



57<sup>TH</sup> ANNUAL REPORT  
2006-2007

**PAE LIMITED**

## FIVE YEARS AT A GLANCE

(Rupees in lacs)

Year ending	March 2007	March 2006	March 2005	March 2004	March 2003
<b>Profitability Items</b>					
Gross Income	18418	14377	12883	11485	9539
PBDIT	633	314	210	101	12
Depreciation	37	26	28	35	46
PBIT	596	288	182	66	-34
Interest	113	80	73	51	49
PBT	483	208	109	15	-83
Provision for diminution in value of investment	0	0	0	6	17
Taxes	158	77	0	0	0
PAT	325	131	109	9	-100
Dividend (including dividend distribution tax)	111	0	0	0	0
<b>Balance Sheet Items</b>					
Net Fixed Assets	415	177	157	245	261
Investments	19	538	538	537	556
Net Current Assets	3899	3463	3419	2945	2884
Total Capital Employed	4333	4178	4114	3727	3701
Shareholders Funds	3214	3208	3145	3023	3014
Borrowings	1115	958	969	704	687
Deferred Tax Liability	4	12	0	0	0
<b>Total</b>	<b>4333</b>	<b>4178</b>	<b>4114</b>	<b>3727</b>	<b>3701</b>
<b>Ratios</b>					
Book Value Per Share (in Rs.)	33.76	33.70	33.04	31.76	31.66
CEPS (in Rs.)	3.80	1.65	1.44	0.46	-0.57
EPS (in Rs.)	3.42	1.37	1.15	0.09	-1.05

## 57th Annual General Meeting

**Day and Date:**  
Monday, the 30th day of July 2007

**Venue:**  
M. C. Ghia Hall,  
Bhogilal Hargovindas Building, 2nd floor  
18/20, K. Dubhash Marg  
Mumbai 400001

**Time:**  
11.00 a.m.

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### BOARD OF DIRECTORS

Shri Arvind R. Doshi – Chairman & Managing Director  
Shri Pritam A. Doshi – Executive Director & CEO  
Shri Dilip J. Thakkar  
Shri John O. Band  
Shri Karthikeyan Muthuswamy

### SENIOR EXECUTIVES

Shri Samir Roy – President & COO  
Shri K. N. Kumar – Vice President – Finance  
Shri D. Kaushik – General Manager – Marketing

### COMPANY SECRETARY

Ms. Smitha Singh

### AUDITORS

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

### BANKERS

State Bank of India  
State Bank of Indore  
Corporation Bank

### REGISTRAR & SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound  
L. B. S. Marg, Bhandup (W)  
Mumbai 400078.

### REGISTERED & CORPORATE OFFICE

69, Tardeo Road  
Mumbai 400034  
Tel: +91-22-66185799  
Fax: +91-22-66185757  
Website: [www.paeltd.com](http://www.paeltd.com)

## NOTICE

NOTICE is hereby given that the Fifty Seventh Annual General Meeting of the Members of PAE LIMITED will be held on Monday, the 30th day of July, 2007 at 11.00 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Bldg, 18/20, K. Dubhash Marg, Mumbai 400001 to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and Profit & Loss Account for the year ended as on that date together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend on Equity Shares of the Company.
3. To appoint a Director in place of Shri Karthikeyan Muthuswamy, who retires by rotation and being eligible, offers himself for reappointment.
4. 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 authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals as may be required, consent of the Company be and is hereby accorded for the re-appointment of Shri Arvind R. Doshi as Chairman & Managing Director of the Company for a period of 3 years w.e.f. 8<sup>th</sup> April, 2007, with the remuneration, perquisites and benefits as approved by the Remuneration Committee and with the powers and authority as set out in the Agreement dated 31<sup>st</sup> January 2007 entered into between the Company and Shri Arvind R. Doshi, a draft whereof is submitted to this meeting and for identification initialed by the Chairman of the meeting, which Agreement is hereby specifically approved with the liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or remuneration in such manner as may be agreed to between the Board of Directors and Shri Arvind R. Doshi.

**RESOLVED FURTHER THAT** in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise powers, including powers conferred by this Resolution) be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such limits or ceiling as may be prescribed under such amendment, modification or relaxation and the agreement between the Company and the Chairman & Managing Director be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Members of the Company in General Meeting.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps and to do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this resolution."

By Order of the Board of Directors

Registered Office

69, Tardeo Road,  
Mumbai- 400 034

Dated : 30<sup>th</sup> May, 2007

Smitha Singh  
Company Secretary

## 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 relevant explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of Special Business under item no. 5 as set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 20th day of July 2007 to Monday, 30th day of July 2007 (both days inclusive).
4. The final dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid on or after 6<sup>th</sup> August, 2007, to those persons or their mandates
  - a) whose names appear as Beneficial Owners as at the end of the business hours on 30th July, 2007 in the list of Beneficial Owners to be furnished to the Company by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of the shares held in electronic form; and
  - b) whose names appear as Members in the Register of Members of the Company as on 30th July, 2007
5. The facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through Electronic Clearing Service (ECS) is arranged by the Company. This facility is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not done earlier) are requested to complete and submit the Mandate Form that is separately enclosed with this Annual Report, to Company's Share Transfer Agents (for shares held in physical form) or their Depository participants (for shares held in electronic form) latest by 20th July 2007.
6. Members are requested to
  - (a) intimate any change in their addresses to the Company's Registrar and Share Transfer Agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078.
  - (b) quote client ID and DP ID numbers in respect of shares held in dematerialised form and ledger folio number in respect of shares held in physical form in all the correspondence.
  - (c) to bring their Annual Report to the Meeting and attendance slip duly filled in. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
7. Corporate Members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
8. 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 Registrar and Transfer Agents, Intime Spectrum Registry Limited for consolidation of all such folios into one to facilitate better service.

9. Consequent upon the introduction of Section 205-C by the Companies (Amendment) Act, 1999, unclaimed /unpaid dividend amount, fixed deposits and unclaimed interest on matured fixed deposits for a 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 by the Company.
10. The facility for making nominations is 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 Limited or from the Company.
11. 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 that the information required can be made readily available at the meeting to the extent possible.
12. Members may refer Report on Corporate Governance for particulars of Directors' appointment/re-appointment at the Annual General Meeting.

## ANNEXURE TO NOTICE

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

#### Item No. 5:

#### *Re-appointment of Shri Arvind R. Doshi as Chairman & Managing Director.*

At the Fifty Fourth Annual General Meeting of the Company held on 27<sup>th</sup> August, 2004, the members had approved the appointment of Shri Arvind R. Doshi as the Chairman & Managing Director of the Company for a period of 3 years w.e.f. 8<sup>th</sup> April, 2004.

His term expired on 7<sup>th</sup> April, 2007. On the recommendation of the Remuneration Committee, the Board of Directors at their meeting held on 31<sup>st</sup> January, 2007 reappointed Shri Arvind R. Doshi, Managing Director for a period of 3 years with effect from 8<sup>th</sup> April, 2007 on the terms and conditions set out hereinbelow:

#### Salary

Rs.1,33,300/- per month.

#### 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, 269, 309 and 310 read with Schedule XIII & other applicable provisions, if any, of the Companies Act, 1956.

#### Perquisites

The Chairman & Managing Director will be entitled for the following perquisites subject to a ceiling of 125% 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) Leave Travel Concession: For self and family once in a year, as per the rules of Company.
- d) Car: Provision for Company car with driver.
- e) Club Fees: Fees of Clubs subject to a maximum of two clubs; this will not include admission and life membership fees.
- f) Medical and Accident Insurance: Hospitalisation and Domiciliary Hospitalisation Benefit Policy for self and family and Personal Accident Insurance for self.

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."

#### Other Benefits

In addition to the above perquisites, the 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-imbursment of Mobile, Telephone, and Internet expenses at residence on submission of bills.
- f) Chairman and Managing 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.

#### Minimum Remuneration

Where in any financial year during the currency of the tenure of the Chairman and Managing 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 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.

#### Other terms

The office of the Chairman & Managing Director will not be liable to retire by rotation and will not be entitled for the sitting fees for attending Meetings of the Company. The appointment can be terminated by either party giving the other party 6 months notice to the other.

#### I. General Information:

1. Nature of Industry	Marketing and distribution	
2. Date of Commencement of Commercial Activity	Company has been operating since 1950	
3. Financial Performance		
Financial Year	2006-07	2005-06
	Rs.	Rs.
Earning per share	3.42	1.37
Dividend per share	1.00	NIL
Book value per share	33.76	33.70

#### II. Information about the Appointee:

Shri Arvind R. Doshi has been associated with the Company since 1994. Shri Doshi besides having brilliant academic career in Engineering and in Business Management also has rich experience in the field of industry and particularly in Automobile Sector. He is responsible for ensuring profitable growth of the company with adequate control on costs.

**Job Profile and his suitability:** Shri Arvind R. Doshi is the Chairman and Managing Director of the Company. He will

have substantial powers of management and shall exercise the same subject to the superintendence, control and direction of the Board. He is over all responsible for the day to day management of the Company. Taking into consideration his expertise and his vast experience in the industry and particularly in Automobile sector he is best suited for the responsibilities currently assigned to him by the Board of Directors.

**Remuneration Proposed:** Details of remuneration proposed have been given in the notice. While determining the salary of Shri Arvind R. Doshi, Chairman and Managing Director the Remuneration Committee took into account the financial position of the Company, trend in the industry, experience and background in totality and objectivity in determining the remuneration package of Shri Arvind R. Doshi.

### III. Other information:

#### 1) Reason for loss or inadequate profits:

Due to adverse market conditions in the past and during the financial year 2005-2006, the margins were severely affected.

#### 2) Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms:

The Company has already achieved excellent performance during the current financial year 2006-2007 by diversifying into distribution of higher margin products. Considering the present performance, the company has the potential to achieve higher profits.

The Board recommends the approval of the appointment of Shri Arvind R Doshi as Chairman & Managing Director of the Company.

The Abstract of the terms and conditions governing the appointment and remuneration of Shri Arvind R Doshi pursuant to Section 302 of the Companies Act, 1956 was mailed to the members on 19<sup>th</sup> February 2007.

The Agreement dated 31<sup>st</sup> January, 2007 referred to in the Resolution in Item No.5 of the Notice will be open for inspection by members at the Registered Office of the Company on all working days (except Saturday) between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

Shri Arvind R. Doshi is interested in the resolution. Shri Pritam A. Doshi, being a relative of Shri Arvind R. Doshi, is deemed to be concerned or interested in the resolution.

None of the Directors, except Shri Arvind R. Doshi and Shri Pritam A. Doshi are concerned or interested in the resolution.

By Order of the Board of Directors

Smitha Singh  
Company Secretary

#### Registered Office

69, Tardeo Road,  
Mumbai- 400 034

Dated: 30<sup>th</sup> May, 2007

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

To the Members:

Your Directors have pleasure in presenting their Fifty Seventh Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2007.

### 1. FINANCIAL RESULTS

	(Rs. in lacs)	
	Current Year ended 31.03.2007	Previous Year ended 31.03.2006
Total Revenue	16704.28	13592.35
Total Expenses	16071.02	13278.30
Less: Interest	113.28	80.21
Less: Depreciation	37.43	25.54
Profit before Tax	482.55	208.30
Less: Provision for tax	157.18	77.52
Profit after taxes	325.37	130.78
Profit brought forward from previous year	130.78	109.10
	<u>456.15</u>	<u>239.88</u>

#### APPROPRIATION

Transfer to General Reserves	0.00	109.10
Balance carried forward	344.77	130.78

### 2. Change in Share Premium Account

The Members at the Extra Ordinary General Meeting of the Company held on 27<sup>th</sup> February 2006 had authorized the Company to utilize an amount of Rs. 1461.08 lacs, being the balance standing in the Securities Premium Reserve Account, to write off bad book debts and obsolete inventory, upto 31st March 2008. The same was subsequently sanctioned by the Bombay High Court on 1<sup>st</sup> September, 2006. Accordingly the Company had 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 31<sup>st</sup> March, 2006. During the year under review, an amount of Rs. 207.80 lacs (net of tax of Rs. 3.96 lacs) has been utilized further for writing off obsolete stocks and receivables (including "Other loans & advances").

### 3. Dividend

Your Directors are pleased to recommend final dividend of 10% i.e. Re.1/- (Re. One Only) on equity share of Rs. 10/- each, subject to the approval of shareholders at their Annual General Meeting.

### 4. Management Discussion & Analysis Industry Structure and Developments

PAE is in the automotive and non-automotive (industrial) segments of batteries and components/ systems.

PAE is in the business of marketing and distribution of industrial batteries that are used for applications in IT, banking, residential, railways, etc. These batteries are used to provide power storage in power back up

systems. Depending on the type of application, the battery size and numbers vary. In addition to batteries, PAE also buys power back-up systems from manufacturers and sells to dealers, manufacturers and end users.

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 battery products, PAE does not take any credit risk as it gets paid against delivery.

#### Opportunities and Threats

The lack of adequate and reliable power in India is an opportunity for the Company to grow its industrial battery and power backup systems business. For this country to sustain its 9% growth figure, uninterrupted power is a critical requirement for several businesses that are in the service and manufacturing sectors.

However, as the power infrastructure in India develops and catches up with the demand growth, the demand for industrial batteries and inverters will reduce. There is significant new competition in this business with immense pressure on margins.

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.

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.12 in the Notes forming part of the Account.

#### Risks and Concerns

- Steep increase in raw materials cost, such as lead, would affect the battery market.



- Increases in interest rates will tend to slow the sales for new vehicles reducing the number of vehicles added to road population every year.
- 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 tend to be done at their authorized dealerships and workshops, reducing the demand in the aftermarket.

## 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 internal control system and procedures in areas of reconciliation of balances with vendors and debtors.

## Discussion on financial performance with respect to operational performance

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

Particulars	2006-2007	2005-2006
1. Sales & Operating Income	18345.85	14332.74
2. Less: Value Added Tax	1713.77	785.17
3. Net Sales & Operating Income	16632.08	13547.57
4. Other Income	72.20	44.78
5. Total Income (3 + 4)	16704.28	13592.35
6. Total Expenditure:		
a. Cost of Sales	14773.75	12190.56
b. Employees' Remuneration and Benefits	382.14	356.42
c. Establishment & Other Expenses	915.13	731.32
	16071.02	13278.30
7. Interest	113.28	80.21
8. Profit after interest but before depreciation & tax	519.98	233.84
9. Profit after interest but before depreciation & tax as % to Total Income	3.11%	1.72%
10. Depreciation	37.43	25.54
11. Profit before tax	482.55	208.30
12. Provision for Tax:		
a. Current Tax	153.96	49.36
b. Fringe Benefit Tax	11.50	16.00
c. Deferred Tax (Asset)/Liability	(8.28)	12.16
13. Net Profit/(Loss) after tax & exceptional items	325.37	130.78
14. Expenses as a % to Net Sales & Operating Income:		
a. Employee Cost	2.30%	2.63%
b. Establishment & Other Expenses	5.50%	5.40%
c. Interest	0.68%	0.59%

Sales and Operating Income for the year has increased by 28% from Rs. 14332.74 lacs in the previous year to Rs.18345.85 lacs on account of improvement in volumes.

During the year, the company has made a profit before tax of Rs. 482.55 lacs as against Rs. 208.30 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 for the year is Rs. 382.14 lacs and is 2.30% of the Net Sales & Operating income as compared to Rs.356.42 lacs which was 2.63% of the Net Sales & Operating Income in the previous year, an increase of 33 basis points. Establishment and Other expenses for the year is Rs. 915.13 lacs and is 5.50% of the Net Sales and Operating Income as compared to Rs.731.32 lacs which was 5.40% of the Net Sales & Operating Income in the previous year, an increase of 10 basis points.

Depreciation for the year is Rs. 37.43 lacs as compared to Rs. 25.54 lacs in the previous year due to major additions in the current year.

Interest for the year is Rs.113.28 lacs which is 0.68% of the Net Sales & Operating Income as compared to Rs. 80.21 lacs and was 0.59% of the Net Sales & Operating Income in the previous year, an increase of 9 basis point. This increase is due to increase in working capital requirement and increase in interest rates.

The company has made a provision for tax of Rs.153.96 lacs and a provision of Rs.11.50 lacs for Fringe Benefit Tax. In accordance with AS-22, Accounting for Taxes on Income, there is a Deferred Tax Asset of Rs. 8.28 lacs during the current year and the Deffered Tax Liability stands at Rs. 3.88 lacs as on the date of Balance Sheet.

The company has a Net Profit available for appropriation amounting to Rs. 456.15 lacs as on 31<sup>st</sup> March 2007 and has proposed a dividend of 10% for the year ended.

## Financial Condition

### Share Capital

Issued, subscribed and paid-up capital as at March 31, 2007 was Rs. 951.96 lacs and there is no change as compared to previous year.

### Reserves and Surplus

As at March 31, 2007 Reserves and Surplus amounted to Rs. 2262.32 lacs as compared to Rs. 2256.13 lacs at the end of previous year. As per the Bombay High Court order received, during the previous year, the company has reduced the Securities Premium Reserve account by Rs. 78.44 lacs (net of tax of Rs. 39.79 lacs) on account of obsolete stocks and receivables. During the year a further amount of Rs. 207.80 lacs (net of tax of Rs.3.96 lacs) has been reduced from the Securities Premium Reserve account. The company has also proposed a dividend of 10% amounting to Rs. 95.20 lacs from the net profit available



for appropriation of Rs. 456.15 lacs during the current year. Therefore there is no substantial increase in the Reserves and Surplus.

#### **Loan Funds**

There has been an increase in the loan funds to Rs. 1114.73 lacs as at March 31, 2007 as compared to Rs. 956.68 lacs in the previous year due to increase in working capital requirement.

#### **Fixed Asset**

Net fixed assets as at March 31, 2007 has increased to Rs. 415 lacs as compared to Rs. 177.19 lacs in the previous year. There have been additions amounting to Rs. 285.46 lacs in the current year.

#### **Investments**

Investments are at Rs. 19.37 lacs as on March 31, 2007 as compared to last years Rs. 538.29 lacs. This is due to sale of entire investment in Premier Ltd as the same is no longer considered as core investment due to lack of synergy in the business of the Company & Premier Ltd.

#### **Net Current Assets**

Net Current Assets has increased to Rs. 3898.52 lacs as at March 31, 2007 from Rs. 3461.45 lacs as at March 31, 2006 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.

The employees' relation during the year under review were cordial and harmonious and the productivity improved in all the areas. Your company has a total strength of 202 employees as on March 2007.

#### **5. Fixed Deposits**

The amount of Fixed Deposits accepted from the public during the year under review stands at Rs. 75.58 Lacs.

At the end of the year, there were 5 matured deposits for Rs. 0.57 lacs, which were not claimed by the depositors 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. Directors**

Shri Arvind R Doshi's term of office as Chairman and Managing Director expired on 7<sup>th</sup> April 2007. The Board

has approved his re-appointment as Chairman and Managing Director for a period of 3 years w.e.f. 8<sup>th</sup> April 2007 at their Meeting held on 31<sup>st</sup> January 2007, subject to the approval of shareholders at the Annual General Meeting. Attention of shareholders are invited to item No. 5 of the notice convening Annual General Meeting. The details of Shri Arvind R. Doshi are furnished as part of Corporate Governance Report.

The Board has re-designated Mr. Pritam A. Doshi, Executive Director as Executive Director & Chief Executive Officer (CEO) of the Company at their Meeting held on 30<sup>th</sup> May, 2007.

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

#### **7. Corporate Governance Report**

Your Company is committed to good corporate governance practices. 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.

#### **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 31<sup>st</sup> March, 2007, the applicable accounting standards had been followed;
- (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 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, 2007 on a 'going concern' basis.

## 9. Auditors' Observation

Your Directors are of opinion that if any tax liability arises in future in respect of which proceedings are pending with relevant authorities, the same will be adjusted against securities premium reserve account as per the court order and it should not have any impact on the profits.

## 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 offer themselves for re-appointment.

The Board of Directors recommends their re-appointment as Statutory Auditors.

## 11. 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.

## 12. 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.

During the year the foreign exchange outgo was Rs. 5.45 lacs and foreign exchange earnings were NIL.

## 13. Acknowledgements

Your Directors place on record their sincere appreciation for the assistance and co-operation received from the Shareholders, Consortium of Bankers, Customers, Dealers, Suppliers and Principals.

Your Directors also sincerely acknowledge the valuable contributions made by the Employees at all levels and for their dedicated services to the Company.

For and on behalf of the Board of Directors

**Arvind R. Doshi**  
Chairman & Managing Director

## Registered Office:

69, Tardeo Road  
Mumbai 400 034

Dated: 30th May, 2007

## 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 31st March, 2007

Sr. No.	Name & Designation	Age (Years)	Gross Remuneration (Rs.)	Qualifications	Total Experience	Date of Commencement of Employment	Previous Employment
1.	Shri Arvind R. Doshi Chairman & Managing Director	67	Rs.32.23 Lacs	Diploma in Civil & Sanitary Engg. & Business Management	43 Years	16.04.1994	Worked with Premier Automobiles Ltd. as Managing Director for 5 years
2.	Shri Samir Roy President & Chief Operating Officer	54	Rs. 28.17 Lacs	B.Sc., D.B.M	33 Years	05.11.1973	N.A.

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 nature of the employment of Shri Arvind R. Doshi, Chairman & Managing Director is contractual and terminable by six months notice.