and repairs.
- b) **Medical reimbursement:** As per the rules of the Company.
- c) **Car:** Provision for company car with driver.
- d) **Club Fees:** Fees of Clubs subject to a maximum of two clubs, this will not include admission and life membership fees.
- e) **Medical and Accident Insurance:** Hospitalisation and Domiciliary Hospitalisation Benefit Policy for self and family and Personal Accident Insurance for self.
- f) **Leave Travel Concession:** For self and family once in a year, as per the rules of the Company.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated on actual cost.

"Family means the spouse, dependent children and dependent parents."

iv) **Other Benefits:** In addition to the above perquisites, the Executive Director shall also be entitled for the following benefits. These benefits will not be included in the computation of ceiling on perquisites.

- a. Company's contribution to the Provident Fund and Superannuation Fund or Annuity Fund to the extent

these either single or put together are not taxable under the Income Tax Act, 1961.

- b. **Gratuity:** As per the rules of the Company.
- c. **Leave:** As per the rules of the Company.
- d. **Leave Encashment:** Leave accumulated but not availed during the tenure will be allowed to encash at the end of the tenure.
- e. **Telephone:** Re-imbusement of Mobile, Telephone and Fax expenses on submission of bills.
- f. **Computer and Internet connection** at residence
- g. **Executive Director** will be entitled to reimbursement of all actual expenses, including traveling, entertainment and other out of pocket expenses incurred in the course of the Company's business.

v) **Minimum Remuneration:**

Where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration by way of salary, perquisites and benefits to the Executive Director in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and approval of the Central Government, if and to extent necessary.

vi) **Maximum Remuneration:**

Where in any financial year during the currency of the tenure of the Executive Director, the Company has profits, the remuneration paid to the director shall not exceed 5% of the net profits in accordance with the provisions of sections 198, 309, Schedule XIII & other applicable provisions of Companies Act, 1956.

He shall not be liable to retire by rotation

Shri Pritam A. Doshi is interested to the extent of the remuneration payable to him. Shri Arvind R. Doshi, Chairman & Managing Director of the Company is the relative of Shri Pritam A. Doshi, and hence may be deemed to be interested in the appointment. No other Director of the Company is concerned or interested.

The Agreement between the Company and Shri Pritam A. Doshi is available for inspection by the members of the Company at the Registered Office between 10.30 a.m. to 12.30 p.m. on any working days of the Company.

Board recommends passing of the resolution.

**Item No 5.**

The Board of Directors of the Company has appointed Intime Spectrum Registry Limited as Registrar and Transfer Agents in place of MCS Limited, consequent to the sale of registry business by MCS LTD. Accordingly, Company has to keep statutory records like Register of members together with the Index of Members, copies of all Annual Returns of the Company prepared under section 159 of the Act, together with copies of certificates and documents required to be annexed thereto under section 161 of the Act, at the office of Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L. B. S. Road, Bhandup West, Mumbai 400 078, in compliance with the provisions of section 163 of the Companies Act, 1956, wherein special resolution of members is required for keeping such registers, indexes, documents, etc., at the place other than Registered Office. Registrar of Companies shall be given in advance a copy of the Special Resolution.

Board recommends passing of the Special Resolution.

None of the Directors is concerned or interested in passing of the Special Resolution.

By Order of the Board of Directors

**Sandhya Sati**  
Company Secretary

Registered Office  
Gold Coin, 'B' Block,  
407, Tardeo Road,  
Mumbai 400 034.  
Dated: 9th November, 2006



**REPORT OF THE DIRECTORS' & MANAGEMENT DISCUSSION & ANALYSIS**

To the Members:

Your Directors have pleasure in presenting their Fifty Sixth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2006.

**1. Financial Results**

	Current Year ended 31.03.2006 (Rs. in lacs)	Previous Year ended 31.03.2005 (Rs. in lacs)
Total Revenue	13,600.68	12,882.61
Total Expenses	13,286.63	12,671.94
Less: Interest	80.21	73.14
Less: Depreciation	25.54	28.43
Profit before Tax	208.30	109.10
Less Provision for tax	77.52	-
Profit after taxes	130.78	109.10
Profit brought forward from previous year	109.10	8.65
	<b>239.88</b>	<b>117.75</b>
<b>APPROPRIATION</b>		
Transfer to General Reserves	109.10	8.65
Balance carried forward	130.78	109.10

**2. Change in Share Premium Account**

Pursuant to the approval of Members at the Extra Ordinary General Meeting held on 27<sup>th</sup> February 2006 and the subsequent confirmation of the Bombay High Court on 1<sup>st</sup> September, 2006, the Company has set off an amount of Rs.78.44 lacs (net of tax of Rs.39.79 lacs) towards obsolete stocks and receivables against Company's Share Premium Account as on March 31<sup>st</sup>, 2006. This set off has been given effect to the Accounts for the year ended 31<sup>st</sup> March 2006 and would enable the Company to reflect more appropriately its operational performance and efficiency and enhance shareholders value through increase in return on capital employed.

**3. Dividend**

In view of the marginal profits, Company is not in a position to recommend dividend for the year under review.

**4. Management Discussion And Analysis**

**Industry Structure and Developments**

The automobile industry is broadly divided into four segments i.e. Passenger Car, Heavy Vehicle, Tractors and Two Wheelers. PAE's business is in the after market of auto components mainly for the passenger car and heavy vehicle segments. The manufacturers of these auto components sell to distributors, such as PAE, which in turn sells to thousands of retailers and wholesalers in India. PAE plays a role of a marketer

and a distributor taking market and credit risk. In some products, PAE does not take any credit risk as it gets paid against delivery.

PAE is also in the non-automotive segment i.e power back-up electronics. In this industry too, PAE buys power back-up devices and systems from manufacturers and sells them to dealers, manufactures and end users.

**Opportunities and Threats**

The growth in the automobile industry is dominated by two-wheeler segment particularly the motorcycle segment. The demand for the car segment has been very buoyant. The economic trend has been progressive, higher household income, reduced duties, easier finance, lower interest rates all these have motivated the consumers to purchase new vehicles. This has resulted in increased demand overall. As the average age of the vehicle in the market increases it increases the demand for aftermarket products, resulting in a demand for PAE's portfolio of auto components.

Increased competition and mass production has resulted in improved quality at a reduced price. Price of many products has come down substantially to be competitive in the world market.

With increased occurrences of power-shortage in India, the demand for power backup devices and systems for residential and commercial use has increased and continues to be strong. There is significant competition in this business with immense pressure on margins.

The organized sector will be competitive with the introduction of Value Added Tax (VAT) and PAE views this development as a positive indicator for its business. Change in Duties, Levies and Government Policy would have impact on future market demands.

**Outlook**

The power segment presents new growth areas. PAE has launched other power back-up devices and systems in the market and sees excellent growth potential for them. However, if there are further increases in interest rates, they may put a damper to the overall market

**Segment-wise performance**

Company's business is organized around the following two segments.

- Auto segment
- Non-Auto segment

Detailed note on the segment wise performance is given at Note No.13 in the Notes forming parts of the Account.

**Risks and Concerns**

- Frequency of replacement of components has reduced due to improved quality and extended warranty offered by vehicle manufactures. Further, any repairs or parts replacements of new generation cars tends to be done at their authorized dealerships and workshops, reducing the demand in the aftermarket.

- Frequent steep increases in fuel prices could have an impact on the auto industry. Further, this could add to cost of distribution and transportation.
- Steep increase in raw materials cost would affect the after market of the auto component industry.

**Internal control systems**

The Company maintains a system of internal control, including suitable monitoring and procedures. The internal auditors regularly conduct the audit and the quarterly reports along with observations and suggestions are reviewed by the Audit Committee of the Board of Directors. Follow-up actions as suggested by the committee are complied with.

Management is taking necessary steps to improve and strengthen control system in areas of upcountry over the counter sales and in the areas of vendor reconciliation.

**Discussion on Financial Performance with respect to Operational Performance**

**Financial Performance with respect to Operational Performance**

**Highlights of Financial Performance: (Rupees in lacs)**

Particulars	2005-2006	2004-2005
1 Sales & Operating Income	14,332.74	12,715.01
2 Less: Value Added Tax	785.17	0
3 Net Sales & Operating Income	13,547.57	12,715.01
4 Other Income	53.11	167.60
5 Total Income (1 + 2)	13,600.68	12,882.61
6 Total Expenditure:		
a Cost of Sales	12,190.56	11,228.83
b Employees' Remuneration and Benefits	356.42	392.37
c Establishment & Other Expenses	739.65	1050.74
	13,286.63	12,671.94
7 Interest	80.21	73.14
8 Profit after interest but before depreciation & tax	233.84	137.53
9 Profit after interest but before depreciation & tax (Ratio)	1.72%	1.07%
10 Depreciation	25.54	28.43
11 Profit before tax	208.30	109.10
12 Provision for Tax:		
a Current Tax	49.36	0.00
b Fringe Benefit Tax	16.00	0.00
c Deferred Tax	12.16	0.00
13 Net Profit/(Loss) after tax & exceptional items	130.78	109.10
14 Expenses as a % to Net Sales & Operating Income:		
a Employee Cost	2.63%	3.09%
b Establishment & Other Expenses	5.46%	8.26%
c Interest	0.59%	0.58%

Sales and Operating Income for the year has increased by 12.72% from Rs.12,715.01 the previous year to Rs.14,332.74 lacs on account of increase in Sales & Operating Income.

During the year, the company has made a profit before tax of Rs.208.30 lacs as against Rs.109.10 lacs in the previous year. This was possible due to change in the product mix and improved volumes in battery business, both automotive & industrial. Employee Cost is lower at Rs.356.42 lacs in the current year as against Rs.392.37 lacs in the previous year due to one time provision of Gratuity of Rs.50.30 lacs in the previous year. Establishment and Other expenses is substantially lower at Rs.739.65 lacs in the current year as against Rs.1050.74 lacs in the previous year due to write off of obsolete stock and receivables amounting to Rs.78.44 lacs (net of tax of Rs.39.79 lacs) being adjusted against securities premium reserve account and due to reduction in commission expense account from Rs.300.37 lacs in the previous year to Rs.138.29 lacs in the current year.

Depreciation for the year was Rs.24.54 lacs as compared to Rs.28.43 lacs in the previous year.

Interest for the year is Rs.80.21 lacs and is 0.59% of the Net Sales as compared to Rs.73.14 lacs and was 0.58% of the net sales in the previous year, an increase of 0.01%. This increase is due to increase in business volumes.

The company has made a provision for tax of Rs.49.36 lacs and a provision of Rs.16 lacs for Fringe Benefit Tax. In accordance with AS-22, Accounting for Taxes on Income, there is a Deferred Tax Liability of Rs.12.16 lacs which the company has recognised.

**Financial Condition**

**Share Capital**

Issued, subscribed and paid-up capital as at March 31, 2006 was Rs.951.96 lacs and there is no change as compared to previous year.

**Reserves and Surplus**

As at March 31, 2006 Reserves and Surplus amounted to Rs.2,256.13 lacs as compared to Rs.2,203.79 lacs at the end of previous year. As per the Bombay High Court order received during the year, the company has reduced the securities premium reserve account by Rs.79.44 lacs (net of tax of Rs.39.79 lacs) on account of obsolete stocks and receivables. In view of the same there is no substantial increase in the Reserves and Surplus.

**Loan Funds**

There has been a marginal decrease in loan funds to Rs.732.89 lacs as at March 31, 2006 as compared to Rs.763.56 lacs in the previous year due to efficient funds management.

**Fixed Asset**

Net fixed assets as at March 31, 2006 has increased to Rs.177.19 lacs as compared to Rs.156.81 in the previous year. There have been additions amounting to Rs.50.54 lacs in the current year.

## Investments

There is no change in the total investment as at March 31, 2006.

## Net Current Assets

Net Current Assets has increased to Rs.3,462.42 lacs as at March 31, 2006 from Rs.3,419.12 lacs as at March 31, 2005 due to increase in turnover during the year.

## Human Resources

The company believes that human resources are a key asset that provides a competitive edge in the current business environment. The Company's philosophy is to provide congenial work environment, performance oriented work culture, knowledge acquisition and sharing, skill building, creativity and responsibility and performance based compensation. Training programmes were conducted for all employees during the year.

The employee relations during the year under review were cordial and harmonious and the productivity improved in all the areas. Your company has a total strength of 182 employees as on March 31, 2006.

## 5. Fixed Deposits

The amount of Fixed Deposits accepted from the public during the year under review stands at Rs.79 Lacs.

At the end of the year, there were 6 matured deposits for Rs.0.97 lacs, which were not claimed by the depositors, of these, 1 deposit for Rs.0.40 lacs have been claimed and paid by the Company as on date of this Report. There were no deposits during the year, which were claimed but not paid by the Company. The unclaimed deposits/interest on deposits lying with the company for more than seven years were transferred to Investor Education & Protection Fund as per section 205C of the Companies Act, 1956.

## 6. Listing

The Company's shares continued to be listed on, The Stock Exchange, Mumbai and National Stock Exchange, Mumbai throughout the year under report. The Company has paid listing fees upto date.

None of the Stock Exchange Authorities had suspended the trading of your Company's shares during the year under report, pursuant to provisions of SEBI (Delisting of Securities) Guidelines 2003.

## 7. Awards And Recognition

In the Dealer's Meet of Exide Industries Limited, one of the company's biggest supplier of Auto and Industrial batteries. The Company received maximum awards for its performance during 2005-2006 as compared to other dealers.

## 8. Directors

During the year under review, Shri Karthikeyan Muthuswamy was appointed as Additional Director on 29<sup>th</sup> April, 2005 and subsequently, as a Director retiring by rotation, at the last Annual General Meeting held on 30<sup>th</sup> July, 2005.

Pursuant to the provisions of Companies Act, 1956 Board at their meeting held on 29<sup>th</sup> April, 2006 appointed Shri Pritam A. Doshi as an Executive Director with effect from 3<sup>rd</sup> May, 2006. Shri Doshi has been a Director of the Company since 30<sup>th</sup> January 2004. The Details of Shri Pritam A. Doshi are furnished as part of Corporate Governance Report

Pursuant to the provisions of section 256 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, Shri Dilip J. Thakkar retires by rotation but being eligible offers himself for re-appointment. A brief profile of the Director is furnished as part of Corporate Governance Report.

## 9. Corporate Governance Report

The Report on Corporate Governance alongwith the Auditor's Certificate regarding compliance of the conditions of Corporate Governance pursuant to clause 49 of the Listing agreement are annexed hereto.

## 10. 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 31<sup>st</sup> March, 2006, 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 31<sup>st</sup> March, 2006 on a going concern' basis.

## 11. Auditor's Observation

Our company is in the process of negotiation with PAL Enterprises Pvt. Ltd. for the amount of Rs 2 crores reflected as advance in the Balance Sheet. As regards uncertainty of the tax liability, Directors are of the opinion that if any liability arises in the future the same will be adjusted against securities premium reserve account as per the court order and it will not have any impact on the profits.



**12. 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.

**13. 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.

**14. Conservation of energy, technology absorption, 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.2.72 lacs and has used foreign exchange of Rs.0.19 lacs.

**15. 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: 9th November, 2006



**ANNEXURE TO DIRECTORS' REPORT**

Information as per Section 217(2A) of the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31.03.2006

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	Shri Arvind R. Doshi Chairman & Managing Director	67	Rs.33.35 Lacs	Diploma in Civil & Sanitary Engg. & Business Management	43 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 less than Rs.2,00,000/- per month.						

- Notes:
1. Remuneration as shown above includes salary, allowances, leave travel assistance, Company's contribution to provident fund, superannuation fund and gratuity fund, medical facilities and perquisites valued in terms of actual expenditure incurred by the Company in providing the benefits to the employee excepting in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, and in such cases, notional amount as per Income-tax Rules has been adopted.
  2. 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

#### 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 subserve the interests of the stakeholders, namely-shareholders, society, employees and other stakeholders.

#### 2. Board of Directors:

As of date, Company has 5 directors in Board, of which 3 Directors are Non-Executive / Independent Directors. Shri Arvind R. Doshi is Chairman, & Managing Director of the Company & Shri Pritam A. Doshi is Executive Director of the Company.

During the year under review, the Board of Directors met seven times on the following dates:-

29<sup>th</sup> April 2005, 10<sup>th</sup> June, 2005, 30<sup>th</sup> July, 2005, 19<sup>th</sup> August, 2005, 29<sup>th</sup> October, 2005, 28<sup>th</sup> January, 2006 and 27<sup>th</sup> February, 2006.

#### Composition of Board of Directors and related information.

Name of the Director	Category	No. of Board Meetings attended		Whether attended last AGM	No. of Directorships in other public Companies.	No. of Committee positions held in other public Companies.		
		Board	Committee			Chairman	Member	
<b>Executive Directors</b>								
Shri Arvind R. Doshi	CMD	7	2- STC	Yes	2	Nil	Nil	
Shri Pritam A. Doshi*	ED	3	1- REM	Yes	Nil	Nil	Nil	
<b>Non-Executive Directors</b>								
Shri Dilip J. Thakkar	ID	7	3- AUD 2- REM	Yes	10	4	9	
Shri John O. Band	ID	6	2- AUD 2- REM 2- STC	Yes	Nil	Nil	Nil	
Shri Karthikeyan Muthuswamy	ID	5	3- AUD	No	Nil	Nil	Nil	

- CMD: Chairman & Managing Director;
- ED: Executive Director
- ID: Independent Director
- STC: Share Transfer Committee
- AUD: Audit Committee
- REM: Remuneration Committee.

\* Shri Pritam A. Doshi has been appointed by Board as an Executive Director with effect from 3<sup>rd</sup> May, 2006.

#### 3. Audit Committee:

During the year 2005-06, the Audit Committee met thrice on 10<sup>th</sup> June 2005, 29<sup>th</sup> October 2005 and 28<sup>th</sup> January 2006.

The Constitution of Committee and attendance of Committee Members is given below:-

Name	Designation	Profession	Category	No. of Meetings attended
Shri Dilip J. Thakkar	Chairman	Chartered Accountant	ID	3
Shri John O. Band	Member	Merchant Banker, Investment Manager, Accountancy Profession	ID	2
Shri Karthikeyan Muthuswamy	Member	Portfolio manager, Investment Manager	ID	3
Shri Pritam A. Doshi	Member	Businessman	ED	Nil

The Audit Committee amongst the areas mentioned in clause 49 of the listing agreements of Stock Exchanges and Section 292A of the Companies Act, 1956, covered the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial informations.
- Recommending to the Board the appointment and removal of external auditor, fixation of audit fee etc.
- Reviewing with the management the annual financial statements before submitting to the Board.
- Reviewing with the management, external and internal auditors, and adequacy of internal controls.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the company's financial and risk management policies.

#### 4. Code of Conduct:

The Board of Directors has laid Code of Business Conduct and Ethics for the Directors and Senior Management. The code is posted on the Company's website: [www.paelttd.com](http://www.paelttd.com).

Company has also adopted a "Code of Conduct for Prevention of Insider Trading" w.e.f. 13<sup>th</sup> September, 2002. Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, Ms. Sandhya Sati, Company Secretary has been appointed as the "Compliance Officer" for this purpose. The Code of Conduct is applicable to all such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company as well as Directors.

#### 5. Risk Management Frame work

The areas of risks are identified by the Management and periodically discussed with the Board and the mitigation process being taken up.